Annual report 2012

DNB GROUP

IMPORTANT EVENTS IN 2012

1ST QUARTER

- Finanstilsynet's new rules on a minimum 15 per cent down payment for home mortgages entered into force
- DNB established a pilot project for Norwegian bank production in Latvia
- DNB Livsforsikring signed a contract to purchase the three buildings which constitute the Group's new headquarters in Bjørvika in Oslo

2ND QUARTER

- DNB launched the savings products SuperSave and Junior HomeSave
- DNB's shares in Nordisk Tekstil Holding AS, which were acquired in 2009, were sold at a profit after a successful restructuring process
- DNB and two large Swedish banks were downgraded one notch by Moody's credit rating agency

3RD QUARTER

- DNB presented new financial targets at its Capital Markets Day event
- DNB continued to climb on Ipsos MMI's Norwegian corporate reputation list and was ranked best among the banks
- DNB still qualified for inclusion in the Dow Jones Sustainability Index and thus remained among the top 10 per cent companies within its industry group
- DNB entered into an agreement to sell its wholly-owned subsidiary SalusAnsvar AB
- DNB started to move into its new headquarters in Bjørvika in Oslo

4TH QUARTER

- The EU Ministers of Finance decided to establish a single supervisory authority for the largest banks in the eurozone
- Nordlandsbanken and DNB were formally merged
- DNB entered into an agreement to sell the branch network in Poland

FINANCIAL CALENDAR 2013

Annual accounts 2012 (preliminary figures) and fourth quarter 2012	7 February
Annual general meeting	30 April
First quarter	26 April
Distribution of dividends	as of 13 May
Second quarter	11 July
Third quarter	24 October

CONTACT PERSONS

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CONTENTS

NORWAY'S LEADING FINANCIAL SERVICES GROUP

DNB is Norway's largest financial services group and one of the largest in the Nordic region. The Group offers a full range of financial services, including loans, savings, advisory services, insurance and pension products for personal and corporate customers.

DNB is among the world's leading banks within its international priority areas, especially the energy, shipping and seafood sectors. The bank is represented in 20 countries worldwide and has 185 branch offices in Norway.

The Group had total assets of NOK 2 473 billion as at 31 December 2012.

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

VISION AND VALUES

DNB's vision:
Creating value through the art of serving the customer
DNB will create value for customers, owners, employees and society in general.

DNB's values:
Helpful, professional and show initiative
The values reflect what should characterise DNB. Employees who are helpful, professional and show initiative will ensure that customers always have a good experience when they contact DNB.

DNB's vision and values are about putting the customers in focus. By having satisfied customers whose needs for financial services are well met, DNB aims to be the leading bank throughout Norway and a leading international player within selected customer segments, products and geographic areas.

An important target for the Group is to achieve even stronger customer orientation in its operations and improve customer satisfaction.

STRATEGY

DNB's strong position in Norway and the healthy Norwegian economy give the Group a sound basis for continued growth. However, uncertainty regarding future economic developments and new requirements from the authorities call for a high level of adaptability and will be guiding for DNB's future strategic decisions.

CAPITAL-EFFICIENT GROWTH

DNB's ambition is to achieve continued growth parallel to strengthening its Tier 1 capital ratio. This requires clear priorities. DNB will give priority to growth within the areas which ensure the best risk-adjusted return, with special emphasis on non-capital intensive products and services.

In consequence of the sound Norwegian economy, DNB's growth is expected to be stronger in Norway than in its international operations over the next few years.

IMPROVED CUSTOMER EXPERIENCE

Over time, DNB has succeeded in strengthening its reputation and improving its customer satisfaction scores. High priority will be given to ensuring good experiences every time customers are in contact with the bank. It will be particularly important to further improve customer satisfaction in the personal customer market and among small corporate customers.

DNB's customer value propositions:
- present and attentive
- competitive prices
- attractive products
- responsive and clear

Compliance with the value propositions will, along with local competitive power and in-depth industry knowledge, consolidate and strengthen DNB's position among customers.

REDUCED COST LEVEL

DNB will continue the process of coordinating, simplifying and streamlining operations, aiming to improve the Group's competitiveness and its ability to deliver good services and products to its customers. A number of initiatives have been implemented, including the streamlining of staff and support functions and IT operations, as well as adjustments to the distribution network in step with changes in demand and customer behaviour.

LONG-TERM TARGETS

DNB will give priority to long-term value creation for its shareholders and aims to achieve a return on equity, growth and a market capitalisation which are competitive in relation to its Nordic peers.

FINANCIAL AMBITIONS TOWARDS 2015

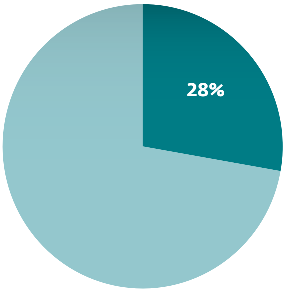
DNB's long-term financial ambitions are conditional on relatively positive future developments in the macroeconomy and in the general framework conditions for the financial services industry.

DNB's financial ambitions towards 2015 are:
- Annual average growth in net interest income above 6 per cent
- Maximum 2 per cent average annual growth in costs including restructuring costs
- Return on equity above 12 per cent in 2015
- A common equity Tier 1 capital ratio (Basel III) at 12.0-12.5 per cent in 2015
- An unchanged long-term dividend policy, with a payout ratio of approximately 50 per cent of annual profits. In order to strengthen capital adequacy, the dividend payout ratio will be 25-50 per cent in 2012-2014.

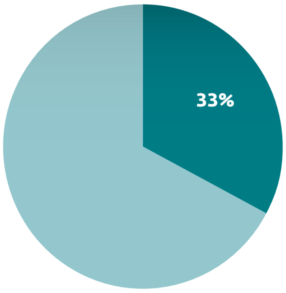
DNB's MARKET SHARES IN NORWAY

RETAIL MARKET [1]

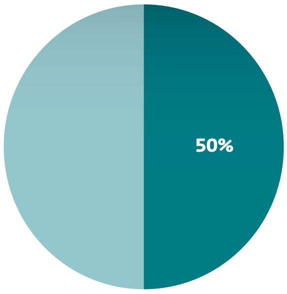
LOANS FROM FINANCIAL INSTITUTIONS AS AT 31 DEC. 2012



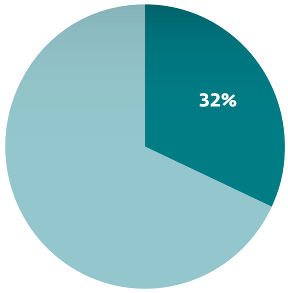
DEPOSITS AS AT 31 DEC. 2012



POLICYHOLDERS' FUNDS AS AT 31 DEC. 2012

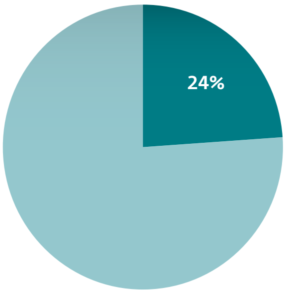


MUTUAL FUND INVESTMENTS AS AT 31 DEC. 2012

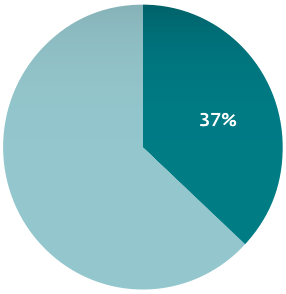


CORPORATE MARKET [1]

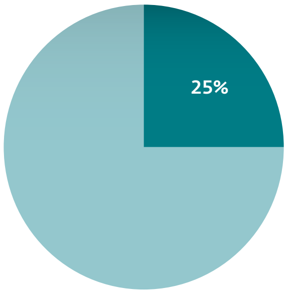
LOANS FROM FINANCIAL INSTITUTIONS AS AT 31 DEC. 2012



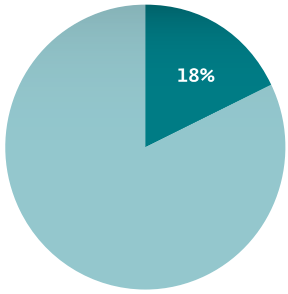
DEPOSITS AS AT 31 DEC. 2012



POLICYHOLDERS' FUNDS [2] AS AT 31 DEC. 2012



MUTUAL FUND INVESTMENTS AS AT 31 DEC. 2012

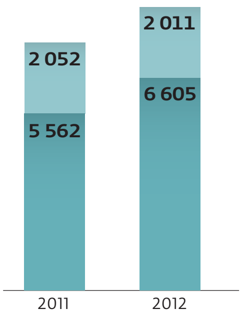


DNB's market shares

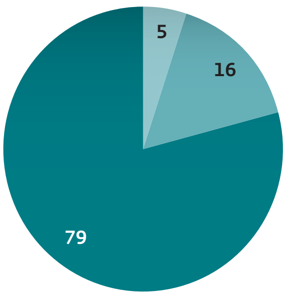
1) Source: Statistics Norway and Finance Norway.
2) Includes the public sector.

DNB's INTERNATIONAL UNITS

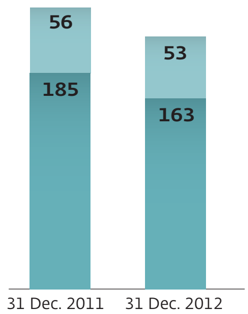
INCOME IN DNB's INTERNATIONAL UNITS (NOK MILLION)



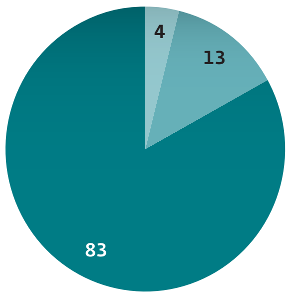
SHARE OF INCOME IN DNB's INTERNATIONAL UNITS IN 2012 (PER CENT)



LOANS IN DNB's INTERNATIONAL UNITS (NOK BILLION)



SHARE OF LOANS IN DNB's INTERNATIONAL UNITS AS AT 31 DEC. 2012 (PER CENT)



DNB Baltics and Poland Other international units Norwegian units

FINANCIAL HIGHLIGHTS

INCOME STATEMENT

Amounts in NOK million	2012	2011	2010	2009	2008
Net interest income	27 216	25 252	23 436	22 633	21 910
Net commissions and fees, core business [1]	*7 511*	*7 436*	*7 293*	*7 118*	*7 175*
Net financial items	*6 990*	*9 317*	*8 863*	*7 876*	*5 262*
Net other operating income	14 501	16 754	16 156	14 994	12 438
Ordinary operating expenses	20 660	19 792	17 920	18 115	17 663
Other expenses	287	380	591	796	1 058
Pre-tax operating profit before impairment	**20 769**	**21 833**	**21 081**	**18 717**	**15 627**
Net gains on fixed and intangible assets	(1)	19	24	26	52
Impairment of loans and guarantees	3 179	3 445	2 997	7 710	3 509
Pre-tax operating profit	**17 589**	**18 407**	**18 108**	**11 032**	**12 170**
Taxes	4 028	5 423	4 121	4 086	3 252
Profit from operations held for sale, after taxes	96	(5)	75	80	0
PROFIT FOR THE YEAR	**13 657**	**12 979**	**14 062**	**7 026**	**8 918**
Profit attributable to shareholders	13 657	12 979	14 814	8 585	9 211
Profit attributable to minority interests	0	0	(752)	(1 559)	(293)

BALANCE SHEET

Amounts in NOK million	31 Dec. 2012	31 Dec. 2011	31 Dec. 2010	31 Dec. 2009	31 Dec. 2008
Total assets	2 264 845	2 126 098	1 861 620	1 823 453	1 831 699
Loans to customers	1 297 892	1 279 259	1 170 341	1 114 886	1 191 635
Deposits from customers	810 959	740 036	641 914	590 745	597 242
Total equity	128 035	117 815	111 196	101 403	81 275
Average total assets for the year	2 363 517	2 147 853	1 969 557	1 905 708	1 635 113
Total combined assets at year-end	2 472 698	2 394 579	2 140 868	2 075 824	2 140 928

KEY FIGURES [2]

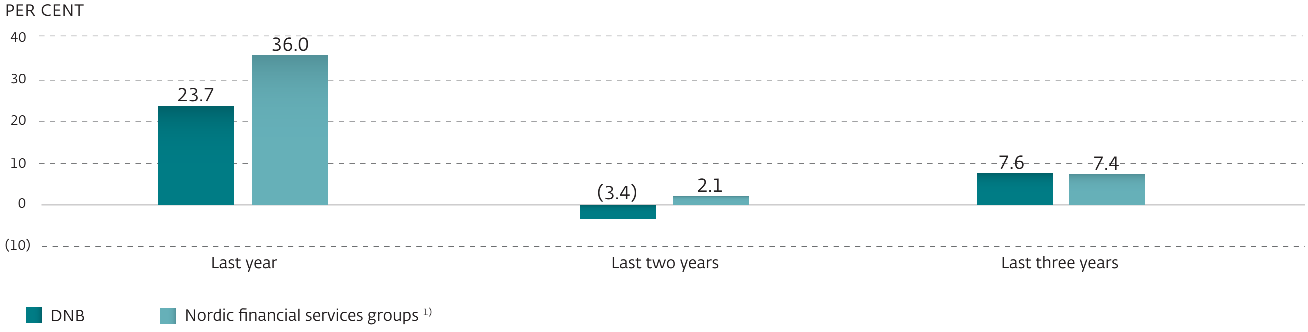
	2012	2011	2010	2009	2008
Combined weighted total average spread for lending and deposits (per cent)	1.18	1.12	1.15	1.15	1.04
Cost/income ratio (per cent)	49.5	47.1	47.6	48.1	51.4
Impairment relative to average net loans to customers	0.24	0.28	0.26	0.67	0.33
Return on equity (per cent)	11.2	11.4	13.6	10.6	12.4
Earnings per share (NOK)	8.39	7.98	8.66	6.43	6.91
Dividend per share (NOK) [3]	2.10	2.00	4.00	1.75	0.00
Equity Tier 1 capital ratio at end of period (per cent)	10.7	9.4	9.2	8.5	5.8
Tier 1 capital ratio at end of period (per cent)	11.0	9.9	10.1	9.3	6.7
Capital ratio at end of period (per cent)	12.6	11.4	12.4	12.1	9.5
Share price at end of period (NOK)	70.40	58.55	81.90	62.75	27.00
Price/book value	0.90	0.81	1.20	1.04	0.47

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 commissions and fees from banking services.
2) For a more detailed table of key figures, see page 170.
3) Proposed dividend for 2012.

THE DNB SHARE

In the course of 2012, the DNB share price including dividends rose by 23.7 per cent. Over the past three-year period, the DNB share has shown a marginally stronger development than the average share price of the Group's Nordic peers. At year-end 2012, DNB was the third largest company listed on Oslo Børs (the Oslo Stock Exchange).

TOTAL ANNUAL RETURN AS AT 31 DECEMBER 2012



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

KEY FIGURES

	2012	2011	2010	2009	2008
Number of shares at end of period (1 000)	1 628 799	1 628 799	1 628 799	1 628 799	1 332 654
Number of shares traded (1 000)	971 220	1 299 616	1 258 334	1 486 761	1 549 935
Average number of shares traded per day (1 000)	3 869	5 178	5 013	5 923	6 175
Earnings per share (NOK)	8.39	7.98	8.66	6.43	6.91
Return on equity (%)	11.2	11.4	13.6	10.6	12.4
Share price at end of period (NOK)	70.40	58.55	81.90	62.75	27.00
Price/earnings ratio	8.45	7.33	9.50	9.85	3.91
Price/book value	0.90	0.81	1.20	1.04	0.47
Dividend per share (NOK)	2.10	2.00	4.00	1.75	0.00
Dividend yield (%)	2.98	3.42	4.88	2.79	0.00
Equity per share including allocated dividend at end of period (NOK)	78.61	72.33	68.27	60.56	57.83

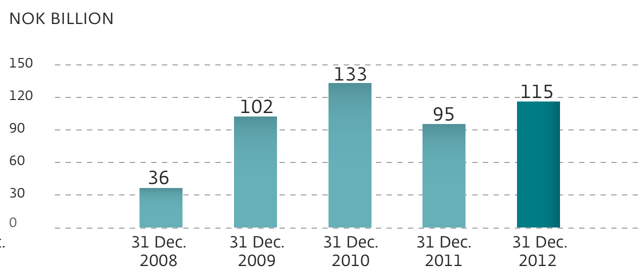
DIVIDEND POLICY

According to DNB's long-term dividend policy, the Group intends to distribute approximately 50 per cent of net annual profits as dividends provided that capital adequacy is at a satisfactory level. In order to strengthen Tier 1 capital, the dividend payout ratio is expected to be 25-50 per cent for a period up to and including 2014.

SHARE PRICE DEVELOPMENT IN 2012 – DNB COMPARED WITH NORDIC FINANCIAL SERVICES GROUPS 1)

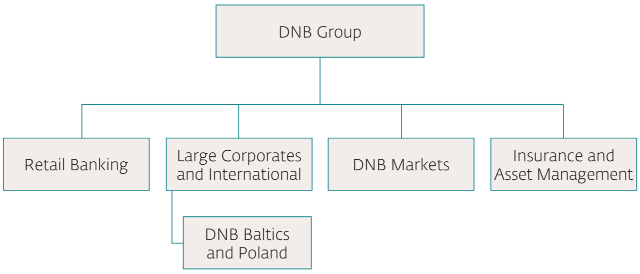
1) Unweighted average in local currency of Danske Bank, Swedbank, Nordea, SEB and Handelsbanken.

THE DNB GROUP'S MARKET CAPITALISATION



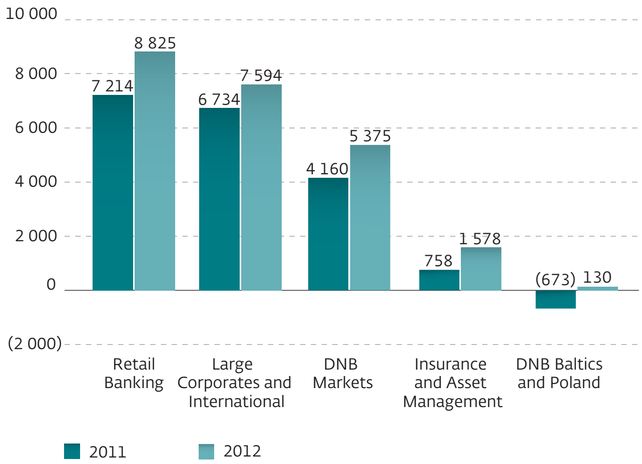
BUSINESS AREAS

BUSINESS AREAS IN THE DNB GROUP 2012 [1)]



1) The chart shows DNB's organisation in 2012. A new operational structure has been approved and will be implemented during 2013.

PRE-TAX OPERATING PROFIT BEFORE IMPAIRMENT



RETAIL BANKING

In 2012, Retail Banking was responsible for serving the Group's 2.1 million personal customers and some 220 000 corporate customers through the branch network and customer service centres in Norway. DNB aspires to be a local bank for the whole of Norway, while offering the expertise of a large bank and offering a broad range of products. Coordinated customer service in local markets and electronic channels makes the services very accessible and contributes towards giving customers good personal advisory services.

KEY FIGURES AS AT 31 DECEMBER 2012

Pre-tax operating profit	NOK 8 825 million
Loans	NOK 872 billion
Deposits	NOK 462 billion
Return on allocated capital	30.6%
Cost/income ratio	53.1%
Number of full-time positions	4 897

LARGE CORPORATES AND INTERNATIONAL

In 2012, Large Corporates and International served the largest Norwegian corporate customers and the Group's international customers. Operations are based on broad and sound industry expertise and long-term customer relationships. DNB has a broad, competitive range of products and offers financial services adapted to customer needs and to the general market situation. International initiatives focus on the shipping, energy and seafood sectors.

KEY FIGURES AS AT 31 DECEMBER 2012

Pre-tax operating profit	NOK 7 594 million
Loans	NOK 370 billion
Deposits	NOK 306 billion
Return on allocated capital	21.7%
Cost/income ratio	27.5%
Number of full-time positions	1 118

DNB MARKETS

DNB Markets is Norway's leading investment firm. Key products include foreign exchange, interest rate and commodity products, securities and other investment products, debt and equity financing, research and advisory services, as well as custodial and other securities services. The main focus is on customer activities in cooperation with the Group's other business areas. Customer activities are supported by trading activities.

KEY FIGURES AS AT 31 DECEMBER 2012

Total revenues	NOK 7 547 million
– of which customer-related revenues	NOK 3 061 million
– of which market-making/trading revenues	NOK 4 486 million
Pre-tax operating profit	NOK 5 375 million
Return on allocated capital	57.0%
Cost/income ratio	28.8%
Number of full-time positions	722

INSURANCE AND ASSET MANAGEMENT

In 2012, Insurance and Asset Management was responsible for life insurance, pension savings, asset management and non-life insurance in the DNB Group. DNB Livsforsikring aims to be Norway's leading provider of pension savings products. DNB Asset Management is one of Norway's largest providers of mutual funds and discretionary asset management. DNB Skadeforsikring offers non-life insurance products to DNB's Norwegian personal customers.

KEY FIGURES AS AT 31 DECEMBER 2012

Pre-tax operating profit	NOK 1 578 million
– of which DNB Livsforsikring	NOK 1 196 million
– of which DNB Asset Management	NOK 179 million
– of which DNB Skadeforsikring	NOK 203 million
Return on allocated capital	13.8%
Cost/income ratio	58.1%
Assets under management	NOK 481 billion
Number of full-time positions	1 017

DNB BALTICS AND POLAND

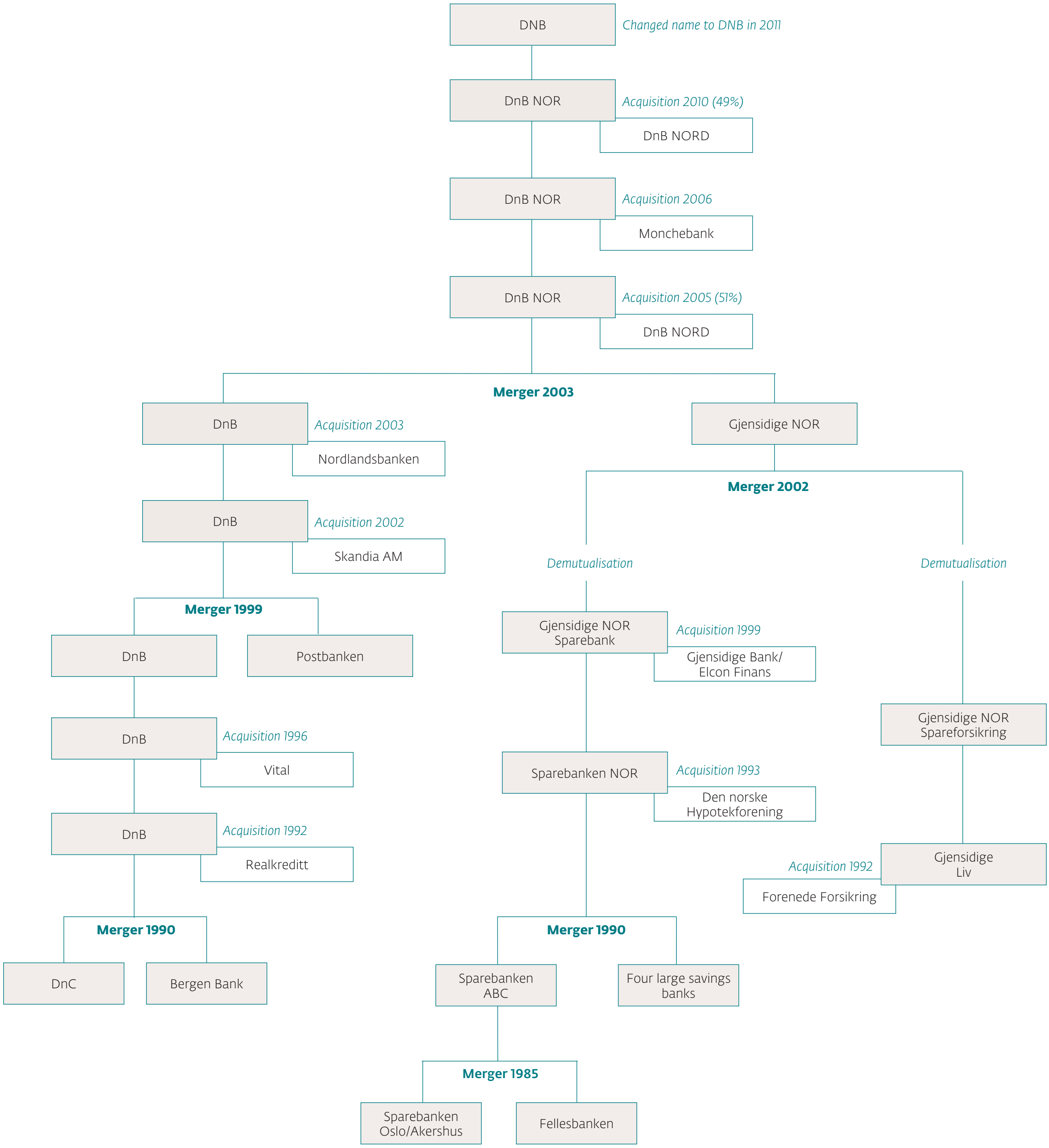
Operations in DNB Baltics and Poland have been reported as a separate profit centre, but are organised under the Large Corporates and International business area. The bank offers a wide range of products to both corporate and retail customers in the Baltic countries Estonia, Latvia and Lithuania, and operations are well integrated with DNB. DNB's operations in Poland are currently being restructured and will focus on the corporate market within the Group's international priority areas.

KEY FIGURES AS AT 31 DECEMBER 2012

Pre-tax operating profit	NOK 130 million
Loans	NOK 53 billion
Deposits	NOK 29 billion
Return on allocated capital	2.8%
Cost/income ratio	80.0%
Number of full-time positions	3 083

HISTORY

DNB represents more than 190 years of financial history, from the establishment of Christiania Sparebank in 1822 to the establishment of DNB as the leading Norwegian financial institution.



LEGAL STRUCTURE

- DNB ASA
  - DNB Bank ASA
    - *Major subsidiaries:*
      - DNB Nærings-megling AS
      - DNB Eiendom AS
      - DNB Meglerservice AS
      - DNB Boligkreditt AS
      - DNB Næringskreditt AS
      - SalusAnsvar AB
      - DNB Luxembourg S.A.
      - JSC DNB Bank (Russia)
      - Svensk Fastighets-förmedling AB
      - DNB Invest Denmark A/S
      - AS DNB Pank (Estonia)
      - AS DNB Banka (Latvia)
      - AB DNB Bankas (Lithuania)
      - DNB Baltic IT A/S
  - DNB Asset Management Holding AS
  - DNB Livsforsikring ASA
  - DNB Skadeforsikring AS

DNB's GEOGRAPHIC PRESENCE

AMERICAS

- Brazil
- Chile
- USA – Houston
- USA – New York

EUROPE

- Denmark
- England
- Estonia
- Finland
- Germany
- Greece
- Latvia
- Lithuania
- Luxembourg
- Norway
- Poland
- Russia
- Scotland
- Sweden

ASIA

- China – Hong Kong
- China – Shanghai
- India – Chennai
- India – Mumbai
- Singapore

GROUP CHIEF EXECUTIVE'S STATEMENT

2012 was a year of solid profits for DNB, with growth in all business areas and significantly strengthened capital adequacy.

Throughout 2012, the contours of the new banking reality became more distinct. This is a reality which is sweeping across the entire banking sector with full force and will definitely entail fundamental changes both for the sector's structure and for the banks' business models.

There are three main drivers behind the new banking reality. The first driver is stricter regulation and higher capital adequacy requirements. 2012 was the year when the temperature of the debate on our framework conditions became more heated. The final outcome is still unknown, and important clarifications will hopefully be made during 2013. The second driver is changed customer behaviour. The use of online and mobile banking is now accelerating fast. The era when customers visited their local branch during their lunch break is definitely over.

The third driver is ongoing macroeconomic turmoil and greater market volatility. The economic mood can easily shift from optimism and belief in the future to pessimism and fear for what is ahead. Our main view is that a recession will be avoided, though the crisis in Europe and the US is definitely not over. We must prepare ourselves for more setbacks, something that, of course, will affect the financial markets.

Against a background of changes in the regulatory framework and macroeconomic conditions, we presented our new financial target figures towards 2015 at our Capital Markets Day event in September 2012. Steady income growth combined with strict cost control will enable us to deliver a competitive return on equity, also during a period with considerable focus on increasing capital to meet new external requirements.

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

DNB is privileged as it has a strong domestic market. Norway is in a unique position in an indebted Europe, and more than 80 per cent of DNB's income stems from the domestic market. Norwegian customers and our principal Norwegian industries are our first priority during a time when capital has become a scarce resource. Nevertheless, having an international presence is still strategically important for DNB and it has been decided to retain all of the Group's international offices.

Last year, as part of our adaptation to the new banking reality, we reduced lending growth to our largest customers. It is gratifying that these customers gave us top scores in the annual customer satisfaction survey in a year when lending volumes were reduced and lending spreads widened. However, with general lending growth of 1.5 per cent, DNB is among the few banks in Europe whose total loans increased in 2012.

DNB is working actively to find alternative financing sources for its customers. The bond market is in the process of becoming an increasingly important source of financing for the corporate market across Europe, and the number of bond and commercial paper issues in Norway reached a record level in 2012. DNB Markets set a new record of 578 commercial paper and bond issues and also had volume-weighted market shares of approximately 23 per cent in the bond market and 46 per cent in the commercial paper market.

Throughout 2012, DNB experienced strong interest for new savings products in the retail market. The fact that DNB is considered to be a "safe haven" also resulted in many large money market deposits from the corporate market. The ratio of deposits to net loans was 62.5 per cent at the end of 2012, and this is a level we are very pleased with.

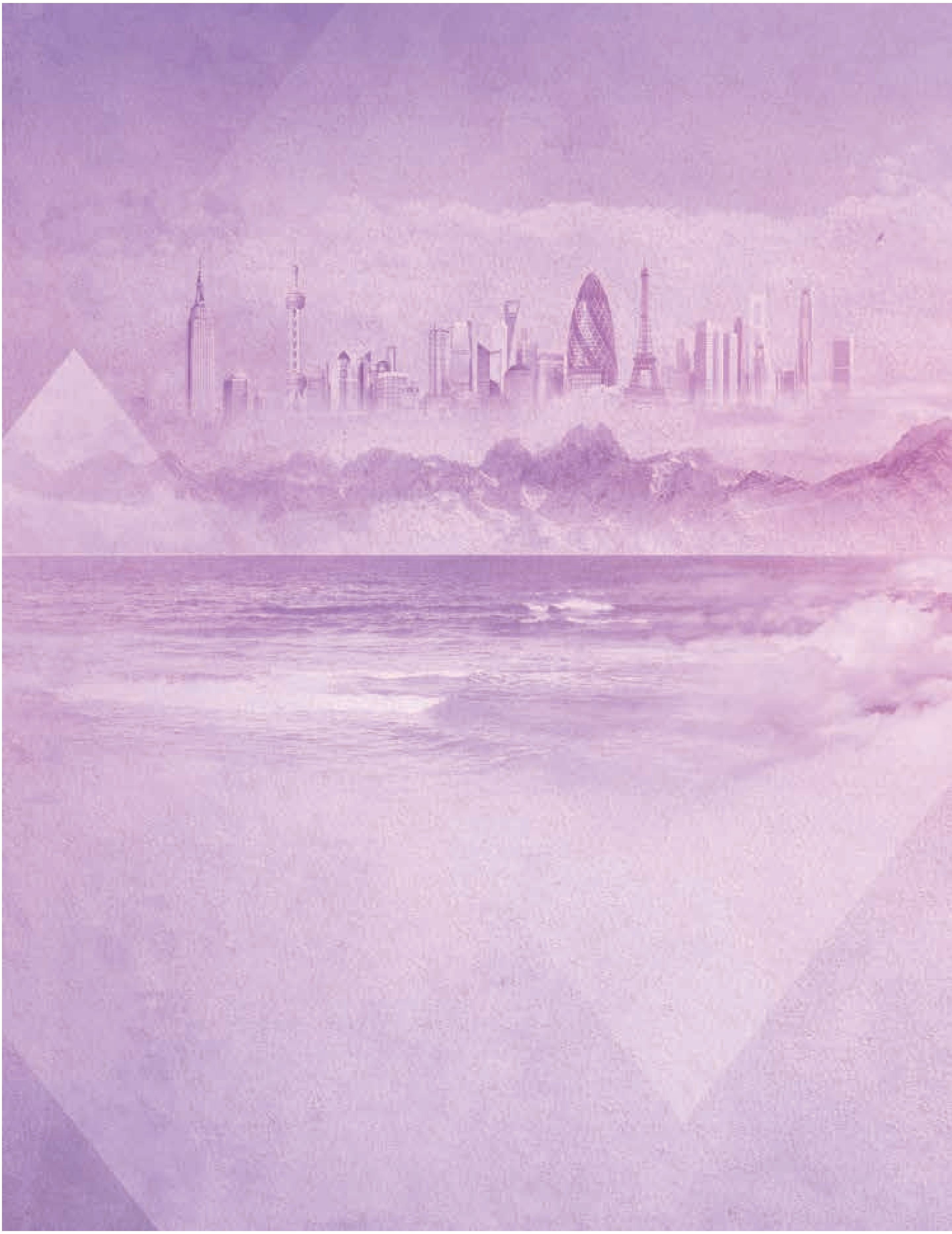
Our common equity Tier 1 capital ratio of 10.7 per cent based on a conservative calculation base gives us a good platform at the start of 2013. DNB is among the most solid banks in Europe and is consequently well equipped to support its customers through turbulent times.

In 2012, DNB took new steps to become a more integrated group. Nordlandsbanken and DNB were formally merged, and all our customers will now be received with the same DNB colours, products and service concepts. In addition, the first group of employees moved into our new headquarters in Bjørvika. A total of 4 200 employees will be housed in the same Oslo location, and we are planning similar moves into common premises in Trondheim and Bergen. To sit under the same roof strengthens the sense of community and paves the way for new ways of collaborating across organisational boundaries.

All employees have made a tremendous contribution to ensuring that our Group's reputation and customer satisfaction levels continue to improve, at the same time as our customer spreads have widened to compensate for higher funding costs and stricter capital adequacy requirements.

At the start of 2013, there are still high activity levels across the Group, and a new organisational structure will make us even better positioned to meet the new banking reality. In 2013, we will continue to stretch ourselves every single day to become even better at putting DNB's vision into practice: "Creating value through the art of serving the customer".

Rune Bjerke
Group chief executive



NEW REGULATORY FRAMEWORK

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. In Norway, the authorities have announced stricter requirements and an earlier implementation compared with the EU time schedule. The financial services industry supports the principal lines in the international process to implement new and stricter banking regulation. However, the new requirements will have serious financial consequences for the industry and may significantly affect the operations of banks and the competitive position of Norwegian banks.

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. Overall, 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 important 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.

THE EU CONTINUES TO WORK ON BANKING REGULATION

Due to the EEA agreement, new regulations in Norway will be implemented on the basis of EU legislation. Through 2012, the EU continued to work on its proposal for new regulations for credit institutions and investment firms, CRR and CRD IV (Capital Requirements Regulation and Capital Requirements Directive).

The regulations are based on the Basel Committee's recommendations from December 2010 on new and stricter capital and liquidity standards, Basel III. The new regulations will present major challenges for banks in the form of requirements for higher earnings in order to increase equity. Parallel to this, requirements for increased long-term funding and stricter liquidity requirements will strain earnings. CRR and CRD IV are intended to apply to all banks and investment firms within the EEA. The possible implementation date is 1 January 2014, with full implementation as from 2019.

The EU Commission's proposal for new regulations was aimed at ensuring harmonisation, though scope was given for a certain level of national variation. Through compromises within the EU, however, the national scope of action appears to be increasing at the expense of the harmonisation target. For example, national authorities will be given the right to adjust the risk weighting of loans secured by real estate, determine counter-cyclical capital buffers, introduce additional buffer requirements and opt for an earlier introduction of the capital adequacy requirements than stipulated in the EU's escalation plan.

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 under stressed conditions. Net payments thus reflect a possible loss of deposits from customers, public entities and central banks. This requirement will be introduced on 1 January 2015, with a gradual increase to full effect as from 1 January 2019.

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 content of the new liquidity requirements. Several important clarifications regarding the short-term liquidity requirement, LCR, were announced in January 2013. However, additional work still remains to be carried out by the Basel Committee and the European Banking Authority, EBA. Over the next couple of years, these bodies will also continue to work on the long-term liquidity requirement, NSFR.

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 probably 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 formally be unchanged at 8 per cent. With the addition of the conservation buffer, however, it will in practice 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. In Norway, the Ministry of Finance will determine the counter-cyclical buffer based on advice from Norges Bank, the central bank of Norway, which is responsible for macroeconomic supervision. Additional capital buffers will be required for global and national systemically important banks, ranging between 0 and 5 per cent. These buffers must consist of common equity Tier 1 capital. It is likely that such buffers will generally be determined by national authorities. The capital requirements may thus vary significantly between the different countries. 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. DNB fulfilled this requirement by a wide margin, reporting a common equity Tier 1 capital ratio of 9.6 per cent as at 30 June 2012, including 50 per cent of interim profits. The Norwegian financial supervisory authority, Finanstilsynet, has sent a letter to all Norwegian credit institutions which in practice means that a new minimum common equity Tier 1 capital ratio of 9 per cent has been introduced.

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 "Basel I 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. This implies that Norwegian financial institutions must report considerably lower capital adequacy ratios for the same risk and capital situation than banks in other countries. This distinctively Norwegian supervisory practice will be of no consequence to domestic banks' actual capital adequacy, but will make Norwegian banks appear weaker capitalised in international comparisons.

STILL GREAT REGULATORY UNCERTAINTY FOR NORWEGIAN BANKS

The Norwegian Ministry of Finance is waiting for the EU to pass its resolutions before determining the national scope of action. In the National Budget for 2013, the Ministry states that it aims to present a proposal for capital adequacy requirements for banks in early 2013. During the spring, the Ministry will also review the liquidity requirement details. If the Norwegian parliament approves new statutory provisions in spring 2013 and CRR and CRD IV are approved in the EU, it will, in the Ministry's opinion, be relevant to introduce stricter requirements with respect to the amount and quality of Tier 1 capital, capital buffers and the reporting of non-risk based capital in the second half of 2013.

The Ministry of Finance plans to introduce a counter-cyclical capital buffer system as early as possible in 2013.

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.

Higher capital requirements for home mortgages

For systemic risk reasons, Norwegian authorities believe that there is a basis for increasing capital requirements for home mortgages when these are calculated according to internal models. The Ministry of Finance has asked Finanstilsynet to review an increase in the systemic risk premium on the risk weights for home mortgages to minimum 35 per cent. Today, DNB's average risk weight on home mortgages is 12.1 per cent. An increase to 35 per cent will thus have a negative impact on DNB's capital adequacy. According to the Ministry, the introduction of such a minimum requirement could be an alternative to maintaining the so-called Basel I floor.

In comparison, the Swedish authorities have introduced a 15 per cent risk weight floor. This is part of Finansinspektionen's, the Swedish financial supervisory authority, overall capital adequacy assessment of companies within the framework of pillar 2 (qualitative solvency requirements through supervisory review and evaluation). For Swedish banks, the higher capital requirement will thus give higher capital adequacy ratios, while the Norwegian Ministry of Finance wishes to require more capital to maintain the same capital adequacy ratios (pillar 1). Thus, Swedish banks will appear to be as well-capitalised as they were before, while the Norwegian solution will have a negative impact on banks' reported capital adequacy.

Possible restrictions on the use of covered bonds

Covered bonds issued by wholly or partially-owned mortgage institutions have become an important source of funding for Norwegian banks, contributing to reducing the banks' funding costs and liquidity risk during a period characterised by extensive turmoil in the international financial markets. Towards the end of 2012, the Ministry of Finance asked Finanstilsynet to consider whether the introduction of a qualitative rule whereby banks will not be allowed to transfer more assets to their mortgage institutions than what is considered prudent, could help reduce systemic risk. The Ministry has asked Finanstilsynet to consider and draft such a rule, including giving Finanstilsynet legal authority to introduce additional capital requirements if there is a significant increase in risk in the banks which transfer loans to mortgage institutions.

WINDING-UP AND CRISIS REGULATIONS 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 Commission has proposed a directive on this subject. 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".

Crisis management fund

The directive calls for the creation of a fund which can finance crisis solutions and which have received the necessary funds beforehand. In Norway, it is probable that the existing Norwegian Banks' Guarantee Fund can be used as a starting point (the directive opens up for integrating the crisis management fund and the existing deposit guarantee fund). According to the EU Commission's proposal, enough capital should be accumulated in the crisis management fund over a ten-year period to cover 1 per cent of the guaranteed deposits. In comparison, the Norwegian Banks' Guarantee Fund represents approximately 2.7 per cent of guaranteed deposits. In Norway the deposit guarantee covers amounts up to NOK 2 million, while the guaranteed amount within the EU is harmonised at EUR 100 000, the equivalent of under NOK 800 000.

Bail-in

Bail-in implies that unsecured senior debt can be written down or converted into equity as part of a crisis solution without involving investors. The purpose is to ensure the continued operation of the most important bank functions. In such a situation, investors cannot demand that a bank be wound up in accordance with general liquidation rules, and thus lose leverage versus the authorities in cases where the continued operation of a bank is considered to be important from a socio-economic perspective.

According to the directive proposal, bail-in should be the final alternative, and such measures should not be initiated until the bank is close to insolvency. An underlying principle is that investors, as a minimum, should receive the same financial return as if the bank had been liquidated according to normal insolvency proceedings. Furthermore, according to the proposal, the bail-in should apply to as wide a range of the unsecured liabilities of the bank as possible. Thus, each investor will suffer a limited loss as the total loss will be distributed among many. Even though guaranteed deposits will not be included in the bail-in as such, the deposit guarantee scheme will cover the losses which would otherwise have been charged to the guaranteed deposits. From the other creditors' perspective, the economic value of the guaranteed deposits will in practice be part of the bail-in solution, thus reducing the potential loss for other creditors.

Crisis plans

The Crisis Management Directive sets a number of other requirements to the institutions. Among other things, banks must prepare so-called testaments (recovery and resolution plans) which must be updated regularly, and establish formal support structures between companies within the group. This will be resource-demanding for the financial services industry and entail new, extensive processes in relation to the supervisory authorities.

The EU Commission's proposal implies that the directive will be implemented in national legislation by year-end 2014, while the important bail-in rules will not be introduced until 1 January 2018.

ESTABLISHMENT OF A EUROPEAN BANKING UNION

The EU wishes to establish a single, supranational supervisory authority for the banks in the eurozone. The European Central Bank will assume the supervisory function. This is the first step towards the establishment of a banking union. The new authority is expected to become operational in 2014 and will have supervisory authority over the 150-200 largest banks in the eurozone. The other elements in the banking union are a harmonised deposit guarantee scheme and a pan-European crisis management fund for banks. In addition, CRR and CRD IV will constitute an important basis for the banking union. Together, these comprehensive regulations will have far-reaching consequences for financial institutions and their users. Countries outside the euro area will be able to join the banking union. The purpose of the banking union is to restore confidence in the banking system in those parts of the eurozone which no longer have the trust of the capital markets. Through the banking union, banks in crisis will be able to receive direct support from the EU emergency fund. Consequently, such support will no longer tap the resources of each individual EU state.

As a non-EU member state, Norway will not be directly affected by the establishment of the European supervisory authority for banks. However, there is an increasing harmonisation of European banking regulation, which could reduce the Norwegian scope of action in relation to regulations and supervisory practices that apply uniquely to Norway.

HIGH-LEVEL EU EXPERT GROUP PROPOSES "RINGFENCING"

Structural reforms in the banking sector are on the agenda of both the US and European authorities. According to the US Volcker rule, banks are not allowed to engage in certain types of speculative proprietary trading. In the autumn of 2011, the British Vickers Commission recommended a major structural distinction (ring-fence) between retail operations and trading and investment banking activities. In the EU, the Liikanen group presented a similar proposal on 2 October 2012, stating that investment banking operations should be organised in a separate legal unit if such operations are of significant scope. The group also proposes an additional capital requirement for the separate unit. The intention is to make it easier to make decisions regarding which of the bank's activities should be retained, sold or possibly wound up in a crisis situation, without jeopardising depositors' money. Retail operations, which are considered to be of importance to the economy and the population, should be safeguarded and kept running. In addition, it reflects a wish to minimise market beliefs that a bank can be "too big to fail".

It is likely that several Nordic banks will be affected by the Liikanen group's ringfencing proposal. The proposal will probably have no impact on DNB, as the Group's investment banking operation is too small. According to the proposal, investment banking operations must represent minimum EUR 100 billion or 15-25 per cent of the bank's total assets.

As a follow-up of the Liikanen report, the EU Commission is expected to present a consultation paper at the start of 2013. It remains highly unclear whether this will result in specific EU Commission draft regulations at a later date.

REGULATORY FRAMEWORK FOR LIFE INSURANCE COMPANIES

There will be major changes in the regulatory framework for Norwegian life insurance companies over the next two to three years. Important elements are the introduction of Solvency II, new rules for occupational pensions in the private sector and changes in the rules governing paid-up policies. Both the regulatory framework and customer preferences will result in a move from guaranteed return products to products with investment choice. The business strategy of DNB Livsforsikring supports this trend, and new products aimed at the occupational pension market in the private sector will be less capital-intensive.

SOLVENCY II

The EU is in the process of implementing a new framework directive for life insurance companies, called Solvency II. The rules will also apply to Norwegian life insurance companies. The regulations were scheduled to become effective on 1 January 2014. Due to disagreement regarding key elements in the regulations, their implementation has been postponed indefinitely.

The new solvency regulations will be based on a three-pillar structure:

Pillar 1 encompasses valuations of assets and insurance liabilities, capital and capital requirements. A key principle in the directive is that both assets and liabilities should be measured at fair value. Traditionally, liabilities have been discounted based on a guaranteed interest rate, which averaged approximately 3.3 per cent for DNB Livsforsikring's products at year-end 2012. The calculation of insurance liabilities based on a discount rate expressing the risk-free interest rate is a new principle for Norwegian insurance companies. In the current low interest rate environment, and as the discount rate will also be subject to stress, there will be an increase in insurance liabilities, with a subsequent requirement for higher solvency capital. Disagreement between the member countries and decision makers in the EU, mainly related to the valuation of insurance liabilities, is the reason for the delayed implementation of Solvency II.

Pillar 2 includes rules for risk management and internal control, as well as supervisory review and evaluation. A key principle is to identify responsibility for risk management at three levels. At the first level, the operative line organisation, through senior management, has ownership of and responsibility for identifying, monitoring and adjusting risk in accordance with the unit's pre-defined risk appetite. At the second level, an independent risk management unit monitors and measures risk. In addition, the risk management unit helps develop effective risk management systems and reports risk to relevant managers and supervisory bodies. At the third level, Group Audit reports the quality of first and second line risk management to the company's management and Board of Directors.

Pillar 3 aims to ensure market discipline through public disclosure and supervisory reporting requirements.

As mentioned above, it is unclear when Solvency II will be implemented. The disagreement mainly relates to the valuation of long-term guarantees. As part of the regulatory process, a new impact study will be conducted, scheduled to be completed in June 2013. Thereafter, the parties (the EU Commission, the European Council and the European Parliament) will spend time on analysing the results before the negotiations on the regulatory framework can be resumed. It remains uncertain when Solvency II will be ready for implementation, though there is reason to expect that it will be during the 2016-2017 period.

CHANGES IN THE PRODUCT RULES FOR OCCUPATIONAL PENSIONS AND PAID-UP POLICIES

In consequence of the Norwegian pension reform, significant changes were made to National Insurance retirement pensions with effect from 1 January 2011. A key element of the new National Insurance scheme is that pension entitlements will be calculated based on all years of service, which will support the target that most people should work longer. In addition, earned pension rights will be reduced due to the extended average life expectancy. Both these changes should contribute to sustainable retirement pensions financed through the National Insurance scheme.

The Ministry of Finance has given the Banking Law Commission a mandate to revise the rules for occupational pensions to support the changes made to the National Insurance scheme. In addition, the rules should be formulated to ensure that life insurance companies' capital requirements under Solvency II are reduced. Initially, this will require lower financial guarantees and greater redistribution and balancing of longevity risk. The Banking Law Commission has proposed amendments to the regulations in several sub-reports.

Paid–up policies with investment choice

Entitlements under defined-benefit occupational pension schemes in the private sector (paid-up policies) can be managed by life insurance companies only in common portfolios with guaranteed rates of return. Due to historically high guaranteed rates of return and the current low interest rate level, capital requirements for paid-up policies will increase considerably once Solvency II is implemented. In order to reduce the capital needed, life insurance companies must manage paid-up policies by investing in long-term fixed-income securities and have a low equity exposure. This indicates low expected returns and limited upward adjustments of pension rights. The Banking Law Commission has proposed an option to convert paid-up policies to investment choice with no return guarantee, giving the policyholder the choice of allocation. Investment choice will help ensure better management of pension funds parallel to a reduction in life insurance companies' interest rate risk. Initially, the investment choice will apply up until the start of the pension payment period. During the payment period, customers may choose whether their funds are to be managed with or without a return guarantee. The conversion of paid-up policies to investment choice is based on customer consent, and the law stipulates strict guidance requirements. The regulations were approved in 2012, though no implementation date was specified. The anticipated implementation date is 1 January 2014. The rules for paid-up policies with investment choice can be implemented independent of the changes resulting from the new Occupational Pension Act.

New Occupational Pension Act

Basic model and standard model

The Banking Law Commission has proposed a new Occupational Pension Act. A key element of the Act is a new occupational pension product which is based on elements from both defined contribution and defined benefit pensions. The new product is based largely on elements from the new National Insurance scheme.

Premiums and contributions are to be calculated based on salary, and all years of service will count when calculating payments to the member's pension assets. The maximum limits for tax-exempt contributions will be 8 per cent for salaries of up to 7.1G (the National Insurance basic amount) and 26.1 per cent for salaries between 7.1G and 12G. The principle is that life insurance companies guarantee no return on payments made to the pension assets. Companies can, on behalf of their employees, decide that pension assets be managed with individual investment choice with no return guarantee. On the payment date, the annual pension will be calculated based on life expectancy. When members die before retirement, their pension assets will be transferred to the insurance community (mortality inheritance). The expected mortality inheritance has been taken into account when calculating annual pensions. The product described above is called the basic model. In addition, employers can agree with their employees that their pension assets and pension payments shall be adjusted upwards at least in line with general wage inflation in Norway. If the return on the pension assets is lower than wage inflation, the difference must be covered by the employer in the form of additional premiums. In cases where the employer has undertaken to regulate the pension assets and pension payments in line with the rate of wage inflation, the pension product will be termed the standard model.

The new occupational pension products ensure a more balanced distribution of risk between the employees, the employers and the life insurance companies than defined-benefit and defined-contribution pensions. Employees are ensured good pensions through relatively generous contribution limits. DNB believes that the new occupational pension products will be attractive, mainly for companies which currently have defined-benefit occupational pension schemes.

Discontinuation of defined-benefit occupational pension schemes

High premiums and unpredictable costs due to balance sheet recognition of pension commitments have made defined-benefit pensions an unattractive option for companies. In addition, it is not viable that life insurance companies continue to accumulate interest rate and longevity risk. For this reason, the Banking Law Commission has proposed that defined-benefit occupational pensions be maintained for only a three-year transitional period after the Act enters into force. It is up to each company to decide whether to avail itself of this option.

With respect to companies which choose the basic model or the standard model as their future occupational pension product, capital will be converted from defined-benefit schemes to the new product, and this will have no return guarantee. Members' earned pension rights at the time the scheme is wound up, are guaranteed and cannot be reduced. This implies that payments made by life insurance companies must be the higher of the pension calculated based on the member's pension holding with no return guarantee and the rights earned at the time the pension scheme is wound up. Thus, life insurance companies must, as a minimum, pay the rate of return guaranteed in the contracts, and the changes will not contribute significantly to reducing risk and capital needs. For employers born in 1962 or earlier, it will be possible to maintain defined-benefit pensions in a modified version, which, among other things, entails that accumulated new pension entitlements will be adjusted for longevity on the payment date.

With respect to companies which choose defined-contribution pensions as their future occupational pension product, capital in the defined-benefit scheme on the closing date will be converted to paid-up policies.

The life insurance companies have endorsed the Banking Law Commission's proposed modernisation of the occupational pension products.

From paid-up policies to pension certificates

The Banking Law Commission has proposed a conversion of paid-up policies to pension assets with no return guarantee, whereafter members are entitled to the higher of the pension calculated based on the member's pension assets and the value of the paid-up policy on the conversion date. Since the life insurance companies are required to pay the underlying guaranteed rate of return, the new rules will not contribute significantly to reducing capital needs in accordance with Solvency II. The transfer of paid-up policies to pension assets will affect both existing portfolios and new paid-up policies. The Banking Law Commission proposes that, in accordance with the new rules, paid-up policies be called pension certificates.

Higher savings rates for defined-contribution pensions

Pursuant to the Defined Contribution Pension Act, tax-exempt contributions are limited to 5 per cent of salaries of up to 6G and 8 per cent of salaries between 6G and 12G. Due to moderate contribution limits, defined-contribution pensions will not reach the same level as under the basic model and the standard model. In its report, the Banking Law Commission has proposed to increase the savings rates to the same level as in the basic model and to introduce the same distinction (7.1G) between the low and the high limit. Both the life insurance companies, the labour organisations and the employers' associations support the Banking Law Commission's proposed contribution rates. If the proposal is approved, defined-contribution pensions will be an attractive product, also for companies that currently have a defined-benefit pension scheme.

Implementation of new Occupational Pension Act

According to plan, the Banking Law Commission's sub-reports regarding the basic model and the standard model, the discontinuation of defined-benefit pension schemes and changes in the rules for paid-up policies will be considered by the Norwegian Parliament during the autumn of 2013. During the same period, the Ministry of Finance will determine new maximum limits for defined-contribution pensions. If the time schedule is complied with, a comprehensive regulatory framework will be established for occupational pensions in the private sector and paid-up policies in the course of 2013. It remains uncertain when the rules will enter into force. If the draft bill is considered during the autumn of 2013, however, the implementation is likely to be postponed from 1 January 2014, which was the original plan, to 2015. Far-reaching changes will require flexible transitional schemes to enable both companies and life insurance companies to adapt to the changes.

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 are responses to requests for improvements arising from 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 to IFRS which are expected to have the most pronounced impact on the Norwegian financial market are new accounting requirements for impairment of financial assets, including 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 as from 1 January 2013.

NEW ACCOUNTING REQUIREMENTS FOR IMPAIRMENT OF FINANCIAL ASSETS

In November 2009, the International Accounting Standards Board, IASB, published an exposure draft on new requirements for impairment of financial assets, including loans. The proposals formed the second part of a three-part project to replace IAS 39 Financial Instruments: Recognition and Measurement with a new standard, IFRS 9 Financial Instruments. At end-January 2011, the IASB and the US Financial Accounting Standards Board, FASB, published a joint document on impairment accounting as a supplement to the original exposure draft. The model was further refined during 2011 and 2012. At the end of 2012, the FASB decided to develop an alternative to the IASB impairment model, and at the same time, the IASB concluded that it had completed the technical discussions on the development of the new impairment model (further described below). At the beginning of 2013, the IASB has worked further on a more detailed guidance and disclosure requirements. A revised exposure draft was published on 7 March 2013. The new requirements are likely to have a major impact on the banking industry and the market in general.

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

New requirements for impairment of financial assets
The proposed new IASB model bases the impairment allowance for financial assets on an expected loss approach. It is proposed that the allowance for expected losses should be measured based on either 12-month expected losses or lifetime expected losses. The latter applies if, at the reporting date, there has been a significant deterioration in credit quality since initial recognition. The entity's assessment shall be based on the likelihood of not receiving any or all of the contractual cash flows, as opposed to incorporating the "loss given default" in the assessment. The requirements are expected to include indicators for when the recognition of lifetime expected losses may be appropriate. If a financial asset measured at amortised cost is credit-impaired on initial recognition, further losses should be expensed immediately and calculated based on lifetime expected losses.

The intention behind the new approach is to better reflect the underlying economics in a loan transaction. There will 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 IASB expects the new requirements to provide information that is useful to the users of financial statements in their assessment of the entities' impairment allowances and the consequences of possible changes in estimates over the life of a financial asset.

A high degree of judgment will be required when assessing when to transfer instruments from a category where the impairment allowance is based on 12-month expected losses to a category where lifetime expected losses should be calculated. It will also be very challenging to estimate the future expected cash flows and lifetimes, as well as providing good and reliable expected loss estimates. Thus, there will be a high degree of uncertainty related to these estimates.

The new requirements are expected to cause increased volatility in financial reporting. Due to limited experience and the lack of relevant and reliable statistics, the assumptions underlying the calculation of expected losses will regularly have to be adjusted. Such adjustments will be reflected in the accounts on a cumulative basis, which means that the full effect of new estimates must be recognised immediately in the income statement.

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 standard 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 amendments to the original exposure draft have been proposed. As a consequence, a revised exposure draft or a supplement to the original exposure draft is expected to be presented in the first half of 2013. 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 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. 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. See also Accounting principles to the annual accounts, item 21 Approved standards and interpretations that have not entered into force.

TAXES AND FEES FOR THE FINANCIAL SERVICES INDUSTRY

TAX EXEMPTION METHOD FOR LIFE INSURANCE COMPANIES
The National Budget for 2013 included draft legislation to limit the use of the tax exemption method (Section 2-38 of the Norwegian Taxation Act) for life insurance and pension companies. The proposal was approved in December 2012 and concerns income on shares, including dividends and capital gains generated in common 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 has been a certain asymmetry in prevailing regulations, as a rise in the value of or the income on policyholders' funds has given tax deductions, while the exemption method allows that parts of such income can be exempt from taxation. The legislative amendment may entail higher taxes for DNB. The new rules entered into force with effect from the 2012 fiscal year.

The Ministry has stated that shares owned by subsidiaries of life insurance companies are not encompassed by the proposal, and that gains and losses on customer shares owned by subsidiaries should thus be taxed according to the ordinary rules. Furthermore, the Ministry has stated that it will consider changes to the rules on taxation of customer shares owned by subsidiaries of life insurance companies.

There are still a number of unresolved questions regarding the legislative amendment.

FINANCIAL ACTIVITIES TAX

The initial proposal to consider an activities tax for the financial sector was presented in a report from the Financial Crisis Commission, c.f. Official Norwegian Report no. 2011: 1, Better positioned against financial crises. According to the Norwegian National Budget for 2012, the Ministry of Finance had carried out a preliminary feasibility assessment of the introduction of an activities tax for the financial sector.

In the National Budget for 2013, the Ministry of Finance stated that the process of drawing up an activities tax which, as far as possible, equals VAT will be demanding and present tax-related and practical challenges. In addition, such an activities tax would be something completely new in an international context, and the design of this tax raises a number of complicated issues which, according to the Ministry of Finance, must be carefully considered. Furthermore, the financial and administrative consequences for both the financial services industry, other affected parties and the Norwegian Tax Administration must be reviewed. Extensive work on tax law must be expected. The Ministry has stated that it will revert to the matter.

GUARANTEE FUND LEVY

In Proposition no. 11 L (2012-2013), the Ministry of Finance proposes that the members of the Norwegian Banks' Guarantee Fund pay a full annual levy to the Guarantee Fund independent of the Fund's size. The proposal was approved in December 2012. According to the previous rules, the Fund's members were not required to pay levies when the Fund's capital base exceeded a certain minimum level.

The method of calculating the annual levy has not been changed, but the amendment to the Guarantee Schemes Act implies an increase in the banks' annual guarantee fund levies compared with previous years. No specific target has been indicated regarding the size of the Guarantee Fund in a longer-term perspective.

The new rules entered into force on 1 January 2013.

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 January 2013.

According to the rules, non-American financial undertakings are expected to establish processes to identify and verify customer relationships falling within the scope of FACTA and report to the US 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. The definition of financial undertakings is broad and comprises banks, insurance companies, brokerage companies, and investment and mutual fund structures. The reporting requirement applies to customer relationships with customers who are liable to US taxation or entities in which such customers have a significant ownership interest.

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 ensuring the implementation of FATCA. In July 2012, US authorities presented two models for bilateral agreements between states. The FATCA rules must either be transposed into national legislation, or the financial institutions in the country concerned must sign a direct agreement with the IRS. During 2012, US authorities signed bilateral agreements concerning FATCA with the authorities of several countries. Norway will sign such an agreement in 2013. Under the terms of the agreement, Norwegian financial institutions' reporting requirements to Norwegian authorities will be extended to include FATCA.

US authorities published the final version of the FATCA rules in 2013. Following further postponements, they will be gradually introduced from 2014.

FATCA represents large challenges for financial undertakings around the world and may potentially have significant negative consequences for financial undertakings failing to comply with the identification and reporting requirements. Due to its international activities, the DNB Group must deal with local adaptations to FATCA in a number of countries. 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.

GOVERNANCE IN DNB

GROUP MANAGEMENT

NEW ORGANISATION AS FROM JANUARY 2013

From the left: Bjørn Erik Næss, Ottar Ertzeid, Tom Rathke, Rune Bjerke, Kari Olrud Moen, Liv Fiksdahl

Trygve Young, Kjerstin Braathen, Harald Serck-Hanssen, Trond Bentestuen, Thomas Midteide, Leif Teksum, Solveig Hellebust

GROUP MANAGEMENT

NEW ORGANISATION AS FROM JANUARY 2013

RUNE BJERKE
(BORN 1960)

Group chief executive
Bjerke took up the position as group chief executive in January 2007. He was formerly president and CEO of Hafslund ASA and has also been president and CEO of Scancem International. Bjerke has held a number of board positions in large companies. He has also served as finance commissioner of the Oslo City Council and as a political adviser in Norway's Ministry of Petroleum and Energy. He holds an economics degree from the University of Oslo and a master's degree in public administration from Harvard University.

BJØRN ERIK NÆSS
(BORN 1954)

Chief financial officer
Næss assumed the position as chief financial officer with effect from March 2008. He was previously executive vice president and CFO in Aker Kværner ASA. Prior to this, he held similar positions in Orkla and Carlsberg (Denmark). Næss has extensive experience from executive positions both in Norway and abroad over the past 25 years. He is a graduate of the Norwegian School of Economics and has also completed an Executive Programme at Darden Business School in the USA.

HARALD SERCK-HANSSEN
(BORN 1965)

Group executive vice president
Large Corporates and International
Serck-Hanssen assumed the position as head of Large Corporates and International in January 2013, leaving his position as head of the Shipping, Offshore and Logistics division, SOL. Serck-Hanssen joined DNB in 1998 and has headed various sections in SOL. He has previous experience from Stolt-Nielsen Shipping and Odfjell Group. Serck-Hanssen has a BA (Hons) degree in business studies from the University of Stirling and has also completed an Advanced Management Programme at INSEAD Fontainebleau.

KJERSTIN BRAATHEN
(BORN 1970)

Group executive vice president Corporate Banking Norway
Braathen assumed the position as head of Corporate Banking Norway in January 2013, leaving her position as head of Shipping, Offshore and Logistics, SOL, in Oslo. She has many years' experience as a relationship manager and senior relationship manager in SOL. She joined DNB in 1999 from Hydro Agri International. Braathen has a Master in Management degree from Ecole Supérieure de Commerce de Nice-Sophia Antipolis.

TROND BENTESTUEN
(BORN 1970)

Group executive vice president Personal Banking Norway
Bentestuen assumed the position as head of Personal Banking Norway in January 2013. He was previously head of Marketing, Communications and eBusiness. Bentestuen joined DNB in 2009, leaving his position as head of Marketing and Communications in Expert, and previously worked as a press officer and communications adviser in Telenor. Bentestuen has a bachelor of arts degree in journalism and political science from Temple University, California, and training from the Armed Forces.

OTTAR ERTZEID
(BORN 1965)

Group executive vice president DNB Markets
Ertzeid has been head of DnB NOR Markets since the merger between DnB and Gjensidige NOR in 2003. He was previously head and deputy head of DnB Markets and held various positions within the FX/Treasury area in DnB. His prior professional experience includes the position as chief financial officer in DnB Boligkreditt and head of finance in Realkreditt. Ertzeid is a graduate of BI Norwegian School of Management.

TOM RATHKE
(BORN 1956)

Group executive vice president Wealth Management
Rathke assumed the position as head of Wealth Management in January 2013. He was previously head of Insurance and Asset Management. Rathke has been chief executive of DNB's subsidiary DNB Livsforsikring and board chairman of DNB Asset Management and DNB Skadeforsikring. He was previously managing director of Gjensidige NOR's investment fund company Avanse, prior to which he held managerial positions in Vesta and If Skadeforsikring. Rathke also has experience from SAS and Dyno. Rathke is a graduate of BI Norwegian School of Management, has a master's degree in business administration from the University of Wisconsin and has completed the Advanced Management Programme at Harvard University.

KARI OLRUD MOEN (BORN 1969)

Group executive vice president Products

Olrud Moen assumed the position as head of Products in January 2013. She was previously head of the Corporate Centre. Before joining DNB in 2005, Olrud Moen was state secretary in the Ministry of Finance. She also worked as a consultant in McKinsey & Co, as an adviser for the Conservative Party's parliamentary group and as a consultant in the Budget Department in the Ministry of Finance. Olrud Moen is a graduate of the Norwegian School of Economics and has an MBA from the University of California, Berkeley.

LIV FIKSDAHL (BORN 1965)

Group executive vice president IT and Operations

Fiksdahl assumed the position as head of IT and Operations in January 2013. She was previously head of Operations, held various executive positions within operations and administration and was head of Bank Production in Corporate Banking and Payment Services. Prior to this, Fiksdahl held customer-oriented positions in Union Bank of Norway, Handelsbanken and Fokus Bank. She was educated at Trondheim Business School.

SOLVEIG HELLEBUST (BORN 1967)

Group executive vice president HR

Hellebust assumed the position as head of HR in April 2009. Before this, she held the position of vice president of Human Resources and Communications at Pronova BioPharma ASA. Prior professional experience also includes several years in HR at Telenor and at BI Norwegian School of Management as an associate professor in economics. Hellebust holds a PhD in international economics from the Norwegian University of Life Sciences, an MSc in agricultural economics from the University of Illinois, and an MSc in business and economics from BI Norwegian School of Management.

TRYGVE YOUNG (BORN 1951)

Group executive vice president Risk Management

Young assumed the position as head of Risk Management in January 2013. He has previously been chief risk officer and chief credit officer in DNB. Young has been senior account officer in DNB and head of the representative office in Germany. He has also worked as a marketing consultant for the Swedish Trade Secretariat in Germany. Young is a graduate of the University of Mannheim in Germany.

LEIF TEKSUM (BORN 1952)

Group executive vice president Relations

Entitled to attend group management meetings

Teksum assumed the position as head of Relations in January 2013, leaving his position as head of Large Corporates and International. He was previously head of Corporate Banking and Payment Services. Teksum has experience from the petroleum industry and from various executive positions in DnB NOR, DnB and Bergen Bank. In the Group, he has, among other things, been in charge of DnB Markets, Asset Management, IT and staff functions. Teksum is a graduate of the Norwegian School of Economics.

THOMAS MIDTEIDE (BORN 1974)

Group executive vice president Corporate Communications

Entitled to attend group management meetings

Midteide assumed the position as head of Corporate Communications in January 2013. He previously worked as executive vice president External Communication. Midteide joined DNB in 2009, leaving his position as head of Communications in SAS. He has also been a communications officer in VISA Norway and a reporter in NRK (the Norwegian Broadcasting Corporation). Midteide has a journalist degree from Oslo University College.

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. Vice-chairman of the board of Oslo University Hospital. Board member in 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 12 of 12 board meetings in 2012.

TORE OLAF RIMMEREID (BORN 1962)

Board vice-chairman in DNB since 2012 (board member since 2008)
Former board member in DNB Bank. President and CEO of E-CO Energi AS, former 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. Rimmereid is former political adviser for the Conservative Party's parliamentary group and is now board chairman in Oslo Lysverker, Opplandskraft DA and Energy Norway (industry organisation for energy companies). Rimmereid has a master's degree in business administration and is an authorised financial analyst from the Norwegian School of Economics.

Attended 12 of 12 board meetings in 2012.

JARLE BERGO (BORN 1945)

Board member in DNB and vice-chairman in DNB Bank since 2011
Bergo has 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. Former business manager for the Norwegian Banks' Guarantee Fund and board member at Oslo Børs (the Oslo Stock Exchange). He has been a 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 11 of 12 board meetings in 2012.

BENTE BREVIK (BORN 1964)

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

Attended 10 of 12 board meetings in 2012.

SVERRE FINSTAD (BORN 1955)

Board employee representative in DNB and DNB Bank since 2011
Finstad has previously been a board member in both DNB and 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 12 of 12 board meetings in 2012.

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 11 of 12 board meetings in 2012.

VIGDIS MATHISEN (BORN 1958)

Board employee representative in DNB and DNB Bank since 2012
Mathisen has been employed in the DNB Group since 1983 and was elected chief employee representative for the Group in the Finance Sector Union DNB in 2012. She has previously been a board member for five years in Den norske Bank and DnB Holding. Mathisen is a business graduate from and has attended several courses in management at BI School of Management.

Attended 7 of 12 board meetings in 2012 (elected to the Board on 12 June 2012).

BERIT SVENDSEN (BORN 1963)

Board member in DNB since 2012 (former board member in DNB Bank 2010-2012)
Svendsen joined Telenor in 1988 as a research scientist. From 2000 to 2005, she was chief technology officer and a member of the group management team in Telenor and also working chairman of Telenor Research and Development. In 2005, she was appointed head of Telenor's fixed network business in Norway. From 2008 to 2011, she was CEO of Conax. Svendsen is currently executive vice president in Telenor and head of Telenor Norway. She is a board member in EMGS and was previously board chairman in Data Respons ASA and a board member in Ekornes ASA. In addition, she was a member of the European Commission Advisory Group on ICT matters. Svendsen is a graduate engineer from the Norwegian University of Science and Technology (NTNU) and has a Master of Technology Management degree from NTNU in cooperation with the Norwegian School of Economics and Massachusetts Institute of Technology.

Attended 5 of 12 board meetings in 2012 (elected to the Board on 12 June 2012).

GOVERNING BODIES IN DNB ASA

AS AT 31 DECEMBER 2012

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)
Helge Møgster, Storebø (0)
Ole Robert Reitan, Asker (0)
Gudrun B. Rollefsen, Hammerfest (0)
Merete Smith, Oslo (0)
Birger Solberg, Oslo (8 000)
Ståle Svenning, Trondheim (0)
Turid Sørensen, Sandefjord (0)
Randi Eek Thorsen, Gran (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 (0)
Bente Hagem, Ås (0)
Rolf Hodne, Stavanger (0)
Liv Johannson, Oslo (3 031)
Herman Mehren, Nevlunghamn (0)
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 (450 000)

Members elected by employees
Rune Asprusten, Hong Kong (3 074)
Willy Furunes, Bodø (1 110)
Lillian Hattrem, Oslo (0)
Irene Buskum Olsen, Gjøvik (551)
Einar Pedersen, Kristiansund (222)
Eli Solhaug, Oslo (874)
Marianne Steinsbu, Oslo (3 089)
Britt Sæle, Fjell (1 976)
Astrid Waaler, Oslo (0)
Arvid Åsen, Fjell (739)

Deputies elected by employees
Tore Müller Andrésen, Bergen (0)
Terje Bakken, Alta (636)
Randi Bergsveen, Vestre Toten (0)
Rune André Bernbo, Drøbak (342)
Eva Holter, Drammen (2 244)
Svein Arne Kristoffersen, Alstadhaug (258)
Svein-Ove Kvalheim, Bønes (2 282)
Oddmunn Olsen, Trondheim (1 239)
Ingvild Rekdal, Oslo (346)
Sissel Tove Rist, Svolvær (129)
Viktor Sæther, Oslo (0)
Bente Wigaard, Oslo (0)

CONTROL COMMITTEE

Members
Frode Hassel, Trondheim (chairman) (0)
Thorstein Øverland, Oslo (vice-chairman) (0)
Vigdis Merete Almestad, Oslo (0)
Karl Olav Hovden, Kolbotn (0)

Deputies
Ida Espolin Johnson, Oslo (0)
Merete Smith, Oslo (0)

BOARD OF DIRECTORS

Members
Anne Carine Tanum, Rømskog (chairman) (300 000)
Tore Olaf Rimmereid, Oslo (vice-chairman) (6 111)
Jarle Bergo, Ytre Enebakk (225)
Bente Brevik, Oslo (5 000)
Sverre Finstad, Moelv (8 189) [1)]
Carl A. Løvvik, Bergen (546) [1)]
Vigdis Mathisen, Asker (222)
Berit Svendsen, Oslo (0)

Deputies for the employee representatives
Bente Hornsrud Espenes, Oslo (444)
Jørn O. Kvilhaug, Hokksund (1 211) [1)]
Hans-Kristian Sætrum, Oslo (9 625) [1)]

ELECTION COMMITTEE

Amund Skarholt, Oslo (chairman) (1 222)
Frode Helgerud, Oslo (15 885)
Eldbjørg Løwer, Kongsberg (200)
Reier Ola Søberg, Oslo (0)

AUDIT COMMITTEE

Tore Olaf Rimmereid, Oslo (chairman) (6 111)
Jarle Bergo, Ytre Enebakk (225)
Bente Brevik, Oslo (5 000)

COMPENSATION COMMITTEE

Anne Carine Tanum, Rømskog (chairman) (300 000)
Tore Olaf Rimmereid, Oslo (6 111)
Berit Svendsen, Oslo (0)

GROUP MANAGEMENT

Group chief executive
Rune Bjerke (30 768)
CFO
Bjørn Erik Næss (33 959)
Group executive vice president Retail Banking
Karin Bing Orgland (11 496)
Group executive vice president Large Corporates and International
Leif Teksum (53 706)
Group executive vice president DNB Markets
Ottar Ertzeid (161 524)
Group executive vice president Insurance and Asset Management
Tom Rathke (19 093)
Group executive vice president Operations
Liv Fiksdahl (12 663)
Group executive vice president HR
Solveig Hellebust (7 129)
Group executive vice president IT
Cathrine Klouman (20 055)
Group executive vice president Marketing, Communications and eBusiness
Trond Bentestuen (8 629)
Group executive vice president Corporate Centre
Kari Olrud Moen (12 135)

GROUP AUDIT

Tor Steenfeldt-Foss (0)

EXTERNAL AUDITOR

Ernst & Young AS

1) Not independent, see page 36 under "Corporate governance".

The figures in parentheses indicate shareholdings in DNB ASA as at 31 December 2012. 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.

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 23 October 2012, 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 B 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 wishes to be an active owner through its various roles as investor. The aim of active ownership or ownership administration is to influence companies in the desired direction.

Corporate social responsibility, health, safety and environment, HS&E, and equality are described in further detail in separate chapters in the directors' report. A special report is prepared each year, examining DNB's targets, guidelines, measures and results related to the Group's contribution to sustainable development. The report can be found on the Group's website, dnb.no/en/about-us/corporate-social-responsibility.

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 chief audit executive, 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/en.

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/en/about-us. The directors' report describes the Group's targets and strategies, and the market is kept updated through investor presentations in connection with quarterly financial reporting, capital markets days 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. 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/en/about-us.

The Basel III regulatory framework, which implies stricter capital adequacy and liquidity requirements, will be introduced in the EU/EEA in the form of a new capital requirements directive, CRD IV.

The Board of Directors considers the Group to be adequately capitalised in relation to current regulatory requirements. DNB is continuing its adaptations to the new liquidity and capital requirements which are expected to be introduced over the next few years. Up until the new and stricter requirements 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 the new 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. The long-term payout ratio target is 50 per cent of profits. New regulatory requirements require higher capital adequacy ratios. The Board of Directors has therefore temporarily reduced the proposed dividend for 2012.

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 25 April 2012, 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 may be purchased on the stock exchange. 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 10.04 per cent of the shares at end-December 2012. 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 to help ensure independent chairmanship. 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 group chief audit executive and specialists in certain fields. The minutes of general meetings are available on the Group's website, dnb.no/en.

The general meeting will elect shareholder representatives on the Supervisory Board and members of the Control Committee and Election Committee. The voting procedure gives shareholders the opportunity to vote separately for each individual candidate nominated for election to the various governing bodies. The general meeting also selects the statutory auditor.

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.

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 ten meetings in 2012.

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 justified 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/en.

The Election Committee held eleven meetings during 2012. 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, the Control Committee and the Election Committee and also carried out the preparatory work related to issues to be considered in 2013.

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 2012.

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. 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 twelve 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 2012, the Board had eight members, five of whom were elected by the shareholders and three were representatives for the employees. Four of the members were women, three of whom were elected by the shareholders and one represented the employees.

The curricula vitae of the individual board members and board meeting attendance in 2012 are found in the presentation of the board members in this chapter 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 governing bodies. 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.

Board members are encouraged to hold shares in the company. The presentation of governing bodies specifies the number of DNB shares held by members of governing bodies and their close associates as at 31 December 2012.

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/en. 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 DNB's annual plan process, including principal goals and strategic choices for the Group, as well as budgets and financial three-year plans for the Group and the business areas. Moreover, the Board 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. Furthermore, the Board shall ensure that operations are subject to adequate control and that the Group's capital position is satisfactory 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. The Board also presents a statement to the general meeting proposing guidelines for remunerations to senior executives. See section 12 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 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 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 members of the Audit Committee are included in the presentation of the Group's governing bodies. 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 significant 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/en/about-us.

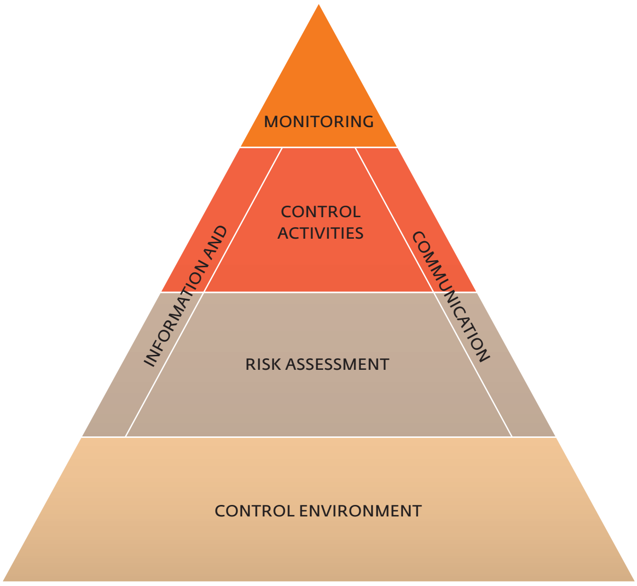
A) Organisation, implementation and monitoring

Internal control in DNB is based on the framework from the Committee of Sponsoring Organizations of the Treadway Commission, COSO. COSO is a framework consisting of five components:

1. Control environment
2. Risk assessment: assessment of internal and external factors which affect target attainment
3. Control activities: policies and procedures to mitigate risk and ensure that risk responses are effectively carried out
4. Information and communication: processes to ensure that relevant information is identified and communicated in a timely manner
5. Monitoring: processes to ensure that the internal control is appropriately defined, implemented, effective and flexible

These five components should help the Group reach its targets relating to operational efficiency, reliable financial reporting and compliance with laws and regulations.

ILLUSTRATION OF THE COSO FRAMEWORK



Governing bodies in the DNB Group, risk management and internal control are illustrated in the diagram on the following page.

Responsibility for risk management and internal control is divided between three lines of defence:

- The first line of defence is the operational management's governance and internal control, including processes and activities to reach defined goals relating to operational efficiency, reliable financial reporting and compliance with laws and regulations
- The second line of defence is an independent function which monitors the operational management's governance and internal control
- The third line of defence is Group Audit, which reviews and evaluates group management's overall governance and internal control. Group Audit is independent of the Group's executive management and reports to the Board of Directors of the holding company

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, relating to:

- ethics and corporate social responsibility
- DNB's management model
- governance and effective operations
- risk management, including the ICAAP process (Internal Capital Adequacy Assessment Process)
- 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 guidelines 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, see further information under Implementation and monitoring below. DNB Bank ASA aims to maintain an AA level rating for ordinary long-term debt.

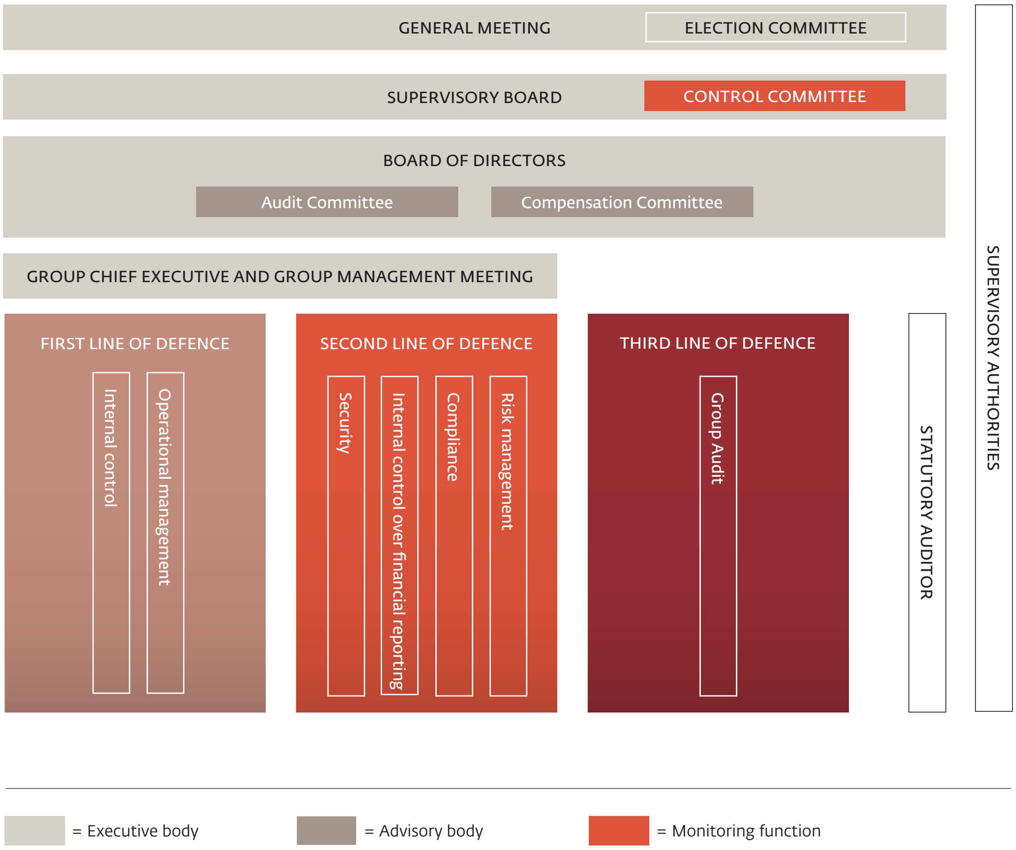
The profitability of DNB will depend on the Group's ability to identify, manage and accurately price risk arising in connection with financial services. The Board of Directors of DNB ASA has a clearly stated goal to maintain a low risk profile and will only assume risk which is comprehensible and possible to follow up, and which will not harm its reputation. The holding company board determines long-term risk profile targets. The risk profile is operationalised through the risk management framework, including the establishment of authorisations. Risk-taking shall take place within established limits. 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 chief audit executive, if they obtain knowledge about circumstances that are contrary to prevailing regulations issued by the authorities or about major breaches of internal regulations. See further description on the Group's website, dnb.no/en/about-us/corporate-social-responsibility.

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.

ILLUSTRATION OF GOVERNING BODIES IN THE DNB GROUP



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. 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 are determined by the Board of Directors and can be delegated in the organisation, though any further delegation must be approved and followed up by the relevant person's immediate superior.

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 the chief risk 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, CRO. All of the Group's risk entities are organised in this division. Risk management functions and the development of risk management tools are undertaken by units which are independent of operations in the individual business areas.

Due to new, comprehensive regulations, the financial services industry has become increasingly complex. With effect from January 2013, the Group's specialist units within risk management have thus been organised as a separate support unit, Risk Management. This unit is headed by the Group's CRO, who reports directly to the group chief executive.

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.

Internal audit
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

The work of Group Audit is described in further detail below. 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 committee also evaluates the quality of the work performed by the internal and statutory auditors. With effect from 2013, the committee is called the Audit and Risk Management Committee and will also advise the Board of Directors with respect to the Group's risk profile and make preparations for the Board's follow-up of risk management in the Group. 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 three 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.

The risk limits are reviewed at least once a year by the Boards of Directors of the holding company and the bank.

Every year, the Boards of Directors of the holding company and the bank consider the Group's ICAAP report (Internal Capital Adequacy Assessment Process), which includes a self-assessment of the DNB Group's risk and capital situation. Group Audit reviews DNB's ICAAP process, and a report containing its assessments is considered at the same board meeting as the self-assessment.

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.

Each quarter, the group management meeting will receive a report on developments in the Group's defined risk categories.

Group Finance and Risk Management
Group Risk Management prepares quarterly reports to the Boards of Directors of the holding company and the bank regarding developments in the various risk categories. Risk reporting in the Group aims to ensure 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. 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/en/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 breaches of laws and regulations pertaining to the Group. The GCO is organised in 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. After the audits have been completed, 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 quality assurance of financial reporting set clear quality requirements for the reporting. 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 systems, functions effectively. Among other things, the committee reviews the quarterly and annual accounts and the report on developments in the Group's main risk categories, issued every quarter. In addition, the 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 management and reporting, financial follow-ups, 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 on the following page.

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. The units will assess internal control of financial reporting each quarter and report the results of their assessment to the head of Group Financial Reporting. 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.

Group Finance and Risk Management

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.

A process has been established for self-assessments of the level of and effectiveness of the internal control over financial reporting. The units' quarterly assessment of internal control over financial reporting is discussed with the head of Group Financial Reporting in special meetings, and a summary is presented 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 quarterly and 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 in special meetings.

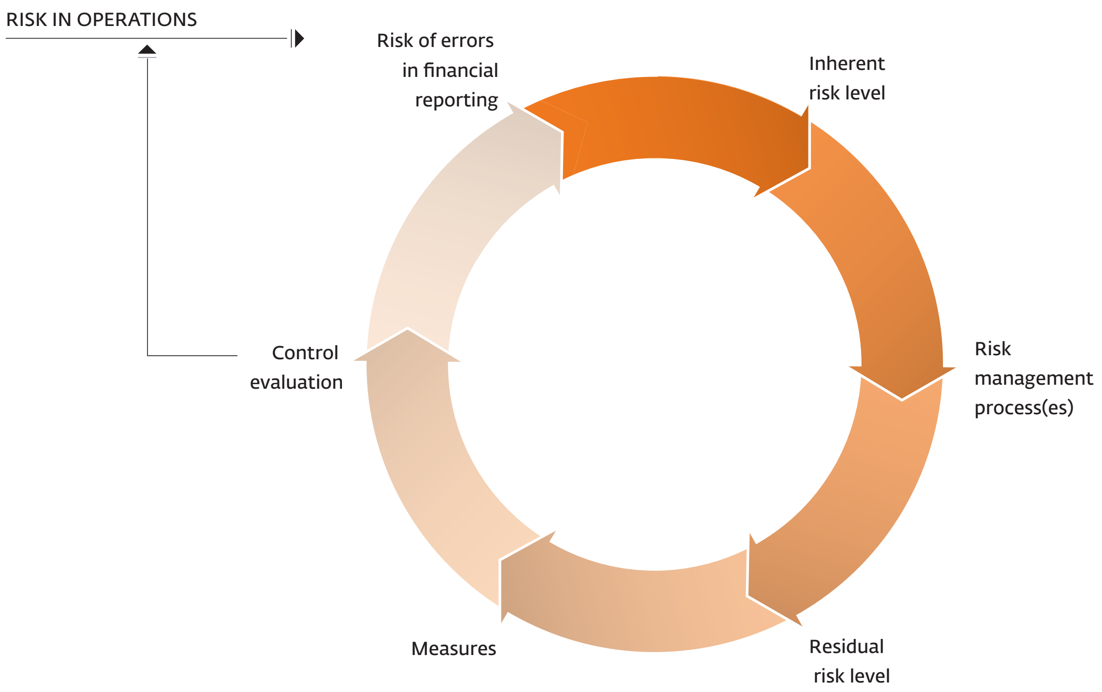
The group management team will review monthly financial reporting, including trends in profit and loss and balance sheet items, the current status relative to statutory enactments, results for legal units and analyses of and comments to the financial performance of business areas and support units.

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

PROCESS FOR INTERNAL CONTROL OVER FINANCIAL REPORTING IN THE DNB GROUP



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 control 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 units in 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 and 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 2012, stronger emphasis has been placed on group measurement

parameters for financial key figures, customer satisfaction and corporate reputation.

In accordance with the regulations on remuneration schemes in financial institutions, investment firms and management companies for mutual funds, along with appurtenant guidelines, 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 the Group's recorded return, Tier 1 capital ratio and cost/income ratio, 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 for senior executives. 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/en.

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 over 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 over 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 as complete information as possible 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 chosen audit firm and the audit partner responsible for carrying out the audit can hold this responsibility for maximum four years, with an option for a further three years. This option will be considered each year. This implies that the agreement with the audit firm will be renegotiated for the first time after four years, with an option for subsequent annual renegotiations for maximum two years. Tenders will normally be invited every seventh year.

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 committee (and the Board of Directors) holds a meeting with the auditors at which neither the group chief executive nor any other member of executive management is present.

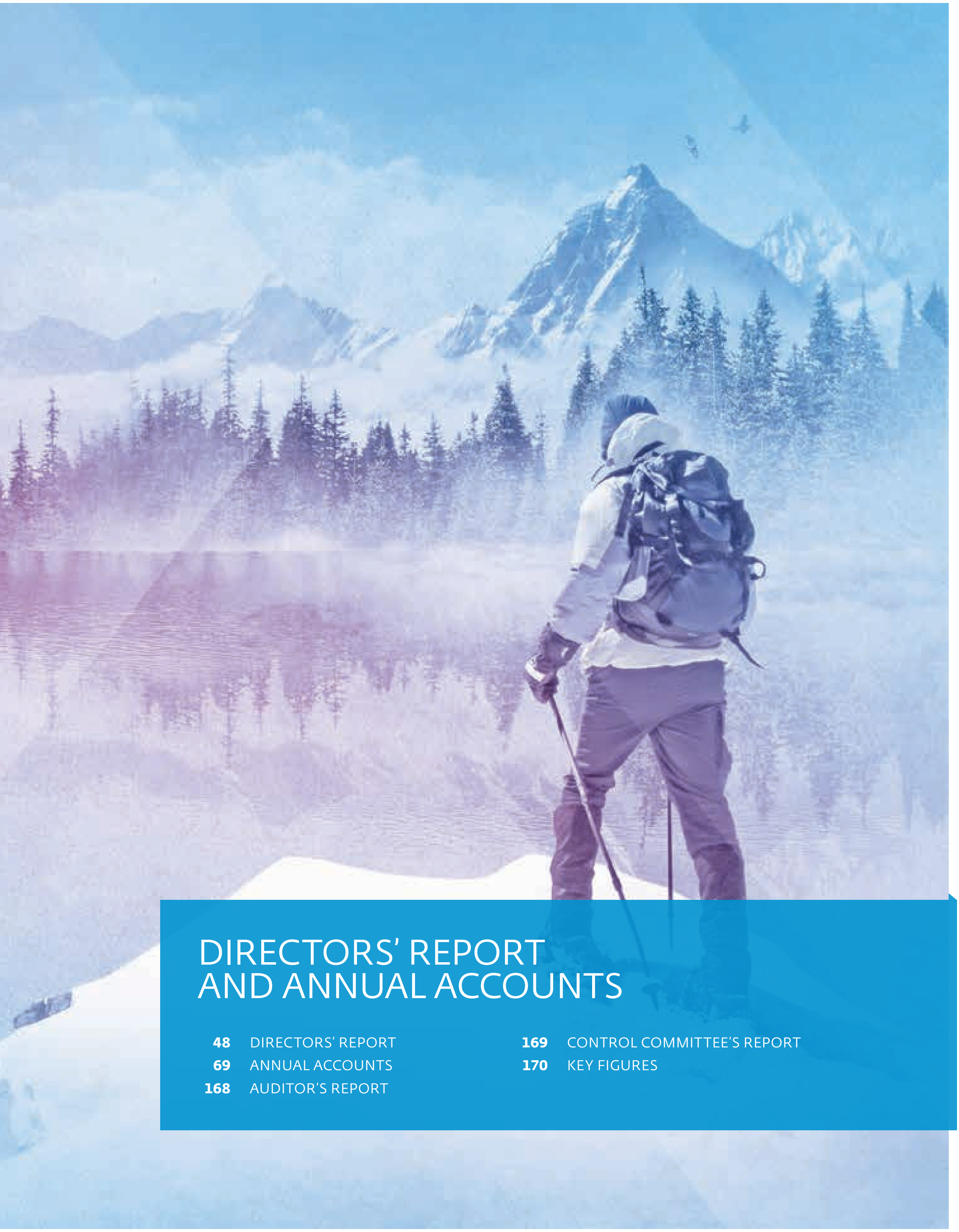
The Audit Committee submits a recommendation regarding the statutory auditor's remuneration to the Board of Directors, which presents the remuneration proposal to the Annual General Meeting for approval.

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 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.

The Audit Committee evaluates the work performed by the statutory auditor on an annual basis.

No deviations from the Code of Practice.



DIRECTORS' REPORT AND ANNUAL ACCOUNTS

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. Internationally, DNB is among the world's leading banks within its priority areas energy, shipping and seafood.

OPERATIONS IN 2012

DNB recorded profits of NOK 13 657 million in 2012, an increase of NOK 678 million or 5.2 per cent compared with 2011. Adjusted for the accounting effect of basis swaps [1)], there was a rise in profits of NOK 4 075 million or 37.7 per cent. The increase was primarily due to higher net interest income, a rise in other operating income and lower taxes.

Compared with 2011, there was a significant increase in costs to finance the Group's lending operations in the form of both higher deposit rates relative to the short-term money market rate and a rise in long-term funding costs. Wider lending spreads compensated for the higher costs, and net interest income was up 7.8 per cent from 2011 to 2012. Lending growth was relatively brisk in the second half of 2011, but the rate of growth abated throughout 2012. In terms of NOK, deposits increased significantly more than loans from 2011 to 2012, which gave a marked increase in the ratio of deposits to net loans, from 57.8 per cent at end-December 2011 to 62.5 per cent at year-end 2012.

Adjusted for the effect of basis swaps, other operating income rose by NOK 2 465 million or 18 per cent. Due to reduced financial market uncertainty, there was an increase in other operating income in most areas of operation.

Total operating expenses rose by NOK 775 million or 3.8 per cent from 2011. Adjusted for non-recurring effects and costs pertaining to non-core operations, operating expenses were up 2.7 per cent. There was an increase in pension expenses due to lower interest rate levels. New initiatives entailing an increase in full-time positions in the largest Norwegian cities and at certain international offices in the second half of 2011 also contributed to the rise in costs from 2011 to 2012.

Impairment losses on loans and guarantees were reduced by NOK 265 million from 2011. At NOK 3 179 million, impairment was roughly on a level with indications in the annual report for 2011 and estimates in the quarterly reports through 2012. Impairment losses increased within shipping, but were significantly reduced in the Baltics and Poland.

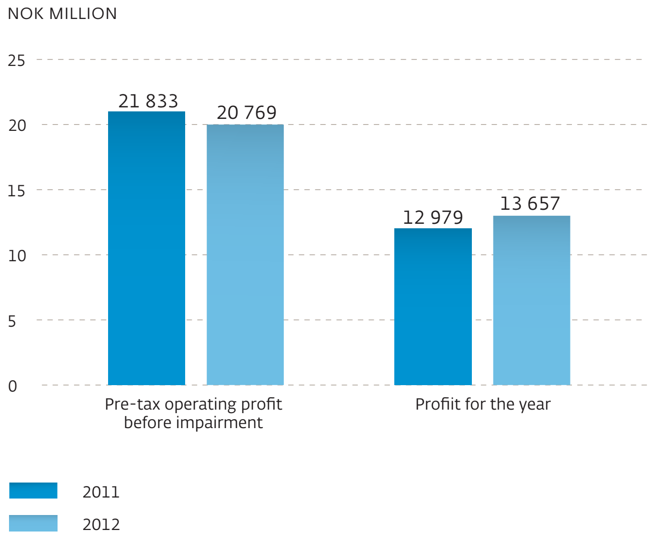
Return on equity was 11.2 per cent, down from 11.4 per cent in 2011. Adjusted for the effect of basis swaps, return on equity increased from 9.5 per cent to 12.2 per cent. The cost/income ratio, adjusted for the effect of basis swaps, was reduced from 50.8 per cent in 2011 to 47.6 per cent.

The employee satisfaction index rose by 0.5 percentage points from 2011, to 75.6 points at year-end 2012. Sickness absence in DNB's Norwegian operations was 4.5 per cent in 2012, up from 4.2 per cent in 2011. The special follow-up of units with high sickness absence rates continued in 2012.

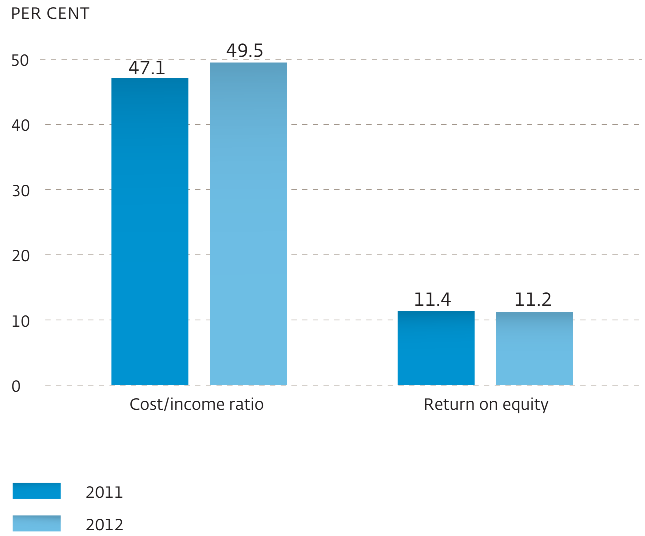
DNB continued to climb on Ipsos MMI's Norwegian corporate reputation list and was ranked best among the banks. In addition, DNB still qualified for inclusion in the Dow Jones World Sustainability Index in 2012. The index is based on extensive analyses of

1) Basis swaps are hedging contracts entered into by the bank when issuing senior bonds or raising other long-term funding in foreign currency and converting the relevant currency to Norwegian kroner.

PROFIT PERFORMANCE



COST/INCOME RATIO AND RETURN ON EQUITY



companies' sustainability and comprises the top 10 per cent within each industry sector worldwide based on their financial, environmental and social performance.

In 2012, DNB entered into an agreement to sell its Swedish subsidiary SalusAnsvar AB. The transaction was completed in January 2013. DNB has also entered into an agreement to sell the branch network in Poland. In consequence of these transactions, it is expected that the number of employees in the DNB Group will be reduced by close to 400 in 2013.

The shares in Nordisk Tekstil Holding AS (Kid Interiør) were sold during the second quarter of 2012. The company was acquired in 2009 and was thereafter successfully restructured. The sale generated a gain of NOK 92 million after tax.

In early 2012, DNB Livsforsikring signed a contract to purchase the three buildings which constitute the DNB Group's new headquarters in Bjørvika in Oslo for a total of NOK 4.8 billion. DNB's group management team and some of the business areas' operations were moved to the new head office in the autumn of 2012. The Group's other employees in Oslo will move as and when the premises are completed up until spring 2014.

During the second quarter, changes were made to the Board of Directors of DNB ASA. Berit Svendsen and Vigdis Mathisen were elected as a shareholder-elected member and as a board member representing the employees, respectively. Anne Carine Tanum was re-elected as chairman of the board, and Tore Olaf Rimmereid was elected as new vice-chairman.

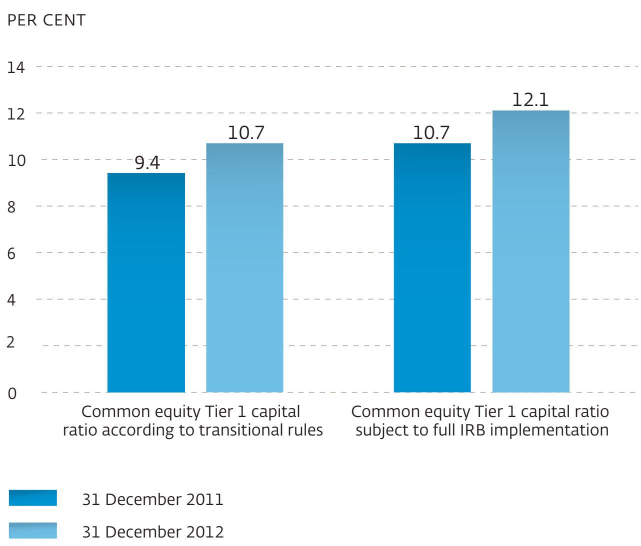
The DNB Group's organisational structure was changed at the start of 2013. The largest changes were the division of personal and corporate banking into separate business areas and the establishment of a new business area to serve high-net worth clients. The new structure aims to strengthen the DNB organisation and make it better prepared to meet changes in the regulatory framework and customer behaviour.

DNB aimed to strengthen its capital adequacy ratio to close to 10 per cent by year-end 2012. Due to a healthy profit trend, combined with a number of measures to ensure efficient capital utilisation, the common equity Tier 1 capital ratio, calculated according to the Basel II transitional rules, was 10.7 per cent at end-December. Parallel to this, the Group continued its adaptations to the new liquidity and capital requirements which are expected to be introduced over the next few years. Higher capital adequacy ratios and an increase in long-term funding make the Group well prepared to meet these requirements. Based on full implementation of Basel II and excluding the effects of the limitations ensuing from the transitional rules, the common equity Tier 1 capital ratio would have been 12.1 per cent at year-end 2012. Under Basel III, based on the Group's interpretation of the draft regulations, the common equity Tier 1 capital ratio would have been 12.1 per cent. The Board of Directors considers DNB to be well capitalised in relation to the risk of operations and prepared to meet future capital adequacy requirements.

When considering the dividend proposal for 2012, the Board of Directors has taken the new regulatory capital adequacy requirements into account. The Board of Directors has proposed a dividend for 2012 of NOK 2.10 per share, which corresponds to 25 per cent

EARNINGS PER SHARE

TIER 1 CAPITAL RATIO



of earnings per share. In order to strengthen capital adequacy, the dividend payout ratio will be 25-50 per cent during the 2012-2014 period. The Group's long-term dividend policy, with a payout ratio of approximately 50 per cent of annual profits, remains unchanged.

The Board of Directors would like to thank all employees for their contribution to DNB's continued strong profit performance and improved corporate reputation and customer satisfaction scores. Parallel to this, the Group has succeeded in widening lending spreads to compensate for rising funding costs and stricter capital requirements.

STRATEGY AND TARGETS

DNB's vision and values are about putting the customers in focus. By having satisfied customers, DNB aims to be the leading bank throughout Norway and a leading international player within selected customer segments, products and geographic areas.

The aim to achieve strong 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 values reflect what should characterise DNB. Employees who are helpful, professional and show initiative will ensure that customers always have a good experience when they are in contact with DNB.

DNB is Norway's largest financial services group, and the healthy Norwegian economy gives the Group a sound basis for continued growth. However, uncertainty regarding future economic developments and new requirements from the authorities call for a high level of adaptability and will be guiding for DNB's future strategic decisions. Capital-efficient growth, improved customer satisfaction scores and reduced cost levels will be given high priority in the future.

DNB's ambition is to achieve continued growth parallel to strengthening its Tier 1 capital ratio. This requires clear priorities. DNB will give priority to growth within the areas which ensure the best risk-adjusted return, with special emphasis on non-capital intensive products and services. In consequence of the relatively sound Norwegian economy, DNB's growth is expected to be stronger in Norway than in its international operations over the next few years.

Over time, DNB has succeeded in strengthening its reputation and improving its customer satisfaction scores. High priority is given to ensuring good experiences every time customers are in contact with the bank. It will be particularly important to further improve customer satisfaction in the personal customer market and among small corporate customers.

Efforts to reduce the Group's cost level are given priority. A number of initiatives have been implemented, including the streamlining of staff and support functions and IT operations, as well as adjustments to the distribution network in step with changes in demand and customer behaviour. The coordination, simplification and streamlining of operations will help strengthen the Group's competitiveness and improve customer services and products.

DNB gives 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.

TARGET ATTAINMENT IN 2012

	Target 2012	Achieved 2012 1)	Comments
Pre-tax operating profit before impairment	NOK 22-25 billion	NOK 22.5 billion	The target was reached in spite of interest rate levels that were much lower than expected.
Return on equity	Above 13%	12.2 %	Return on equity was under pressure due to lower than expected interest rate levels combined with higher equity to meet capital adequacy requirements.
Annual effect of cost saving measures from year-end 2012	NOK 2.3 billion	NOK 2.1 billion as at 30 June 2012	The former cost programme was ended in the second half of 2012 and replaced with targets for developments in absolute costs. Figures reported at end-June 2012 showed that the cost saving measures were on schedule.
Ordinary cost/income ratio from 2012	Below 46%	47.6 %	The cost/income ratio was also affected by the low interest rate levels. Cost efficiency measures will be a key priority in the period ahead.

1) The profits achieved in 2012 have been adjusted by NOK 1 687 million, representing the negative effect of changes in the value of basis swaps.

FINANCIAL TARGETS FOR 2012

Financial targets for 2012 were presented at the Capital Markets Day event in June 2011. The targets were conditional on a relatively positive macroeconomic trend. Developments, especially outside Norway, were weaker than expected in 2012. Among other things, a prolonged low interest rate level had a negative impact on the Group's profits.

FINANCIAL AMBITIONS TOWARDS 2015

DNB presented new long-term financial ambitions on its Capital Markets Day in September 2012:

- Average annual growth in net interest income above 6 per cent
- Maximum 2 per cent average annual growth in nominal costs including restructuring costs
- Return on equity above 12 per cent in 2015
- A common equity Tier 1 capital ratio (Basel III) at 12.0-12.5 per cent in 2015
- An unchanged long-term dividend policy, with a payout ratio of approximately 50 per cent of annual profits. In order to strengthen capital adequacy, the dividend payout ratio will be 25-50 per cent during the 2012-2014 period.

The targets are conditional on relatively positive future developments in the macroeconomy and in the general framework conditions for the financial services industry.

REVIEW OF THE ANNUAL ACCOUNTS

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 and that the going concern assumption applies.

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.

NET INTEREST INCOME

Amounts in NOK million	2012	Change	2011
Net interest income	**27 216**	**1 964**	**25 252**
Lending and deposit volumes		1 336	
Lending and deposit spreads		1 952	
Exchange rate movements		193	
Amortisation effects on loans		241	
Amortisation effects on the international bond portfolio		(298)	
Long-term funding costs		(1 237)	
Equity and non-interest bearing items		(309)	
Other net interest income		85	

Net interest income showed a healthy trend, rising by NOK 1 964 million or 7.8 per cent compared with 2011. Long-term funding costs in excess of the short-term money market rate rose by NOK 1 237 million from 2011. Increasing volumes and interest rate spreads compensated for these costs. Average lending spreads widened by 0.41 percentage points from 2011, to 2.0 per cent in 2012. Average deposit spreads showed a corresponding reduction to minus 0.12 per cent in 2012. The volume-weighted interest rate spread widened by 0.06 percentage points. Overall, interest rate spreads gave a NOK 1 952 million increase in income from 2011. Average lending volumes increased by 7 per cent from 2011 to 2012, parallel to a 16 per cent rise in deposit volumes. Thus, the overall effect of rising volumes was a NOK 1 336 million increase in income. Due to the declining interest rate levels, calculated interest income on equity was down NOK 309 million.

NET OTHER OPERATING INCOME

Amounts in NOK million	2012	Change	2011
Net other operating income	**14 501**	**(2 253)**	**16 754**
Profits from associated companies		712	
Net other gains on foreign exchange and interest rate instruments [1]		605	
Net financial and risk result from DNB Livsforsikring [2]		562	
Net other commissions and fees		252	
Net stock market-related income		193	
Net insurance-related income from DNB Skadeforsikring excl. reclassifications		151	
Real estate broking		122	
Reclassifications in DNB Skadeforsikring		(70)	
Net gains on investment property		(308)	
Basis swaps		(4 718)	
Other operating income		245	

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

Net other operating income declined by NOK 2 253 million from 2011. Adjusted for the effect of basis swaps, there was a NOK 2 465 million or 18 per cent increase in income. Profits from associated companies showed a positive trend, primarily related to that part of Eksportfinans' securities portfolio which is guaranteed by the owners, while DNB Markets recorded strong trading income on foreign exchange and interest rate instruments. There was a NOK 562 million increase in the result from DNB Livsforsikring, reflecting the recovering stock market. Income from less capital-intensive operations within real estate broking and non-life insurance also showed a healthy trend.

OPERATING EXPENSES

Amounts in NOK million	2012	Change	2011
Total operating expenses	**20 947**	**775**	**20 172**
Costs for non-core operations		182	
Non-recurring effects:			
Impairment losses for goodwill, intangible assets, leases etc.		20	
Restructuring costs		134	
Reclassifications in insurance operations		(84)	
Total adjusted operating expenses	**20 156**	**524**	**19 632**
Income-related costs:			
Operational leasing		107	
Performance-based pay		(155)	
Expenses related to operations:			
Ordinary wage inflation		313	
IT expenses		(184)	
Rise in pension expenses		434	
Properties and premises		53	
Other expenses		(44)	

Operating expenses increased by 3.8 per cent compared with 2011. Adjusted for costs for non-core operations acquired by the Group and non-recurring effects, there was a NOK 524 million or 2.7 per cent rise in expenses.

IT expenses were reduced by NOK 184 million, primarily due to non-recurring costs in connection with the change of name to DNB in 2011 and somewhat lower IT development activity in 2012.

The Group's research and development activities relate mainly to the development of IT systems, and total IT development costs were reduced from NOK 2 272 million in 2011 to NOK 2 019 million in 2012.

Costs relating to properties and premises increased somewhat in 2012 in connection with the move to new premises in Bjørvika in Oslo. Pension expenses were up NOK 434 million, mainly due to the low interest rate levels.

During 2011, the Group expanded its operations both in Norway and internationally, while the number of full-time positions was reduced through 2012. Overall, the number of full-time positions was reduced by 329 from end-December 2011 to year-end 2012.

IMPAIRMENT OF LOANS AND GUARANTEES

Impairment losses on loans and guarantees totalled NOK 3 179 million, down NOK 265 million from 2011. At NOK 2 915 million, individual impairment declined by NOK 303 million from 2011. There was a certain rise in impairment within both Retail Banking and the large corporate segments, with a significant increase within shipping. The level of impairment was markedly reduced in the Baltics and Poland compared with 2011. There was a moderate NOK 37 million rise in collective impairment from 2011, to NOK 265 million in 2012. Total impairment was reduced from 0.28 per cent of loans in 2011 to 0.24 per cent in 2012.

Net non-performing and doubtful loans and guarantees totalled NOK 19.7 billion at end-December 2012, a slight increase from NOK 19.5 billion at year-end 2011. Relative to total loans, the level of net non-performing and doubtful loans and guarantees was unchanged at 1.5 per cent.

TAXES

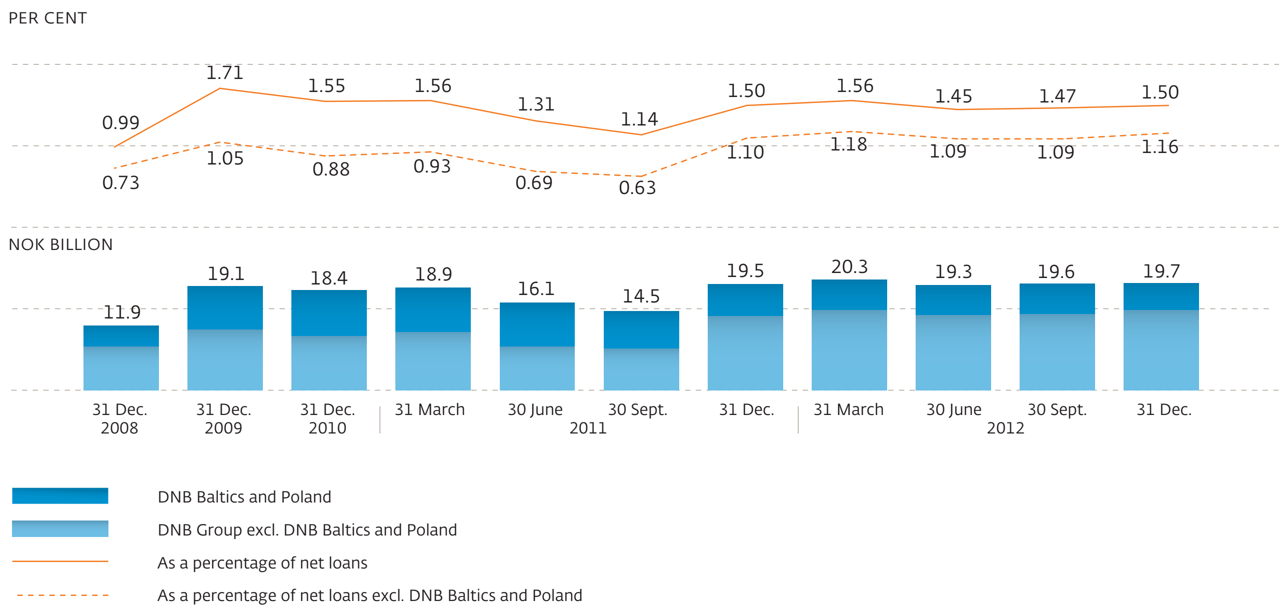
The DNB Group's tax charge for 2012 was NOK 4 028 million, a reduction from NOK 5 423 million in 2011. Relative to pre-tax operating profits, the estimated tax charge was 22.9 per cent, down from 29.5 per cent in 2011. The reduction reflected an increase in tax-exempt income on equities in DNB Livsforsikring compared with 2011 and changes in estimated taxes for the Group's international operations.

FUNDING, LIQUIDITY AND BALANCE SHEET

Throughout 2012, the short-term funding markets were generally accessible to banks with strong credit ratings, and DNB had ample access to short-term funding. During the second half of the year, investors showed a greater interest in short-term funding with somewhat longer maturities. The markets were less selective, and an increasing number of banks were regarded as financially strong.

There was a very high level of activity in the long-term funding markets during the January through March period, and banks with strong credit ratings had good access to these markets. DNB completed most of its annual long-term funding activities during

NET NON-PERFORMING AND NET DOUBTFUL LOANS AND GUARANTEES 1) 2)



1) Includes non-performing loans and guarantees and loans and guarantees subject to individual impairment. Accumulated individual impairment is deducted.
2) Figures for DNB Baltics and Poland prior to 31 December 2011 also include the former DNB NORD's portfolios in Denmark and Finland.

this period. There was increasing uncertainty regarding European sovereign debt during the second quarter, and fewer transactions were completed. In the second half of the year, investors showed renewed interest in long-term funding, while the banks had a limited need for new funding. Thus, there was a reduction in funding costs for both new covered bonds and senior bond debt.

Debt securities issued by the Group totalled NOK 708 billion at year-end 2012 and NOK 635 billion a year earlier. The average remaining term to maturity for the portfolio of debt securities issued was 4.6 years at end-December 2012, compared with 4.5 years a year earlier.

In order to keep the Group's liquidity risk at a low level, short-term and long-term liquidity risk limits have been established. Among other things, this implies that the majority of loans are financed through customer deposits, long-term securities and primary capital. The Group stayed well within the liquidity limits during 2012.

The Basel III regulations define short and long-term liquidity requirements and the appurtenant calculation methods. With effect from 2012, DNB has adjusted its liquidity risk limits in line with the calculation methods in the Basel III regulations. A gradual adaptation to the liquidity requirements within the time limits stipulated by the Basel Committee is being planned.

At end-December 2012, total combined assets in the DNB Group were NOK 2 473 billion, an increase from NOK 2 395 billion at year-end 2011. Total assets in the Group's balance sheet were NOK 2 265 billion as at 31 December 2012 and NOK 2 126 billion a year earlier. Total assets in DNB Livsforsikring were NOK 271 billion and NOK 259 billion, respectively, on the same dates.

Net loans to customers increased by NOK 18.6 billion or 1.5 per cent from end-December 2011. Customer deposits increased by NOK 70.9 billion or 9.6 per cent during the same period. The ratio of customer deposits to net loans to customers increased from 57.8 per cent at end-December 2011 to 62.5 per cent at year-end 2012, which is above the Group's minimum 60 per cent target. The ratio of deposits to net loans in DNB Bank ASA was 110.3 per cent at end-December 2012, reflecting that all loans which were not carried in the books of DNB Boligkreditt were financed through customer deposits.

CORPORATE GOVERNANCE

The management of DNB is inter alia based on the Norwegian Accounting Act and the Norwegian Code of Practice for Corporate Governance. See also the chapter on DNB's compliance with the Norwegian Accounting Act and the Code of Practice.

During 2012, the Board of Directors of DNB ASA held twelve meetings. The Group's strategy, financial development and risk management 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 2012. 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. With effect from 2013, the committee has been renamed the Audit and Risk Management Committee. Additional responsibilities include making preparations for the Board of Directors' follow-up of risk management in the Group and offering the Board advice regarding the Group's risk profile.

The Compensation Committee consists of three members of the Board of Directors and held seven meetings in 2011. The committee proposes internal guidelines for remuneration to senior executives in accordance with the Public Limited Companies Act. In addition, the committee 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 and any others reporting to the group chief executive.

In order to ensure an optimal level of capital in the company, on 25 April 2012, 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 may be purchased on the stock exchange. Each share may be purchased at a price between NOK 10 and NOK 150. The authorisation is valid for a period of 12 months and was not used in 2012.

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 DNB ASA and DNB Bank ASA. The Board of Directors of DNB Bank ASA 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 the chief risk officer and handles matters relating to the management of market and funding risk, risk modelling, capital structure and return targets.
- In 2012, the Group had 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 the business areas 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 the business areas approve other credits according to assigned authorisations.

Due to new, comprehensive regulations, the financial services industry has become increasingly complex. With effect from January 2013, the Group's specialist units within risk management have been organised as a separate support unit, Risk Management. This unit is headed by the Group's chief risk officer, CRO, who reports directly to the group chief executive.

In 2012, DNB established a risk appetite framework for the Group, which will become effective as from 2013. The risk appetite concept has become best practice in the financial services industry, enabling organisations to include risk as a holistic part of their strategy and planning processes and thus react more swiftly to changing surroundings. In the DNB Group, the framework will represent an operationalisation of the Group's current risk policy and guidelines to ensure that risk is managed and integrated in the Group's other management processes. The framework is owned by the Board of Directors and will be reviewed at least once a year. The actual risk level that is measured in accordance with the framework will be reported on a monthly basis.

DEVELOPMENTS IN 2012

Overall, the risk situation developed favourably during 2012. The year started on a positive note, followed by increasing capital market turmoil once again during the second quarter. There was a downturn in the stock markets, and risk premiums increased in the money and credit markets. This was partly due to the failure to solve the debt problems in the eurozone and lower growth prospects for the global economy. Thereafter, the situation changed significantly due to extensive purchases of sovereign debt by the central banks within the EU and the US. In addition, confidence in the banking system increased in the EU in consequence of the plans to establish a banking union. There was a marked increase in equity prices in the second half of the year, and risk premiums in the money and capital markets were reduced to the levels prevailing in the first half of 2011. Interest rates continued to decline through 2012, reaching record-low levels.

There was strong growth in the Norwegian economy throughout 2012, reflecting a high level of activity in the oil and gas sector. After lowering its key policy rate by 0.5 percentage points in December 2011, Norges Bank chose to implement a further 0.25 percentage point reduction, to 1.5 per cent in the first quarter of 2012, as a result of lower international interest rates. The record-strong Norwegian krone and relatively high wage inflation presented increasing challenges for Norwegian industries which compete in international markets. One must go as far back as the period prior to the devaluation in 1986 to find an equally strong Norwegian krone as at year-end 2012.

The DNB Group quantifies risk by measuring risk-adjusted capital requirements. The net risk-adjusted capital requirement declined by NOK 5.9 billion from year-end 2011, to NOK 75 billion.

RISK-ADJUSTED CAPITAL REQUIREMENT FOR THE DNB GROUP [1]

Amounts in NOK billion	31 Dec. 2012	31 Dec. 2011
Credit risk	57.0	64.5
Market risk [2]	8.0	6.3
Market risk in life insurance	10.6	10.6
Insurance risk in life insurance	1.0	1.0
Non-life insurance	0.8	0.8
Operational risk	9.8	9.0
Business risk	4.6	4.7
Gross risk-adjusted capital	91.9	97.0
Diversification effect [3]	(16.8)	(16.1)
Net risk-adjusted capital	75.0	80.9
Diversification effect in per cent of gross risk-adjusted capital [3]	18.3	16.6

1) In the third quarter of 2012, significant changes were made in the calculation method for risk-adjusted capital for credit. The diversification effects were reduced, while the probability of default was adjusted upwards for some portfolios to ensure greater consistency between external capital adequacy calculations and internal risk measurement. In addition, risk-adjusted capital calculations for non-performing and doubtful loans were introduced. These changes have thus far not been reflected in the allocation of capital to the business areas or in risk-adjusted profitability measurement. The changes will affect these calculations as from 1 January 2013. With respect to operational risk, the Group no longer uses an internal quality index to modify the risk-adjusted capital requirement. Figures for previous periods have been adjusted correspondingly.

2) With effect from the fourth quarter of 2012, the risk associated with basis risk for derivative positions in trading activities is included in market risk calculations. Figures for previous periods have been adjusted accordingly.

3) The diversification effect refers to the risk-mitigating effect achieved by the Group by having operations which are affected by different types of risk where unexpected losses are unlikely to occur at the same time.

The risk-adjusted capital requirement for credit declined by NOK 7.5 billion in 2012, reflecting a reduction in volumes in the corporate customer segments. The strengthening of the Norwegian krone was a key factor behind this development. There was stable, sound credit quality in the healthy portfolio in most areas, with the exception of the shipping sector. Record-low freight rates in the tanker, dry bulk and container segments put pressure on shipping companies' earnings and liquidity. Lower portfolio quality must be expected in these segments in the future. Increased production of shale oil in the US will reduce the need to import oil from Africa and the Middle East and curtail demand for tanker tonnage. Due to continued brisk growth in global trade, however, there will be greater demand for sea freight in other segments.

Large new oil findings in the Norwegian sector give reason for optimism in the offshore and oil suppliers sectors. The Norwegian commercial property market showed a positive trend in 2012, with increasing sales and a moderate rise in values, even though it has become more difficult and expensive for investors to finance commercial property investments.

Market risk in life insurance was unchanged from year-end 2011 to year-end 2012. There was a significant reduction in equity exposure towards the end of 2011, and equities represented between 6 and 8 per cent of total investments through 2012. DNB Livsforsikring reduced its commercial property investments in 2012. Underlying assumptions for calculating market risk were updated to reflect changes in market prices during the financial crisis. Seen in isolation, this resulted in an increase in the risk-adjusted capital requirement for market risk in life insurance of approximately 8 per cent. At year-end 2012, long-term Norwegian swap rates, which are reference rates for expected returns, were just below policyholders' guaranteed rate of return. In the longer term, this will affect DNB Livsforsikring's ability to assume risk to ensure a healthy return for policyholders.

There was an increase in the risk-adjusted capital requirement for market risk in operations other than life insurance, mainly due to changes in assumptions to reflect fluctuations in market prices during the financial crisis. In addition, changes affecting basis risk for derivative positions in trading activities were made. With effect from 2012, such basis risk is included in risk-adjusted capital. This risk fluctuated significantly through the year and was estimated at NOK 1.2 billion at year-end. There were no significant changes in market risk limits in 2012. Mark-to-market adjustments of swap contracts entered into in connection with the Group's long-term financing of loans, basis swaps, are not included in the measurement of the risk-adjusted capital requirement 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 24 per cent increase in registered events entailing operational risk from 2011, which partly reflected more extensive registration of such events, but also an actual increase. The net loss was approximately 40 per cent below the loss registered in 2011. The level of losses is considered to be low. There was a marked increase in the number of Trojan attacks and hacking attempts against the Group's Internet bank in 2012. The risk-adjusted capital requirement 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 declined by NOK 16.7 billion in 2012, to NOK 1 075.7 billion. In 2012, risk-weighted volume could not 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 10.7 per cent, while the capital adequacy ratio was 12.6 per cent.

Calculations have also been made of full future implementation of the Basel II rules on all of the Group's credit portfolios, excluding those in the Baltics and Poland, disregarding the limitations ensuing from the transitional rules. The calculations showed a pro forma risk-weighted volume of NOK 959.3 billion and a potential common equity Tier 1 capital ratio of 12.1 per cent. Under Basel III, based on the Group's interpretation of the draft regulations, the common equity Tier 1 capital ratio would have been 12.1 per cent at end-December 2012. These calculations do not take account of the authorities' proposal to increase home mortgage weights to 35 per cent. See description in the section on the new regulatory framework

BUSINESS AREAS

In 2012, activities in DNB were organised in the business areas Retail Banking, Large Corporates and International, DNB Markets and Insurance and Asset Management. In addition, operations in DNB Baltics and Poland were reported as a separate profit centre. DNB's 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 and services.

DNB's head office is located in Oslo, Norway. In addition, the Group is represented in Sweden, Denmark, Finland, Estonia, Latvia, Lithuania, Poland, England, Scotland, Germany, Greece, Luxembourg, Russia, the US, Chile, Brazil, India, Singapore and China.

RETAIL BANKING

In 2012, Retail Banking was responsible for serving the Group's 2.1 million personal customers and some 220 000 corporate customers through the branch network and customer service centres in Norway. DNB aspires to be a local bank for the whole of Norway, while offering the expertise of a large bank.

Pre-tax operating profits showed a healthy trend, rising by NOK 1 611 million to NOK 8 825 million. There was a positive development in volumes and a satisfactory trend in non-performing loans and guarantees and impairment losses.

RETAIL BANKING

Income statement in NOK million	2012	2011	Change	Change in %
Net interest income	16 364	14 397	1 967	13.7
Other operating income	3 970	3 681	289	7.8
Income attributable to product suppliers	1 135	1 328	(194)	(14.6)
Net other operating income	5 105	5 010	95	1.9
Total income	21 469	19 406	2 062	10.6
Other operating expenses	10 895	10 659	236	2.2
Costs attributable to product suppliers	562	658	(96)	(14.6)
Total operating expenses	11 457	11 317	140	1.2
Pre-tax operating profit before impairment	10 012	8 089	1 922	23.8
Net gains on fixed assets	0	2	(1)	(88.9)
Impairment of loans and guarantees	1 139	877	262	29.9
Profit from repossessed operations	(48)	0	(48)	
Pre-tax operating profit	**8 825**	**7 214**	**1 611**	**22.3**
Average balance sheet items in NOK billion				
Net loans to customers	847.4	784.0	63.4	8.1
Deposits from customers	448.8	404.9	43.9	10.8
Key figures in per cent				
Lending spread [1]	2.04	1.54	0.50	
Deposit spread [1]	(0.14)	0.45	(0.58)	
Return on risk-adjusted capital [2]	30.6	24.6	6.0	
Cost/income ratio	53.1	58.3	(5.2)	
Ratio of deposits to loans	53.0	51.6	1.3	
Number of full-time positions, end of period	4 897	5 040	(143)	(2.8)

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

There was continued brisk growth in home mortgages throughout 2012, while loans to corporate customers showed slower growth towards the end of the year. Average net loans increased by 8.1 per cent from 2011, parallel to brisk deposit growth at 10.8 per cent. Along with customer deposits, covered bonds based on home mortgages in DNB Boligkreditt were key sources of funding. At end-December 2012, 94 per cent of lending volume in Retail Banking was funded by deposits and covered bonds.

Rising volumes and widening lending spreads relative to the 3-month money market rate contributed to the healthy increase in net interest income. Deposit spreads narrowed due to lower interest rate levels and strong competition in the market. The average volume-weighted interest rate spread was 1.29 per cent in 2012, an increase from 1.17 per cent in 2011.

Income from real estate broking, guarantee commissions and payment services showed a positive trend during 2012, while there was a reduction in income from interest rate instruments compared with 2011 due to a decline in demand for interest rate hedging.

Total operating expenses increased by 1.2 per cent from 2011 to 2012. A high level of activity in DNB Finans gave an increase in depreciation on operational leasing, while lower IT development activity brought down costs. The number of full-time positions was reduced by 143 in the course of 2012. SalusAnsvar AB was sold with effect from January 2013. Excluding SalusAnsvar, there was a reduction of 281 full-time positions. Excluding full-time positions in SalusAnsvar, the number of full-time positions was 4 759 at end-December 2012, with 4 574 in the business area's units in Norway.

The quality of the loan portfolio was sound in both the retail and corporate markets. Net impairment of loans increased by NOK 262 million from 2011 and represented 0.13 per cent of net loans, up from 0.11 per cent in 2011. Net non-performing and doubtful loans and guarantees amounted to NOK 5.9 billion at end-December 2012, down NOK 0.3 billion from end-December 2011.

The market share of credit to households stabilised through 2012 and stood at 27.8 per cent at year-end. The market share of household savings was 34.4 per cent on the same date.

In September 2012, an agreement was signed on the sale of the subsidiary SalusAnsvar in Sweden, and the sale was formally completed in late January 2013. Nordlandsbanken was formally merged with DNB Bank ASA with effect from 1 October 2012, but will remain a separate brand in the Group for a transitional period of up to two years.

Housing prices are expected to increase further in 2013, though extensive housebuilding activity could dampen price growth. Low interest rates combined with high real wage growth and a stable, low unemployment rate provide a basis for strong consumption growth. Retail Banking expects moderate lending growth. Impairment of loans to both personal and corporate customers is expected to remain low.

LARGE CORPORATES AND INTERNATIONAL

Large Corporates and International serves large Norwegian corporate customers and the Group's international customers. Operations are based on broad and sound industry expertise and long-term customer relationships.

Pre-tax operating profits were NOK 7 594 million in 2012, an increase of NOK 860 million compared with 2011.

LARGE CORPORATES AND INTERNATIONAL

Income statement in NOK million	2012	2011	Change	Change in %
Net interest income	9 335	8 245	1 090	13.2
Other operating income	1 309	1 097	212	19.4
Income attributable to product suppliers	2 344	2 100	244	11.6
Net other operating income	3 653	3 196	456	14.3
Total income	12 987	11 441	1 546	13.5
Other operating expenses	2 600	2 463	137	5.6
Costs attributable to product suppliers	972	873	99	11.4
Total operating expenses	3 572	3 336	236	7.1
Pre-tax operating profit before impairment	9 415	8 106	1 310	16.2
Impairment of loans and guarantees	1 674	1 176	498	42.3
Profit from repossessed operations	(148)	(197)	48	
Pre-tax operating profit	**7 594**	**6 734**	**860**	**12.8**
Average balance sheet items in NOK billion				
Net loans to customers	396.0	367.3	28.7	7.8
Deposits from customers	288.3	234.7	53.6	22.9
Key figures in per cent				
Lending spread [1]	1.91	1.66	0.25	
Deposit spread [1]	(0.15)	0.02	(0.17)	
Return on risk-adjusted capital [2]	21.7	20.6	1.1	
Cost/income ratio	27.5	29.2	(1.7)	
Ratio of deposits to loans	72.8	63.9	8.9	
Number of full-time positions, end of period	1 118	1 174	(56)	(4.7)

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

Average loans to customers rose by 7.8 per cent from 2011 to 2012. However, there was a NOK 32 billion reduction in lending volume from year-end 2011 to end-December 2012. The reduction was partly due to exchange rate movements, though the decline in lending volume in the second half of the year also reflected an intended shift in risk exposure to specific segments, brisk bond market activity and weak credit demand in several customer segments.

There was a significant rise in deposits throughout 2012, with an increase of 22.9 per cent compared with the average figure for 2011. The ratio of deposits to loans increased by 8.9 percentage points, to 72.8 per cent.

Net interest income showed a healthy trend due to both rising volumes and widening lending spreads relative to the 3-month money market rate. Average lending spreads increased by 0.25 percentage points from 2011, which helped compensate for higher long-term funding costs. There was strong competition for deposits, and deposit spreads declined by 0.17 percentage points from 2011.

The rise in other operating income was mainly attributable to an increase in income from guarantees, a positive development in the market value of acquired equities and shareholdings and higher income from cross-sales of DNB Markets products.

Operating expenses rose by 7.1 per cent from 2011, reflecting higher restructuring expenses, impairment of intangible assets and higher income-related product costs. Due to an increase in staff numbers in strategic priority areas through 2011, there was a rise in personnel expenses from 2011 to 2012. In the second half of 2012, staff numbers were reduced in defined areas. At end-December 2012, staff in the business area represented 1 118 full-time positions, including 635 positions outside Norway.

Net impairment losses on loans increased by NOK 498 million from 2011, representing 0.42 per cent of net loans to customers in 2012, of which individual impairment came to 0.35 per cent. The corresponding figures for 2011 were 0.32 per cent and 0.26 per cent, respectively. Loans to the shipping sector accounted for the greatest increase in both collective and individual impairment.

Net non-performing and doubtful loans and guarantees amounted to NOK 8.7 billion at end-December 2012. The corresponding figure at end-December 2011 was NOK 6.4 billion. The increase was due to impairment of a few large loans. The quality of the loan portfolios was considered to be sound at year-end 2012. Close follow-up of customers and preventive credit management measures are vital to ensuring satisfactory quality. Market conditions caused challenges for certain customer segments, especially shipping.

DNB will give priority to strong, long-term and profitable customer relationships and close customer follow-up. Along with the Group's wide range of products and expertise, this will form the basis for operations over the coming years. Average lending spreads are expected to increase further through continued repricing in certain segments. It is anticipated that competition for stable customer deposits will continue.

DNB MARKETS

DNB Markets, Norway's largest provider of securities and investment services, recorded healthy profits in 2012. Pre-tax operating profits were NOK 5 375 million, up NOK 1 214 million from 2011. The rise in profits reflected higher income from corporate finance, especially from arranging bond issues. In addition, the stabilisation of the markets towards the end of the year resulted in lower credit margins, which ensured large capital gains on bonds.

DNB MARKETS

Income statement in NOK million	2012	2011	Change	Change in %
FX, interest rate and commodity derivatives	1 554	1 476	78	5.3
Investment products	367	432	(65)	(15.0)
Corporate finance	920	770	150	19.4
Securities services	220	230	(10)	(4.3)
Total customer revenues	3 061	2 908	152	5.2
Net income from the international bond portfolio	2 168	591	1 577	266.8
Other market making/trading revenues	2 161	2 495	(334)	(13.4)
Total trading revenues	4 329	3 086	1 243	40.3
Interest income on allocated capital	157	165	(7)	(4.3)
Total income	7 547	6 159	1 388	22.5
Operating expenses	2 170	1 999	171	8.6
Pre-tax operating profit before impairment	5 378	4 160	1 217	29.3
Net gains on fixed assets	(3)	0	(3)	
Pre-tax operating profit	**5 375**	**4 160**	**1 214**	**29.2**
Key figures in per cent				
Return on risk-adjusted capital [1]	57.0	51.0	5.9	
Cost/income ratio	28.8	32.5	(3.7)	
Number of full-time positions, end of period	722	698	25	3.6

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

Customer-related revenues totalled NOK 3 061 million in 2012, up NOK 152 million from 2011.

Customer-related income from foreign exchange and interest rate and commodity derivatives increased by a total of 5.3 per cent from 2011. There was a rise in income from foreign exchange, especially currency swaps. Due to brisk demand, income from commodity hedging instruments also increased. Due to declining interest rate levels towards the end of 2011, a large number of customers entered into hedging contracts in 2011, while there was a lower level of income from interest rate hedging products in 2012.

There was a reduction in customer-related income from the sale of securities and other investment products compared with 2011. DNB Markets retained its position as the largest brokerage house on Oslo Børs (the Oslo Stock Exchange) within bond and commercial paper brokerage, and there was a high level of activity, but pressure on margins. A higher market share on Oslo Børs was not sufficient to compensate for the generally low level of stock market activity. DNB Markets was the largest player on Oslo Børs in terms of sales of Exchange Traded Notes (ETN), warrants and other equity derivatives. The shift to a new trading platform on Oslo Børs in November 2012 was successful.

A high level of activity in arranging bond issues ensured strong growth in customer-related revenues from corporate finance services from 2011. There was also a positive trend in income from merger and acquisition advisory services compared with 2011.

Customer-related revenues from custodial and other securities services were somewhat reduced compared with 2011. However, there was brisk activity within both securities lending and securities services.

Total income from market making and other proprietary trading rose by 40.3 per cent, to NOK 4 329 million in 2012. Income was evenly distributed between the international bond portfolio and other proprietary trading. The normalisation of the financial markets resulted in a significant reduction in credit margins through 2012, and thus sizeable capital gains on DNB Markets' bond portfolios.

The normalisation of the financial markets, with lower margins on products such as bonds, is expected to result in lower future income from proprietary trading. Moreover, activity levels, including volatility in the equity, credit, commodity, currency and interest rate markets, will be decisive for the business area's future profits.

INSURANCE AND ASSET MANAGEMENT

In 2012, Insurance and Asset Management was responsible for life insurance, pension savings, asset management and non-life insurance in the DNB Group. Pre-tax operating profits totalled NOK 1 578 million, up from NOK 758 million in 2011.

INSURANCE AND ASSET MANAGEMENT

Income statement in NOK million	2012	2011	Change	Change in %
Total income	3 763	3 091	672	21.7
Operating expenses	2 185	2 333	(148)	(6.4)
Pre-tax operating profit	1 578	758	820	108.2
Taxes	(248)	182	(430)	(236.1)
Profit	**1 826**	**576**	**1 250**	**217.0**
Balances in NOK billion (end of period)				
Assets under management	480.8	529.3	(48.6)	(9.2)
Key figures in per cent				
Return on risk-adjusted capital [1]	13.8	3.5	10.3	
Cost/income ratio	58.1	75.5	(17.4)	
Number of full-time positions, end of period	1 017	1 060	(43.0)	(4.1)

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

DNB Livsforsikring

DNB Livsforsikring's pre-tax operating profits were NOK 1 279 million in 2012, up NOK 864 million from 2011.

DNB LIVSFORSIKRING

Income statement in NOK million	2012	2011	Change	Change in %
Interest result	4 952	450	4 502	
Risk result	(300)	129	(428)	
Administration result	7	(192)	199	
Upfront pricing of risk and guaranteed rate of return	580	531	49	
Transferred to security reserve	19	41	(21)	
Provisions for higher life expectancy, group pensions	3 323	464	2 859	
Proposed allocations to policyholders	618	(2)	620	
Pre-tax profit	1 279	416	864	207.8
Taxes	(355)	101	(456)	(450.6)
Profit	**1 634**	**314**	**1 320**	**419.7**
Balances in NOK billion (end of period)				
Total assets	270.6	258.8	11.7	4.5
Assets under management	248.4	235.6	12.7	5.4
- individual customers	61.0	62.0	(1.0)	(1.6)
- corporate customers	149.4	137.2	12.3	8.9
- public sector	37.9	36.5	1.5	4.0
Key figures in per cent				
Return on risk-adjusted capital [1]	13.1	2.5	10.6	
Recorded return on assets	5.4	3.2	2.2	
Value-adjusted return on assets	5.7	2.1	3.6	
Number of full-time positions, end of period	692	733	(40.8)	(5.6)

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

A positive financial market trend in 2012 gave strong returns on DNB Livsforsikring's portfolios. The value-adjusted return on the common portfolio was 5.7 per cent. The recorded return was higher than the guaranteed rate of return in all portfolios.

DNB Livsforsikring's common portfolio represents a sound base, with 58 per cent of the funds invested in property and bonds held to maturity generating annual returns of approximately 5 per cent. These investments contribute to stabilising returns. The property portfolio gave a return of 5.4 per cent, while the bond portfolio generated a return of 5.0 per cent in 2012.

The corporate portfolio generated a return of 3.1 per cent in 2012, up from 1.2 per cent in 2011.

Total assets as at 31 December 2012 were NOK 271 billion, an increase of 4.5 per cent since year-end 2011. Recorded policyholders' funds within defined-contribution pension schemes totalled NOK 20 billion, an increase of 34.9 per cent from end-December 2011. Premium income totalled NOK 20.4 billion, compared with NOK 23.3 billion in 2011. DNB Livsforsikring reported a net outflow of transfers of NOK 1 699 million, while there was a net outflow of NOK 132 million in 2011.

There was a negative risk result of NOK 300 million, compared with a positive result of NOK 129 million in 2011. Provisions for higher life expectancy of NOK 410 million were made in 2012, relating to individual annuity and pension insurance and group association insurance, of which NOK 144 million was charged to the DNB Group.

The company's solvency capital increased by NOK 4.3 billion from year-end 2011, totalling NOK 29.5 billion at end-December 2012. The capital adequacy ratio was 16.7 per cent, well above the 8 per cent requirement.

DNB Livsforsikring's market share of total policyholders' funds was 28.4 per cent at end-September 2012, down 0.5 percentage points from end-December 2011.

DNB Livsforsikring continued to rebalance its portfolio, aiming to ensure lower risk and more stable returns. If the low interest rate level persists, it will represent a challenge for the life insurance industry, as it may affect the companies' ability to make contractual future pension payments.

As part of the upward adjustment of life expectancy assumptions, it has been proposed to increase provisions for group pensions by NOK 3 323 million in 2012 and NOK 464 million in 2011. These provisions represented a total of approximately 2.5 per cent of premium reserves at year-end 2012. On 8 March 2013, Finanstilsynet announced new assumptions to be used by life insurance companies when calculating future retirement pension payments. Finanstilsynet has used Statistics Norway's medium alternative for life expectancy projections as a basis, but added a 10 per cent safety margin. In addition, the initial mortality rate has been adjusted by 12 per cent. The new calculation base gives a total required increase in reserves of approximately NOK 14.4 billion, of which NOK 3.8 billion had been set aside as at 31 December 2012. The remaining required increase in reserves represents approximately 6.5 per cent of reserves. The authorities require that 20 per cent of the financing be in the form of shareholder contributions. New premium rates will be introduced with effect from 2014. Any required increase in reserves must be financed by year-end 2018. Certain aspects regarding the implementation remain to be clarified. In addition, provisions of NOK 410 million were made for individual pension insurance, bringing total provisions to NOK 3 733 million in 2012.

The introduction of higher capital requirements in consequence of Solvency II and a new occupational pension product also implies significant changes in the life insurance industry's framework conditions. The Solvency II rules are yet to be finalised. This applies to both the details of the actual capital adequacy requirements and their implementation in Norwegian legislation. The implementation of Solvency II has been postponed several times, mainly due to disagreement regarding the valuation of long-term guarantees. There is reason to believe that the framework will be implemented with effect from 1 January 2016 at the earliest.

The Banking Law Commission has proposed new rules for occupational pensions, aiming for harmonisation with the rules governing retirement pensions in the new National Insurance scheme. Among other things, new occupational pension products have been proposed, called the basic model and the standard model. These products are based on elements from both defined-contribution and defined-benefit pensions. It has been proposed to maintain existing defined-benefit pensions for a transitional period of up to three years. During this period, companies which currently have defined-benefit pension schemes must choose either a defined-contribution scheme or the basic model/standard model as their future occupational pension product. A new Occupational Pension Act is scheduled to be approved in the autumn of 2013, but there is a certain risk that the enactment will be postponed until 2014, whereby the Act will not enter into force until 2015.

See the chapter on the new regulatory framework for a more detailed description of these regulations.

DNB Asset Management

DNB Asset Management recorded pre-tax operating profits of NOK 179 million in 2012, down NOK 56 million from 2011.

DNB ASSET MANAGEMENT

Income statement in NOK million	2012	2011	Change	Change in %
Net interest income	(19)	(23)	4	(17.1)
Commission income				
- from retail customers	277	350	(74)	(21.1)
- from institutional clients	511	478	33	7.0
Other operating income	13	12	0	3.7
Total income	781	818	(36)	(4.4)
Operating expenses	603	583	20	3.4
Pre-tax operating profit	**179**	**235**	**(56)**	**(23.8)**
Balances in NOK billion (end of period)				
Asset under management	436.5	480.0	(43.5)	(9.1)
- retail customers	35.3	36.6	(1.2)	(3.4)
- institutional clients	401.2	443.5	(42.3)	(9.5)
Key figures in per cent				
Return on risk-adjusted capital [1]	22.0	30.8	(8.8)	
Cost/income ratio	77.1	71.3	5.8	
Number of full-time positions, end of period	198	215	(17)	(7.7)

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

Assets under management declined by a total of NOK 43.5 billion from year-end 2011. Developments in net sales resulted in a NOK 69 billion reduction in assets under management. The reduction primarily referred to portfolios with low margins. Market developments over the past 12-month period gave a NOK 28 billion rise in assets under management, while exchange rate movements caused a NOK 3 billion reduction.

DNB Asset Management is one of Norway's leading providers of mutual funds and discretionary asset management and has a market share of 21 per cent of the total mutual fund market in Norway. At end-December 2012, the company had approximately 235 000 mutual fund savings schemes in the Norwegian market, with annual subscriptions of around NOK 2.5 billion. 33 per cent of DNB's mutual funds had received four or five stars from the rating company Morningstar at end-December 2012. Two of the 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 strongly influence the area's profit performance.

DNB Skadeforsikring

DNB Skadeforsikring offers non-life insurance products such as home insurance, car insurance and travel insurance to the Norwegian retail customer market. Products are sold mainly through the bank's distribution network, and special initiatives in the large cities have produced good results. DNB Skadeforsikring is still in an expansion phase, and total premium income, the number of policyholders and profits all showed a strong trend. Pre-tax operating profits totalled NOK 203 million in 2012, up NOK 149 million from 2011.

DNB BALTICS AND POLAND

DNB Baltics and Poland offers financial services to both corporate and personal customers in Estonia, Latvia and Lithuania. An agreement has been entered into on the sale of the branch network in Poland, including the appurtenant customer relationships with personal customers and small and medium-sized companies. The sale is expected to be completed during the first half of 2013.

DNB Baltics and Poland recorded pre-tax operating profits of NOK 130 million in 2012, an increase of NOK 803 million from 2011.

DNB BALTICS AND POLAND

Income statement in NOK million	2012	2011	Change	Change in %
Net interest income	1 061	1 319	(258)	(19.5)
Other operating income	886	763	123	16.1
Total income	1 948	2 082	(134)	(6.5)
Operating expenses	1 558	1 484	74	5.0
Pre-tax operating profit before impairment	389	598	(209)	(34.9)
Net gains on fixed assets	(3)	9	(12)	(136.1)
Impairment of loans and guarantees	256	1 280	(1 024)	(80.0)
Pre-tax operating profit	**130**	**(673)**	**803**	
Average balance sheet items in NOK billion				
Net loans to customers	53.4	53.7	(0.4)	(0.7)
Deposits from customers	28.6	23.8	4.8	20.0
Key figures in per cent				
Lending spread [1]	2.13	1.77	0.36	
Deposit spread [1]	0.28	0.89	(0.62)	
Return on risk-adjusted capital [2]	2.8	(15.3)	18.0	
Cost/income ratio	80.0	62.1	17.9	
Ratio of deposits to loans	53.6	44.4	9.3	
Number of full-time positions, end of period	3 083	3 297	(214)	(6.5)

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

The macroeconomic situation in the Baltic region gradually improved during 2012. However, there was low credit demand throughout the year, and DNB's lending volumes in the Baltics declined by 5.0 per cent from year-end 2011. In spite of this reduction, there was a rise in DNB's market shares during 2012. Operations in Poland reflected DNB's change of strategy in this country, and there was a decline in lending volume towards the end of 2012. Overall, average lending in the Baltics and Poland declined by 0.7 per cent from 2011.

Customer deposits showed a healthy trend and rose by 20.0 per cent on average from 2011. This demonstrates that the customers in this region have faith in DNB Baltics and Poland as part of a sound Norwegian bank.

The reduction in net interest income from 2011 reflected a combination of rising funding costs, lower lending volumes and pressure on deposit spreads. There was a positive trend in lending spreads, measured against the 3-month money market rate, while deposit spreads narrowed, partly due to strong competition for deposits.

There was a strong reduction in net impairment of loans from 2011 to 2012, representing 0.48 per cent of average lending, down from 2.37 per cent in 2011.

Efforts to improve portfolio quality and cost efficiency will be high on the agenda. In the longer term, growth in the Baltics is expected to surpass average European levels. DNB will work to improve operations and widen the product range in the region. Operations in Poland will be adapted to the amended strategy, concentrating on the corporate segment. Improved operations combined with lower impairment levels are expected to ensure greater profitability.

CORPORATE SOCIAL RESPONSIBILITY

DNB takes responsibility for its impact on both human beings and the environment and, as Norway's largest bank, wants to set an example within sustainable value creation by integrating ethical, environmental and social considerations into business operations. This responsibility applies to all parts of the Group's operations and comprises products, services, marketing, procurement and corporate governance, as well as internal processes concerning the working environment, ethics and environmental efficiency.

DNB is also an important player in society and contributes to realising opportunities, creating jobs and promoting responsible growth. Among other things, the bank plays an important part when young people are buying their first home and when large and small corporate customers convert their ideas into reality.

DNB's group policy for corporate social responsibility, CSR, is based on internationally recognised guidelines, 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. To support this policy, the Group has implemented guidelines and business models to facilitate compliance with the CSR requirements, such as guidelines for responsible investment, credit activities and the follow-up of suppliers' social responsibility.

According to DNB's guidelines for corporate social responsibility within credit activities, all loans of a certain size should be assessed relative to a diligence matrix. The diligence matrix is meant to be a guide for account officers in assessing customers on the basis of various aspects to ensure compliance with the Group's corporate social responsibility guidelines. The diligence matrix is used in connection with new loans, the renewal of loans and major changes in the customer's operations, ownership structure or other relevant events.

According to DNB's credit guidelines, all project financing involving total costs of more than USD 10 million is to be reviewed according to the Equator Principles. The Equator Principles are a set of guidelines used by most large international financial institutions to assess environmental and social issues in project finance. In 2012, eight DNB projects were reviewed based on these principles.

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 is integrated in the Group's formal supplier and contract documentation. In 2012, a model for following up suppliers' corporate social responsibility was taken into use, whereby suppliers are classified and followed up according to risk. 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.

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 2012, 58 companies were excluded after breaching DNB's ethical investment guidelines, based on the following criteria:

EXCLUDED COMPANIES AS AT 31 DECEMBER 2012

Exclusion criteria	Number of companies
Anti-personnel mines (land mines)	1
Cluster weapons	9
Nuclear weapons	11
Pollution	8
Labour rights	1
Human rights	6
Pornography	2
Tobacco	20
Total number of excluded companies	**58**

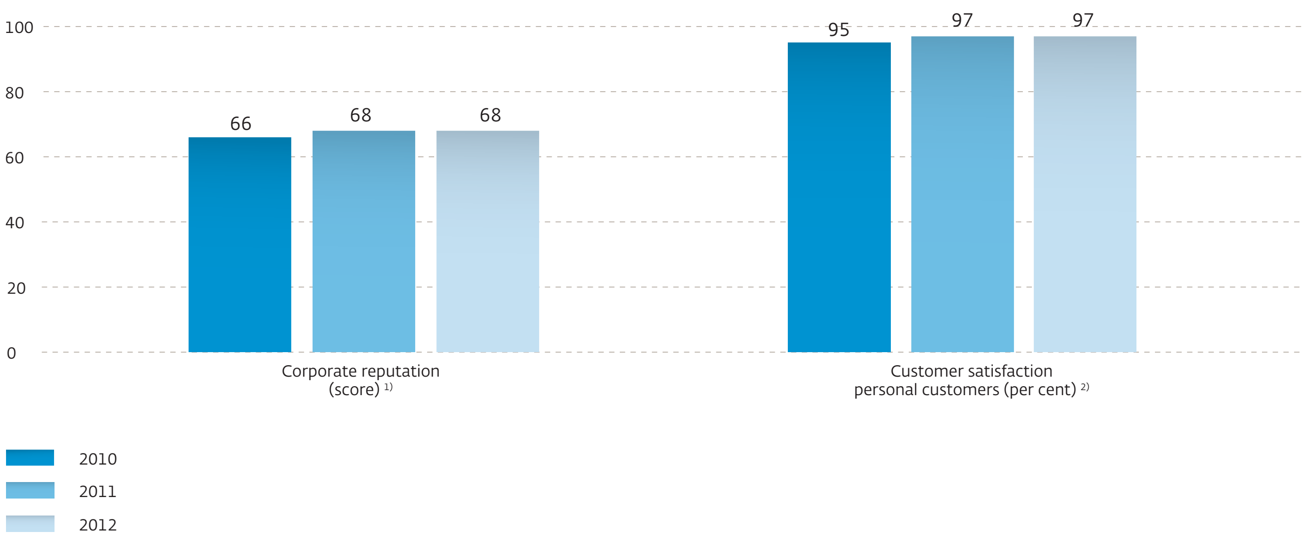
In 2012, DNB supported sporting, cultural and charitable organisations and other non-profit projects with NOK 119 million.

In 2012, a course in personal finances was prepared in collaboration with the Norwegian Red Cross. This course was also used in adult education and in a project aimed at helping young dropouts find gainful employment and their place in society. More than 400 people completed a DNB course in personal finances in 2012.

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 2012, the foundation made donations totalling NOK 105.4 million to 441 different projects.

In 2012, DNB qualified for inclusion, for the fourth year in a row, in the Dow Jones Sustainability 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 financial, environmental and social performance. The index is an important indicator for DNB's target attainment in this field compared with the rest of the industry, and DNB aims to continue to qualify for inclusion in the index in 2013.

CORPORATE REPUTATION AND CUSTOMER SATISFACTION



1) Over 80 points: excellent reputation, 70-79 points: good reputation, 60-69 points: average reputation, 40-59 points: weak reputation, less than 40 points: bad reputation.
2) Numbers are based on DNB Market Analysis' customer satisfaction survey among personal customers and reported as annual averages of four quarterly surveys. The satisfaction score shows DNB's satisfaction rating relative to the score in the rest of the market. The market average is set at 100.

The Group's operations and financial performance are influenced by the way DNB is perceived by its customers and the market in general. Thus, both corporate reputation and customer satisfaction are assessed when measuring the target attainment of the group chief executive and the group executive vice presidents, which entails that corporate social responsibility forms part of the basis for group management's remuneration.

DNB's result in RepTrak Norway's reputations survey showed a consistent development from 2011 to 2012. The reputation score is reported as an annual average and is based on one main survey and three additional surveys. The main survey for 2012 points, carried out in January and February 2012, resulted in a score of 66 points, while the annual average ended up at 68 points.

Customer satisfaction, which measures DNB customers' opinion of and satisfaction with the Group, remained unchanged from 2011 to 2012 at 97 per cent. The target is 100 per cent, which is the market average.

DNB aims to further integrate non-financial information into its future annual reports and wants to present more comprehensive financial reporting to better demonstrate how non-financial aspects help DNB achieve its financial targets and strategic ambitions.

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

ENVIRONMENTAL EFFICIENCY

DNB's direct impact on the climate and the environment is mainly related to its greenhouse gas emissions and waste from its office operations.

In 2012, DNB participated in the Carbon Disclosure Project, CDP, a climate reporting project, together with 4 100 other large, global companies. In DNB's opinion, the voluntary reporting to CDP is a way of communicating both the Group's strengths and improvement areas regarding greenhouse gas emissions. DNB's target is to be the best Nordic financial services group which reports to the CDP by 2015.

In order to reduce the Group's direct impact on the climate and the environment, 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. 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 relocation of employees in Oslo, Bergen and Trondheim to new, more environmentally efficient buildings will contribute positively to DNB's environmental impact in the future.

Each year, DNB draws up a carbon audit, quantifying emissions from the heating of buildings, transport using the Group's own vehicles, waste, purchased electricity, district heating/cooling and air travel.

SIGNIFICANT ENVIRONMENTAL IMPACT OF DNB'S NORWEGIAN OPERATIONS

Category	2011	2012	Target by year-end 2013
Total CO_2 emissions (tons)	20 398	19 228	
CO_2 emissions per employee (tons)	2.1	2.0	20 per cent reduction 1)
Total energy consumption (Gwh)	104.0	101.8	
Energy consumption per employee (Kwh)	10.6	10.8	20 per cent reduction 1)
Domestic air travel (1 000 kms)	21 538	19 988	20 per cent reduction 2)
International air travel (1 000 kms)	27 962	23 368	20 per cent reduction 2)
Purchased paper (tons)	1 302	870	

1) The target is based on emission levels in 2009.
2) The target is based on number of kilometres in 2011.

The carbon audit for DNB's Norwegian operations showed a reduction in total CO_2 emissions of more than 1 000 tonnes, or approximately 6 per cent. The reduction was mainly due to reduced air travel emissions. Energy consumption has also been slightly reduced due to the relocation of operations to the new headquarters in Bjørvika in Oslo, but the full effect of the move will not be seen until the 2014 carbon audit, when DNB will have moved from as many as 18 Oslo area locations.

In 2012, DNB prepared the first separate carbon audit for its Baltic operations, and DNB's reporting of significant environmental impact thus includes close to 85 per cent of its total operations. Figures for the Baltics will be included in the annual report from 2013, with comparable figures from 2012. DNB's respective carbon audits for its operations in Norway, the Baltics and DNB as a whole are available on the Group's website.

EMPLOYEES AND MANAGERS

The vision "the art of serving the customer" are guiding for DNB's employees at all levels of the organisation. Professional development is emphasised, which includes promoting internal mobility so that all employees can use their abilities in the best interest of the Group. A common corporate culture will help ensure that all employees work to realise the Group's vision and reach its targets.

The Group's leadership principles imply that all managers must create results, develop their employees and teams, set direction and drive change. Leadership in DNB should reflect the way we meet our customers and create added value for customers, employees, the bank and society at large.

The Group's vision, values and code of ethics should govern the employees' behaviour towards colleagues, customers and other external parties. The code of ethics describes the due care and responsible behaviour that DNB expects from its employees. 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 Group. The code was revised in 2011, and its implementation received much attention in 2012, in particular in the Group's international operations. The Group has mandatory, web-based ethics programmes for all employees. In addition, measures to strengthen the ethics training of customer advisers were introduced in 2012. New employees sign a statement confirming that they are familiar with DNB's code of ethics and 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.

In 2012, 138 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 meets the necessary competence requirements. At year-end 2012, DNB 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 2012, a total of 95 per cent of employees who are comprised by the requirements of the authorisation scheme had completed the training and passed the professional exam.

DNB recruited six new candidates of various backgrounds and experience to its corporate trainee programme in 2012. The candidates follow an individually tailored development programme and are assigned a management level mentor for the duration of the trainee period. Furthermore, one new candidate was recruited to the Group's executive trainee programme in 2012.

The number of DNB employees on long-term contracts abroad rose from 65 to 91 between 2011 and 2012, including employees of foreign entities on long-term contracts in the Norwegian part of the organisation, and employees from Norway working on IT projects in Lithuania.

Initiatives to implement a group policy for people and organisation continued in 2012. The policy provides guidelines for recruitment, remuneration and HS&E, and aims to ensure that uniform recruitment principles are applied throughout the Group.

In order to help increase mobility through internal recruitment, the use of internal short-term assignments and career coaching and advice for employees affected by a reorganisation or change process, a career change centre was established in 2012.

The employee survey conducted in November 2012 was the first to include all employees in the Group. Results showed that efforts to establish a common strategy based on a clear vision have yielded results and that the employees are highly committed. The employee satisfaction index rose from 75.1 points in 2011 to 75.6 points in 2012. The figure for 2011 has been adjusted for results from the Baltics, where a separate survey was conducted in 2011.

At the end of 2012, there were 13 703 employees in the Group, of whom 4 371 were based outside Norway.

HEALTH, SAFETY AND ENVIRONMENT

Health, safety and environment, HS&E, are important elements in the group policy for people and organisation. Preventive working environment measures should be adopted to promote employees' safety, health, well-being and working capacity. Furthermore, cooperation between management and employees should ensure that efforts to improve the working environment are future-oriented and an integrated part of daily operations.

When planning and establishing new main buildings in Oslo, Bergen and Trondheim, important proactive measures to promote employees' health have included food concepts and physical adaptation. The new buildings have been especially adapted for people with reduced working capacity.

In 2012, new HS&E guidelines were introduced to facilitate systematic follow-up and development of HS&E efforts. These guidelines will be implemented globally in 2013. Operations in each country must have individual rules for following up sickness absence and ensuring that medical help is provided in emergencies. The guidelines also include security principles for DNB's international offices and for travelling employees.

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.

HS&E training is mandatory for new managers with personnel responsibility. The training is tailored to satisfy the authorities' and the Group's internal requirements for the follow-up of, and implementation of suitable measures for, employees on sick leave. A total of 109 managers completed the training in 2012. In addition, 37 safety representatives completed HS&E training arranged by the occupational health service. The training provides the necessary insight and knowledge to comply with the Working Environment Act and DNB's internal HS&E requirements.

DNB endeavours to prevent injuries caused by robberies and threats through extensive security procedures and training programmes. In 2012, 395 employees in the Group's operations in Norway attended courses on how to handle robberies. In addition, 373 employees attended various courses on threat management, security and fire protection. Six evacuation drills were held in 2012, in which a total of 4 750 employees participated. A total of 74 employees in the Group's operations in Norway were exposed to threats during the year. DNB was not exposed to any robberies in 2012. 21 accidents and injuries were registered during working hours or in connection with commuting to and from work, but none were of a serious nature. Accidents at work are registered in the Group's event database and reported to the Norwegian Labour and Welfare Organisation (NAV) as occupational injuries. The incidents are reported to the group working environment committee and serious incidents are reported to the Norwegian Labour Inspection Authority. Criminal acts characterised by violence or force are also reported to the Group's security department for further follow-up.

SICKNESS ABSENCE AND AN INCLUSIVE WORKPLACE

In 2012, sickness absence was 4.5 per cent in the Group's Norwegian operations, an increase from 4.2 per cent in 2011. Of 2 123 700 possible man-days, some 95 200 man-days were lost due to sickness absence in 2012. The special follow-up of units with high sickness absence rates continued in 2012.

DNB's inclusive workplace agreement was extended in 2012. In order to achieve the targets specified in the agreement: sickness absence reductions, special adaptation for employees with reduced capacity for work and a higher average retirement age, DNB has implemented several measures. As part of the agreement, DNB also takes in people on long-term sickness leave to see if they are ready to return to work. In 2012, the average retirement age was 63.7 years in the Group's Norwegian operations, a positive development from 62.4 years in 2011. This is partly due to more consistent compliance with the retirement age of 67 years. The number of employees under 62 years of age who retired on a disability pension dropped from 35 in 2011 to 19 in 2012.

EQUALITY AND DISCRIMINATION

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 50 per cent in 2012. The average age was 46 years for women and 45 years for men. Of employees working part-time in 2012, 76 per cent were women, a reduction from 79 per cent in 2011. The average fixed salary was NOK 492 158 for women and NOK 624 165 for men, having converted all part-time positions to full-time.

The proportion of women in the group management team was unchanged at 45 per cent at year-end 2012. At management level four, female representation increased from 27 per cent in 2011 to 29.1 per cent in 2012, while at management level five, there was an increase from 33 per cent in 2011 to 37.2 per cent in 2012. The female representation target set by the Board of Directors for the top four management levels in the Group is minimum 40 per cent.

Physical adaptation for employees with reduced working capacity has been taken into account in the planning of new office buildings in Oslo, Bergen and Trondheim. The number of disabled parking spaces has been adapted to actual requirements in each building.

The group recruitment guidelines should help ensure quality, diversity and non-discrimination in selection processes. Local regulatory requirements must be complied with, and DNB has a zero-tolerance approach to discrimination in the recruitment process.

When selecting candidates for the group trainee programme and summer internships, candidates who are qualified and of a non-Norwegian nationality or ethnicity shall be included in the final stage of the process.

MACROECONOMIC DEVELOPMENTS

The weak trend in the international economy continued throughout 2012. Following an upturn in 2010 and 2011, the euro area experienced a decline in manufacturing output. Coupled with large running budget deficits, there was thus an increase in sovereign debt relative to GDP. Nevertheless, some countries succeeded in reducing their deficits through a tighter fiscal policy, which contributed to the weak GDP growth. Measures implemented by the European Central Bank reduced interest rates on sovereign debt and thus eased the debt burden for the European countries. Even though the crisis in Europe has received less attention over the past few months, the weak economic trend may cause renewed turmoil in countries with high sovereign debt levels. The US experienced moderate economic growth in 2012, but rising sovereign debt levels may cause problems here as well. As the country has low tax revenues relative to GDP, it will have to use more government revenues to service debt than most European countries. This could contribute to dampening international economic growth.

In Norway, the economic recovery continued in 2012. In spite of an increase in employment levels, the unemployment rate rose from 3.1 per cent of the labour force in the first quarter to 3.5 per cent in the fourth quarter. This was caused partly by an increase in the supply of labour, reflecting continued high immigration levels. The strong increase in the supply of labour also contributed to keeping price inflation low. Wage inflation in 2012 was on a level with 2011. Combined with an increase in pension payments, this gave a boost in household purchasing power. In addition, low interest rates ensured continued strong growth in housing prices and housing investments, which in turn contributed to higher production within both the building and construction industry and the private service industry. A high level of petroleum investment also gave a positive impetus to the economic growth in Norway. New oil discoveries on the Norwegian shelf indicate that this trend will continue.

Due to expected sluggish growth among key trading partners, the Norwegian economy will probably get little stimulus from exports of goods and services over the next few years. Thus, it is assumed that petroleum activities and the household sector will continue to be the main drivers of economic growth. Due to a strong increase in household income and high population growth, especially in urban areas, housing demand will probably remain strong. The low interest rate level reinforces this trend. An anticipated increase in housebuilding activity may gradually ensure an adequate supply of new homes to dampen price growth on resale housing. Even though it is expected that interest rate levels will normalise in the course of two to three years, households' interest expenses will probably not be so high as to cause a major setback in the housing market.

NEW REGULATORY FRAMEWORK

At the end of 2012, the EU had not yet finalised its proposal for new regulations for credit institutions and investment firms, CRR and CRD IV (Capital Requirements Regulation and Capital Requirements Directive). Due to the EEA agreement, new regulations in Norway will be implemented on the basis of EU legislation. The regulations are based on the Basel Committee's recommendations from December 2010 on new and stricter capital and liquidity standards, Basel III. The new regulations will present major challenges for banks in the form of requirements for higher earnings in order to increase equity. Parallel to this, requirements for increased long-term funding and stricter liquidity requirements will give higher funding costs. CRR and CRD IV are intended to apply to all banks and investment firms within the EEA. The possible implementation date is 1 January 2014, depending on when the EU will finalise the proposals, with full implementation as from 2019.

Uncertainty still prevails regarding the final content of the new liquidity requirements. Several important changes regarding the short-term liquidity requirement, LCR, were announced in January 2013. The European Banking Authority, EBA, will use the observation period in 2013 to assess the effects of the new rules for European banks. Based on the EBA's report, the EU Commission will present a final proposal regarding LCR to the EU. Over the next couple of years, these bodies will also continue to work on the long-term liquidity requirement, NSFR.

The new capitalisation proposals imply that the minimum capital adequacy requirement will be unchanged at 8 per cent. With the addition of the so-called capital conservation buffer, however, this requirement will in practice be increased to 10.5 per cent. In addition, a counter-cyclical capital element will be introduced, ranging between 0 and 2.5 per cent, which will be determined by the national supervisory authorities. The Norwegian Ministry of Finance has previously signalled that it aims to introduce a counter-cyclical capital buffer as soon as possible in 2013 after the new capital and liquidity requirements have been approved by the EU. The process in the EU has been delayed, thus it remains to be seen when this will happen. Additional capital buffers will be required for global and national systemically important banks. Finanstilsynet (the Financial Supervisory Authority of Norway) has chosen to retain 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". This distinctively Norwegian supervisory practice will be of no consequence to Norwegian banks' actual capital adequacy, but will make Norwegian banks appear weaker capitalised in international comparisons.

The Ministry of Finance has asked Finanstilsynet to review an increase in the systemic risk premium on the risk weights for home mortgages to minimum 35 per cent. Today, DNB's average risk weight on home mortgages is 12.1 per cent. An increase to 35 per cent will thus have a negative impact on DNB's capital adequacy according to Basel II without transitional rules and Basel III. Finansinspektionen, the Swedish financial supervisory authority, recently proposed a 15 per cent average risk weight floor for home mortgages. In addition, measurement according to the proposal will make Swedish banks appear better capitalised than Norwegian banks.

DNB is of the opinion that it is vital that equal framework conditions are established for competition in the market and therefore urges the Norwegian authorities to work for optimal harmonisation in agreement with the intentions behind the new regulatory framework within the EEA.

Covered bonds issued by wholly or partially-owned mortgage institutions have become an important source of funding for Norwegian banks, contributing to reducing the banks' funding costs and liquidity risk during a period characterised by extensive turmoil in the international financial markets. Towards the end of 2012, the Ministry of Finance asked Finanstilsynet to consider whether the introduction of a qualitative rule whereby banks will not be allowed to transfer more assets to their mortgage institutions than what is considered prudent, could help reduce systemic risk. The Ministry also asks for a proposal for legal authority to introduce additional capital requirements if there is a significant increase in risk in the banks which transfer loans to mortgage institutions. DNB assumes that the authorities will not introduce rules which undermine the banks' chances to strengthen their liquidity profile through the use of covered bonds, which in turn will be of great significance to the banks' general ability to serve both personal and corporate customers.

Towards the end of 2012, the EU decided to establish a single, supranational supervisory authority for the banks in the eurozone. The European Central Bank will assume the supervisory function, and the new authority is expected to be operative as from 2014.

There will be major changes in the regulatory framework for Norwegian life insurance companies over the coming years. Important elements are the introduction of Solvency II, new rules for occupational pensions in the private sector and changes in the rules for paid-up policies. The Solvency II framework was scheduled to become effective on 1 January 2014. Due to disagreement related, among other things, to the valuation of long-term guarantees, the implementation has been postponed, at least till 2016. Both the regulatory framework and customer preferences will cause a shift from products with a guaranteed rate of return to products with investment choice. The business strategy of DNB Livsforsikring supports this trend, and new products aimed at the occupational pension market in the private sector will be less capital-intensive.

The National Budget for 2013 included draft legislation to restrict use of the so-called tax exemption method for life insurance and pension companies. In the opinion of the Ministry of Finance, there has been a certain asymmetry in prevailing regulations, as allocations to insurance funds have given insurance companies tax deductions, while the exemption method permits that rises in the value of or income on policyholders' funds, which form the basis for the allocations, are partly exempt from taxation. The legislative amendment was approved in December 2012 and will entail higher taxes for DNB in the longer term.

At year-end 2012, the Norwegian parliament resolved that the members of the Norwegian Banks' Guarantee Fund should pay a full annual levy to the Guarantee Fund independent of the Fund's size. The change in practice will imply an increase in the banks' annual guarantee fund levies compared with today, when the Fund's members are required to pay levies only when the Fund's capital base is below a certain level.

DNB is working to be ready to meet the various new requirements. Up until the final regulations are in place, the Group's activities will be gradually adapted to the new requirements.

FUTURE PROSPECTS

DNB presented updated financial targets at its Capital Markets Day event in September 2012, and these targets remain unchanged. A more detailed description of the targets can be found in the section on strategy and targets.

There are a number of key factors which make DNB believe that these targets are attainable. In spite of a weak international economic trend, the Norwegian economy is expected to remain strong. Coupled with strict cost control, this will provide the basis for a healthy profit trend in the Group's Norwegian operations. During the period up to 2015, DNB will make some adjustments to its credit exposure in the large corporate segments. In addition, DNB will implement other measures to reduce the exposure to capital-intensive operations while focusing on operations which increase less capital-intensive income.

The Group's targets are based on key analysis institutions' expectations to developments in the Norwegian and international economies, which include a gradual normalisation of interest rate levels. However, there is still great uncertainty regarding these developments, and a further postponement of a new international growth period, along with the possibility of even stricter regulatory requirements, could influence future target attainment.

A gradual widening of volume-weighted interest rate spreads and moderate growth in lending volumes are expected in the period ahead. Costs will remain stable. Portfolio quality is expected to remain strong, with impairment of loans on a level with 2012. The Group will continue to build up capital and improve its capital adequacy ratios. The Group is well positioned to meet expected regulatory requirements.

DIVIDENDS AND ALLOCATION OF PROFITS

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. Overall, this will ensure an attractive and competitive return. DNB's long-term target is to distribute approximately 50 per cent of net annual profits as dividends provided that capital adequacy is at a satisfactory level.

At end-December 2012, DNB had a common equity Tier 1 capital ratio of 10.7 per cent, calculated according to the Basel II transitional rules. This was above the Group's target to achieve a ratio of 10 per cent by year-end 2012. The strong capital adequacy ratio was attributable both to the healthy level of profits and the implementation of various measures to improve capital efficiency.

When considering the dividend proposal for 2012, the Board of Directors has taken the new regulatory capital adequacy requirements into account. The Board of Directors has proposed a dividend for 2012 of NOK 2.10 per share. The proposed dividend gives a dividend yield of 2.98 per cent based on a share price of NOK 70.40 as at 31 December 2012. The proposed dividend implies that DNB ASA will distribute a total of NOK 3 420 million in dividends for 2012. The payout ratio represents 25 per cent of earnings per share. A dividend of NOK 2.00 per share was paid for 2011.

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 219 million to the Group's employees.

Allocations

Profits for 2012 in DNB ASA came to NOK 5 608 million, compared with NOK 13 million in 2011. The profits for 2012 attributed mainly to the transfer of group contributions and dividends from subsidiaries. In 2011, such transfers were limited.

Amounts in NOK million	2012	2011
Profit for the year	5 608	13
Proposed dividend per share (NOK)	2.10	2.00
Share dividend	3 420	3 258
Transfers to/(from) other equity	2 188	(3 245)
Total allocations	**5 608**	**13**

The Group's capital adequacy ratio as at 31 December 2012 was 12.6 per cent, while the common equity Tier 1 capital ratio was 10.7 per cent. Correspondingly, the capital adequacy ratio in DNB Bank ASA was 13.6 per cent and the common equity Tier 1 capital ratio 11.5 per cent. The banking group, which includes the bank and its subsidiaries, had a capital adequacy ratio of 12.4 per cent and a common equity Tier 1 capital ratio of 10.5 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, 13 March 2013
The Board of Directors of DNB ASA

Anne Carine Tanum
(chairman)

Tore Olaf Rimmereid
(vice-chairman)

Jarle Bergo

Bente Brevik

Sverre Finstad

Carl A. Løvvik

Vigdis Mathisen

Berit Svendsen

Rune Bjerke
(group chief executive)

CONTENTS – ANNUAL ACCOUNTS

DNB Group

INCOME STATEMENT

		DNB Group	
Amounts in NOK million	Note	2012	2011
Total interest income	19	63 068	60 075
Total interest expenses	19	35 853	34 823
Net interest income	19	**27 216**	**25 252**
Commission and fee income etc.	21	9 299	9 135
Commission and fee expenses etc.	21	2 337	2 256
Net gains on financial instruments at fair value	23	3 910	7 661
Net gains on assets in DNB Livsforsikring		14 219	5 834
Guaranteed returns, strengthened premium reserve and allocations to policyholders in DNB Livsforsikring		13 187	5 772
Premium income etc. included in the risk result in DNB Livsforsikring		5 102	4 941
Insurance claims etc. included in the risk result in DNB Livsforsikring		5 421	4 853
Premium income, DNB Skadeforsikring		1 250	1 094
Insurance claims etc., DNB Skadeforsikring		925	849
Profit from companies accounted for by the equity method	39	789	77
Net gains on investment property	38	(340)	(32)
Other income	22	2 141	1 775
Net other operating income		**14 501**	**16 754**
Total income		**41 717**	**42 006**
Salaries and other personnel expenses	24	11 174	10 279
Other expenses	25	7 451	7 722
Depreciation and impairment of fixed and intangible assets	26	2 322	2 172
Total operating expenses		**20 947**	**20 172**
Net gains on fixed and intangible assets		(1)	19
Impairment of loans and guarantees	10, 11	3 179	3 445
Pre-tax operating profit		**17 589**	**18 407**
Taxes	29	4 028	5 423
Profit from operations held for sale, after taxes		96	(5)
Profit for the year		**13 657**	**12 979**
Earnings/diluted earnings per share (NOK)	52	8.39	7.98
Earnings per share for operations held for sale (NOK)	52	0.06	0.00
Earnings per share for continuing operations excluding operations held for sale (NOK)	52	8.33	7.99

COMPREHENSIVE INCOME STATEMENT

	DNB Group	
Amounts in NOK million	2012	2011
Profit for the year	**13 657**	**12 979**
Exchange differences arising from the translation of foreign operations	(210)	(53)
Property revaluation	45	0
Elements of other comprehensive income allocated to customers (life insurance)	(45)	0
Other comprehensive income for the year	**(210)**	**(53)**
Comprehensive income for the year	**13 446**	**12 926**

BALANCE SHEET

		DNB Group	
		31 Dec.	31 Dec.
Amounts in NOK million	Note	2012	2011
Assets			
Cash and deposits with central banks	30, 31, 32	298 892	224 581
Due from credit institutions	7, 8, 30, 31, 32	37 136	28 754
Loans to customers	7, 8, 30, 31, 32	1 297 892	1 279 259
Commercial paper and bonds at fair value	30, 32, 34	224 750	177 980
Shareholdings	30, 32, 33, 34	48 288	53 012
Financial assets, customers bearing the risk	30, 32, 36	28 269	23 776
Financial derivatives	16, 30, 32	96 584	96 693
Commercial paper and bonds, held to maturity	30, 31, 37	157 330	166 965
Investment property	38	39 496	42 796
Investments in associated companies	39	2 882	2 189
Intangible assets	40, 41	6 718	7 003
Deferred tax assets	29	1 058	643
Fixed assets	42	10 825	6 336
Assets held for sale		417	1 054
Other assets	44	14 309	15 055
Total assets		**2 264 845**	**2 126 098**
Liabilities and equity			
Due to credit institutions	30, 31, 32	251 388	279 553
Deposits from customers	30, 31, 32, 45	810 959	740 036
Financial derivatives	16, 30, 32	63 274	64 365
Debt securities issued	30, 31, 32, 46	708 047	635 157
Insurance liabilities, customers bearing the risk	18, 36	28 269	23 776
Liabilities to life insurance policyholders in DNB Livsforsikring	18	221 185	212 271
Insurance liabilities, DNB Skadeforsikring	18	1 780	1 589
Payable taxes	29	6 831	634
Deferred taxes	29	1 461	4 897
Other liabilities	30, 49	18 451	17 767
Liabilities held for sale		76	383
Provisions	48	770	570
Pension commitments	27	3 228	3 123
Subordinated loan capital	30, 31, 32, 47	21 090	24 163
Total liabilities		**2 136 810**	**2 008 284**
Share capital		16 269	16 260
Share premium reserve		22 609	22 609
Other equity		89 158	78 946
Total equity		**128 035**	**117 815**
Total liabilities and equity		**2 264 845**	**2 126 098**
Off-balance sheet transactions, contingencies and post-balance sheet events	54		

STATEMENT OF CHANGES IN EQUITY

DNB Group

Amounts in NOK million	Share capital [1]	Share premium reserve	Other equity [1]	Total equity [1]
Balance sheet as at 31 December 2010	**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	**16 260**	**22 609**	**78 946**	**117 815**
Profit for the period			13 657	13 657
Revaluation of property			45	45
OCI allocated to customers (life insurance)			(45)	(45)
Exchange differences arising from the translation of foreign operations			(210)	(210)
Comprehensive income for the period			13 446	13 446
Dividends paid for 2011 (NOK 2.00 per share)			(3 258)	(3 258)
Net purchase of treasury shares	9		23	32
Balance sheet as at 31 December 2012	**16 269**	**22 609**	**89 158**	**128 035**
Of which currency translation reserve:				
Balance sheet as at 31 December 2010			(513)	(513)
Comprehensive income for the period			(53)	(53)
Balance sheet as at 31 December 2011			(565)	(565)
Comprehensive income for the period			(210)	(210)
Accumulated currency translation reserve in Pres-Vac			2	2
Balance sheet as at 31 December 2012			(774)	(774)

There was no revaluation surplus on propery as at 31 December 2012. The revaluation is allocated to customers (life insurance).

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

	Share capital	Share premium reserve	Other equity	Total equity
Balance sheet as at 31 December 2011	*(28)*		*(138)*	*(166)*
Net purchase of treasury shares	*9*		*23*	*32*
Reversal of fair value adjustments through profit and loss			*(3)*	*(3)*
Balance sheet as at 31 December 2012	*(19)*		*(118)*	*(137)*

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 25 April 2012 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 25 April 2012. 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 2012 of NOK 2.10 per share. See Note 1 to the accounts in DNB ASA.

CASH FLOW STATEMENT

	DNB Group	
Amounts in NOK million	2012	2011
Operating activities		
Net payments on loans to customers	(40 656)	(108 418)
Interest received from customers	56 429	52 398
Net receipts on deposits from customers	81 967	96 698
Interest paid to customers	(18 842)	(17 712)
Net receipts/payments on loans to/from credit institutions	(35 561)	36 929
Interest received from credit institutions	1 391	1 425
Interest paid to credit institutions	(3 166)	(4 719)
Net receipts/payments on the sale of financial assets for investment or trading	(10 775)	69 052
Interest received on bonds and commercial paper	4 069	8 391
Net receipts on commissions and fees	6 983	6 897
Payments to operations	(18 213)	(17 815)
Taxes paid	(542)	(5 428)
Receipts on premiums	18 503	17 020
Net receipts/payments on premium reserve transfers	(987)	2 061
Payments of insurance settlements	(14 640)	(13 641)
Other payments	(863)	(6 452)
Net cash flow from operating activities	**25 097**	**116 686**
Investment activities		
Net payments on the acquisition of fixed assets	(6 984)	(2 738)
Net payments, investment property	(399)	(688)
Receipts on the sale of long-term investments in shares	0	85
Dividends received on long-term investments in shares	97	105
Net cash flow from investment activities	**(7 286)**	**(3 236)**
Funding activities		
Receipts on issued bonds and commercial paper (see note 46)	941 280	367 414
Payments on redeemed bonds and commercial paper (see note 46)	(861 109)	(244 281)
Interest payment on issued bonds and commercial paper	(12 726)	(14 933)
Receipts on the raising of subordinated loan capital (see note 47)	5 525	0
Redemptions of subordinated loan capital (see note 47)	(8 082)	(9 806)
Interest payments on subordinated loan capital	(1 028)	(721)
Dividend payments	(3 258)	(6 515)
Net cash flow from funding activities	**60 603**	**91 158**
Effects of exchange rate changes on cash and cash equivalents	**(3 468)**	**967**
Net cash flow	**74 946**	**205 575**
Cash as at 1 January	229 301	23 726
Net receipts of cash	74 946	205 575
Cash as at 31 December *)	304 247	229 301
**) Of which: Cash and deposits with central banks*	*298 892*	*224 581*
Deposits with credit institutions with no agreed period of notice 1)	*5 355*	*4 721*

1) Recorded under "Due from 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.

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 2012 were approved by the Board of Directors on 13 March 2013.

The DNB Group offers banking services, 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 Dronning Eufemias gate 30, Bjørvika, Oslo, Norway.

2. BASIS FOR PREPARING THE ACCOUNTS

DNB has prepared consolidated accounts for 2012 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, investment properties and owner-used properties. 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 AND PRESENTATION

The Group's accounting principles and calculation methods are essentially the same as those described in the annual report for 2011, with the exception of the presentation of repossessed operations. With effect from 1 January 2012 profits from repossessed operations which are fully consolidated in the DNB Group are presented net under ”Profit from repossessed operations” in the company’s internal reporting of business areas. The repossessed operations are included in the Group Centre. The presentation in note 3 Segments has been adjusted correspondingly, including comparable figures. The changes are of significance only to the presentation of profits for the individual business areas and have no impact on the presentation of the Group’s income statement.

The following new standards, amendments and interpretations were also taken into use with effect from the 2012 accounting year:

- 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 are not expected to have any significant impact on the Group's use of accounting principles.
- Amendments to IFRS 7 – New note information for derecognition of financial instruments. The amendments include enhanced disclosure requirements for note information about financial assets which have been transferred, but not derecognised. In addition, note information must be disclosed about

Accounting principles (continued)

financial assets which have been derecognised, but where the institution still has an interest in the assets through a guarantee, option etc. See note 34 for additional information.

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 gains and 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 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 are consolidated up till the time control is 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.

If there are any indications of a decrease in value (loss event), the investment will be tested for impairment. The recorded value of the investment will be compared with the recoverable amount (the higher of fair value less costs to sell and value in use). If necessary, the recorded value will be written down to the recoverable amount.

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 an impairment 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 comprehensive income.

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 and any other fees which are regarded as an integral part of the effective interest rate.

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 loans corresponds to the effective interest rate on the

Accounting principles (continued)

written-down value.

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

"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. Fees which are not included in effective interest rate calculations, as well as commissions, are recorded during the period 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.

Fees that are incurred when establishing financial guarantees are recorded over the term of the contract under “Net gains on financial instruments at fair value”.

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

Income from net profits on financial instruments carried at fair value through profit or loss is described under item 7 Financial instruments while net income from investment property is described under item 11 Investment property and fixed assets.

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.

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 presented 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 risk 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 collateral which the recipient is entitled to sell or repledge, are presented 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

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.

Accounting principles (continued)

The trading portfolio mainly includes financial assets in DNB Markets and financial derivatives excluding derivatives used for hedging. In addition, the portfolio includes securitiesborrowing 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:

- The classification eliminates or significantly reduces measurement inconsistency that would otherwise have arisen from measuring financial assets or liabilities or recognising the gains 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 "Impairment of 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 loans, 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 "Impairment of loans and guarantees".

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.

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

Accounting principles (continued)

- 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 is 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. Renegotiation of loan terms to ease the position of the borrower qualifies as objective indications of impairment.

Individual impairment of loans
If objective indications of a decrease in value can be found, impairment losses 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. 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 impairment of loans reduces the value of the loans and guarantees in the balance sheet. Impairment during the period is recorded under "Impairment of loans and guarantees".

Collective impairment of loans
Loans which have not been individually evaluated for impairment, are evaluated collectively in groups. Loans which have been individually evaluated, but not subject to impairment, 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 impairment is estimated per customer group based on estimates of the general economic situation and loss experience for the respective customer groups.

Collective impairment reduces the value of loans and guarantees in the balance sheet. For loans, changes during the period are recorded under "Impairment of loans and guarantees". Like individual impairment, collective impairment is discounted. The discount factor is based on statistics derived from individual impairment. Interest is calculated on loans subject to collective impairment according to the same principles and experience base as for loans evaluated on an individual basis.

Repossession of assets
Assets which are repossessed as part of the management of non-performing and impaired loans, 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. Any difference between the recorded value of the loan and the fair value of the asset is recorded under “Impairment of loans and guarantees”. 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.

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.

Accounting principles (continued)

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 through rental income or for an increase in value, are classified as investment property. Properties which are mainly used for own operations, are classified as owner-used properties.

Other tangible assets are classified as fixed assets.

On initial recognition, investment properties and owner-used 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 within life insurance are recorded under "Net gains on assets at fair value in DNB Livsforsikring". Changes in value of other investment property in the Group are recorded under "Net gains on investment property" in the income statement.

Buildings which are owned by DNB Livsforsikring as part of the company’s common portfolio and used by the Group itself, are recognised according to the revaluation model. The Group’s return and risk on these buildings are different than for other buildings and are thus considered to be in a separate class with respect to accounting treatment. The buildings are depreciated on an ongoing basis and are measured at fair value at the end of the period. The fair value measurement of these buildings follows the same principle as for investment properties. Increases in the value of buildings for own use are not reflected in the income statement, but are recorded as other comprehensive income (revaluation reserve). An impairment of the buildings’ value is initially recorded against a revaluation reserve which includes positive revaluations of the relevant building. If the impairment loss exceeds the revaluation reserve, the remaining amount is recognised in the income statement.

Other tangible assets are measured at cost less accumulated depreciation and impairment losses. 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.

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

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. Goodwill and intangible assets with an indefinite useful life are tested for impairment on each reporting date even if there is no indication of a decrease in value of the asset.

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 following relevant criteria are among those used by the Group to consider whether there are indications that an asset has been impaired:

Accounting principles (continued)

- 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.

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 the yield on covered bonds at the balance sheet date, 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.

See item 21 Approved standards and interpretations that have not entered into force for amendments to IAS 19 Employee Benefits, effective as of 1 January 2013.

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. No deferred taxes are recognised on investment property based on the expectation that the properties will be recovered through the sale of shares and mutual fund holdings. 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

Accounting principles (continued)

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 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 were 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 adequacy test is susceptible to changes in the interest rate curve as well as to assumptions for increased reserves to reflect higher life expectancy. 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. If changes in the value of owner-used properties owned by DNB Livsforsikring as part of the company's common portfolio are recorded in other comprehensive income, a corresponding share of changes in liabilities to policyholders is recorded in other comprehensive income.

The item "Guaranteed returns, strengthened premium reserve and allocations to policyholders in DNB Livsforsikring" includes the company's guaranteed rate of return on policyholders' funds, increases in reserves to reflect higher life expectancy, 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 "Commission and fee income 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.

With respect to the premium reserve and the claims reserve, the minimum requirements shall be met for each industry, while for the security reserve, the requirements apply to industry groups.

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. In addition, there is a reserve for future claims processing costs linked to the RBNS and IBNR reserves.

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.

Accounting principles (continued)

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. SEGMENT INFORMATION

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 Baltics and Poland 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 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. Repossessed operations which are fully consolidated in the DNB Group are also included in the Group Centre on the respective lines in the income statement.

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 Baltics and Poland 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

The IASB has published a number of amendments to current regulations which have not entered into force. Below is a description of the amendments which may affect the Group's future reporting.

IFRS 9 Financial Instruments (phase 1)

IFRS 9 will replace the current IAS 39. The project comprises several phases. The IASB approved the first phase of the project on the classification and measurement of financial assets in 2010. In November 2012, the IASB proposed limited amendments to the classification principles which are expected to be approved in 2013. In addition, new rules for impairment and hedge accounting are expected to be approved in 2013 or later. Under the new standard, the number of measurement categories for financial assets is reduced from four to three, amortised cost, fair value through profit or loss and fair value through other comprehensive income.

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, provided that this does not result in measurement inconsistency.

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. 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 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, equity instruments and financial derivatives will still be measured at fair value.

Commercial paper and bonds held for trading will be measured

Accounting principles (continued)

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.

IFRS 9 will enter into force on 1 January 2015. 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.

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 different from that used in IAS 27. According to IFRS 10, companies shall only be consolidated if de facto control exists. 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.

The IASB has decided that the effective date of IFRS 10 will be 1 January 2013. The standard was endorsed by the EU in the fourth quarter of 2012, the effective date being 1 January 2014. Early adoption is permitted. The Group will use the new rules as of 1 January 2014.

The new standard will require increased judgement when assessing which entities are controlled by the company. Due to the new definition of control, certain investments or mutual funds may be reclassified. Final assessments will be made during 2013. 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, and eliminates proportionate consolidation of joint ventures.

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 in their balance sheets and recognise their share of income and costs incurred jointly in their income statements.

The IASB has decided that the effective date of IFRS 11 will be 1 January 2013. The standard was endorsed by the EU in the fourth quarter of 2012, the effective date being 1 January 2014. Early adoption is permitted. The Group will use the new rules as of 1 January 2014.

At year-end 2012, 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.

The IASB has decided that the effective date of IFRS 12 will be 1 January 2013. The standard was endorsed by the EU in the fourth quarter of 2012, the effective date being 1 January 2014. Early adoption is permitted. The Group will use the new rules as of 1 January 2014.

The new standard will require additional note information about the DNB Group’s ownership interests.

IFRS 13 Fair Value Measurement
The standard includes principles and guidance for fair value measurement of assets and liabilities when other IFRS require or permit fair value measurements. The standard does not change what is required or permitted to be measured at fair value. IFRS 13 applies both at initial recognition and in subsequent measurements. IFRS 13 will require more detailed note information in both quarterly and annual accounts.

IFRS 13 entered into force on 1 January 2013. The Group will use the new rules as of 1 January 2013.

During 2012, DNB reviewed the fair value measurement of the Group’s assets and liabilities to make sure that it is consistent with the principles in IFRS 13. The new rules will not have any material impact on the Group’s profit and loss or balance sheet, but will have an impact on the note information presented in the quarterly and annual accounts.

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 entered into force as from the accounting year starting on 1 July 2012 or later. The Group will use the new rules as of 1 January 2013.

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 service cost for the current and previous periods, gains and losses in connection with settlement 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 entered into force on 1 January 2013. The Group will use the new rules as of 1 January 2013. Figures for previous periods will be restated.

In accordance with the current IAS 19, DNB uses the corridor

Accounting principles (continued)

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 determined the scope of the actuarial gains and losses to be recognised directly in equity on the implementation date. At year-end 2012, the Group's unrecognised actuarial losses totalled NOK 785 million and NOK 5 billion at year-end 2011, see note 27 Pensions. The new requirements will result in a reduction in the Group's equity of NOK 565 million, net after 28 per cent tax.

Amendments to IAS 32 – Offsetting Financial Assets and Financial Liabilities
The amendments to the standard clarify the rules on presenting financial assets and liabilities on a net basis.

The amendments will enter into force on 1 January 2014. The Group will use the new rules as of 1 January 2014.

The preliminary assessment of the new rules is that they will have no material impact on the offsetting of financial assets and liabilities in the accounts.

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 entered into force on 1 January 2013 and will require the Group to present additional note information.

Revised IAS 27 – Consolidated and Separate Financial Statements and IAS 28 Investment in Associates
In consequence of the introduction of IFRS 10, 11 and 12, the IASB has made amendments to IAS 27 and IAS 28 to harmonise the standards with the new accounting standards. Following the revision, IAS 27 only regulates the statutory accounts, while IAS 28 regulates investments in both associated companies and jointly controlled entities which are required to be accounted for using the equity method.

The IASB has decided that the effective date of IAS 27 and IAS 28 will be 1 January 2013. The amendments were endorsed by the EU in the fourth quarter of 2012, the effective date being 1 January 2014. Early adoption is permitted. The Group will use the new rules as of 1 January 2014.

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.

Impairment of loans

If objective evidence of a decrease in value can be found, impairment losses 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 loans, 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 impairment of 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 impairment

When estimating impairment of individual loans and guarantees, 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 loans. In addition, potential restructuring, refinancing and recapitalisation are taken into account. An overall assessment of these factors forms the basis for estimating the 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 an impairment of loans and guarantees.

Collective impairment

On each balance sheet date, loans which have not been individually evaluated for impairment, are evaluated collectively in groups. Loans which have been individually evaluated, but not individually impaired, are also included in this category. Loans 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. The economic indicators that are used show a high degree of correlation with historical impairment. To estimate the net present value of expected future cash flows for loans subject to collective impairment, a discount factor based on observed empirical data from individually evaluated loans is used.

Loans to customers and amounts due from credit institutions totalled NOK 1 335 billion at end-December 2012, which represented 58.9 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 2012.

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. Financial assets and liabilities at level 3 in the valuation hierarchy totalled NOK 139 511 million and NOK 607 million, respectively, at year-end 2012. See note 32 Financial instruments at fair value.

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 1.7 per cent of the Group’s balance sheet at year-end 2012.

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.

The discount rate estimation is subject to uncertainty as to whether the corporate bond market has the required depth and quality. The Norwegian covered bond market is considered to meet the requirement for corporate bonds with a sufficiently deep market. The discount rate used at year-end 2012 is determined by reference to the market yield on covered bonds, plus an addition that takes into account the relevant duration of the pension commitments. The type of pension fund investments and historical returns determine the expected return on pension funds.

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. See note 27 Pensions for the parameters used at the end of the year as well as the sensitivity analysis linked to the key parameters. As from 1 January 2013, the Group will use the revised IAS 19 Employee Benefits when recognising and presenting the company’s pension commitments. See item 21 in the accounting principles for information about the effects of the amendments.

Note 1 Important accounting estimates and discretionary assessments (continued)

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 2012, such portfolios totalled NOK 4 089 million.

Note 2 Changes in group structure

Pres-Vac

Pres-Vac Engineering Aps and Valpress GmbH (Pres-Vac) develop and produce, among other things, tank valves for ships which transport liquid cargo. As part of the restructuring of the bank’s loans and commitments with the companies, DNB Bank ASA took over all the shares in the companies. With effect from the first quarter of 2012, the companies are consolidated in the group accounts.

The companies were taken over at a price of DKK 1 and EUR 1, respectively. At the beginning of 2012, the Pres-Vac Group had a total negative equity of DKK 208 million. Prior to the acquisition, DNB Bank ASA had written down the loan by approximately DKK 272 million. In the acquisition analysis, the remaining DKK 64 million was considered to represent the difference between fair value and recorded value of goodwill in Pres-Vac’s consolidated accounts.

During the first quarter of 2012, DKK 105 million of the company’s debt to the bank was converted to equity. Sales revenues for 2012 were DKK 97 million, while operating expenses came to DKK 149 million (including impairment losses for goodwill of DKK 38 million). The company recorded an operating loss of DKK 52 million.

Note 2 Change in group structure (continued)

Bryggetorget Holding AS

After Faktor Eiendom ASA went into liquidation, Bryggetorget Holding AS, which is owned by DNB Bank ASA, took over Skurufjellet Eiendom AS, Trysiltunet Eiendom AS and Trysilfjell Apartment Eiendom AS from the estate in the first quarter of 2012. In addition, 31 holiday apartments in Uvdal organised as a housing cooperative were taken over. The properties were acquired at fair value. After the acquisition, the balance sheet value of the properties in Bryggetorget Holding was NOK 222 million.

SalusAnsvar

During the third quarter of 2012, DNB entered into an agreement to sell the wholly-owned subsidiary SalusAnsvar AB to the insurance company Folksam Sak AB. SalusAnsvar primarily offers non-life insurance and personal insurance in the Swedish market. The company's staff represents 137 full-time positions. In consequence of the agreement, the DNB Group recorded impairment losses for goodwill of SEK 55 million (corresponding to NOK 47 million) in the third quarter of 2012. The transaction was approved by the supervisory authorities during the fourth quarter, and the operations were classified as held for sale in the group accounts as at 31 December 2012. Assets totalling SEK 444 million (corresponding to NOK 380 million), classified as held for sale, included the residual value of goodwill of SEK 210 million and other intangible assets of SEK 80 million.

Note 3 Segments

Business areas

DNB's business areas are independent profit centres and have responsibility for serving all of the Group's customers and for the total range of products. The operational structure of DNB in 2012 included four business areas and four staff and support units. The business areas comprised Retail Banking, Large Corporates and International, DNB Markets and Insurance and Asset Management. In addition, operations in DNB Baltics and Poland were reported as a separate profit centre.

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 Group 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 Baltics and Poland	-	offers financial services to corporate and personal customers in Estonia, Latvia and Lithuania. The strategy in Poland has been changed, whereby future operations will focus on the corporate market within the DNB Group's international priority areas.

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. With effect from the first quarter of 2012, profits from repossessed operations which are fully consolidated in the DNB Group are presented net under "Profit from repossessed operations" in the company's internal reporting of business areas. The acquired companies are included in the Group Centre. See Accounting principles. Figures for previous periods have been restated.

Note 3 Segments (continued)

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. 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 impairment under "Impairment attributable to product suppliers". Double entries also include income from Insurance and Asset Management. Double entries are eliminated in the group accounts.

Income statement **DNB Group**

	Retail Banking		Large Corporates and International		DNB Markets		Insurance and Asset Management		DNB Baltics and Poland		Other operations/ eliminations [1]		DNB Group	
Amounts in NOK million	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Net interest income - ordinary operations	15 883	13 805	8 750	7 584	552	842	(357)	(375)	1 039	1 268	1 348	2 128	27 216	25 252
Interest on allocated capital [2]	481	592	585	661	157	165	306	457	22	51	(1 551)	(1 925)	0	0
Net interest income	16 364	14 397	9 335	8 245	710	1 007	(51)	82	1 061	1 319	(203)	203	27 216	25 252
Other operating income	3 970	3 681	1 309	1 097	6 838	5 152	3 814	3 009	886	763	(2 316)	3 051	14 501	16 754
Income attributable to product suppliers	1 135	1 328	2 344	2 100	0	0	0	0	0	0	(3 478)	(3 428)	0	0
Net other operating income	5 105	5 010	3 653	3 196	6 838	5 152	3 814	3 009	886	763	(5 794)	(377)	14 501	16 754
Operating expenses	9 731	9 624	2 534	2 419	2 156	1 988	2 090	2 223	1 435	1 294	679	453	18 625	18 001
Depreciation and impairment of fixed and intangible assets	1 164	1 035	66	44	14	11	95	110	124	190	860	782	2 322	2 172
Cost attributable to product suppliers	562	658	972	873	0	0	0	0	0	0	(1 534)	(1 531)	0	0
Total operating expenses	11 457	11 317	3 572	3 336	2 170	1 999	2 185	2 333	1 558	1 484	5	(296)	20 947	20 172
Pre-tax operating profit before impairment	10 012	8 089	9 415	8 106	5 378	4 160	1 578	758	389	598	(6 003)	122	20 769	21 833
Net gains on fixed and intangible assets	0	2	0	0	(3)	0	0	0	(3)	9	4	8	(1)	19
Impairment of loans and guarantees [3]	1 139	877	1 674	1 175	0	0	0	0	256	1 280	110	113	3 179	3 445
Impairment loss attributable to product suppliers	0	0	0	1	0	0	0	0	0	0	0	(1)	0	0
Profit from repossessed operations	(48)	0	(148)	(197)	0	0	0	0	0	0	196	197	0	0
Pre-tax operating profit	8 825	7 214	7 594	6 734	5 375	4 160	1 578	758	130	(673)	(5 913)	215	17 589	18 407
Taxes													4 028	5 423
Profit from operations held for sale, after taxes											96	(5)	96	(5)
Profit for the year											(5 817)	209	13 657	12 979

Balance sheets **DNB Group**

	Retail Banking		Large Corporates and International		DNB Markets		Insurance and Asset Management		DNB Baltics and Poland		Other operations/ eliminations		DNB Group	
Amounts in NOK billion	31.12.12	31.12.11	31.12.12	31.12.11	31.12.12	31.12.11	31.12.12	31.12.11	31.12.12	31.12.11	31.12.12	31.12.11	31.12.12	31.12.11
Loans to customers [4]	872	819	370	402	2	3	2	2	53	56	(2)	(2)	1 298	1 279
Assets held for sale	0	0	0	0	0	0	0	0	0	0	0	1	0	1
Other assets	4	10	132	53	754	608	274	262	19	13	(216)	(100)	967	846
Total assets	877	829	501	454	756	612	276	264	72	68	(218)	(101)	2 265	2 126
Assets under management [5]	0	0	0	0	0	0	208	268	0	0	0	0	208	268
Total combined assets	877	829	501	454	756	612	484	533	72	68	(218)	(101)	2 473	2 395
Deposits from customers [4]	462	426	306	262	18	28	0	0	29	26	(5)	(2)	811	740
Liabilities held for sale	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other liabilities	394	381	171	169	731	578	263	248	39	39	(271)	(147)	1 326	1 268
Total liabilities	856	808	476	431	749	606	263	248	68	65	(276)	(149)	2 137	2 008
Allocated capital [6]	21	21	25	24	7	6	13	16	4	4	58	47	128	118
Total liabilities and equity	877	829	501	454	756	612	276	264	72	68	(218)	(101)	2 265	2 126

Note 3 Segments (continued)

1) *Other operations/eliminations:*

	Elimination of income/cost attributable to product suppliers		Other eliminations		Group Centre *)		Total	
Amounts in NOK million	*2012*	*2011*	*2012*	*2011*	*2012*	*2011*	*2012*	*2011*
Net interest income - ordinary operations	*0*	*0*	*(91)*	*(103)*	*1 439*	*2 231*	*1 348*	*2 128*
Interest on allocated capital [2)]	*0*	*0*	*0*	*0*	*(1 551)*	*(1 925)*	*(1 551)*	*(1 925)*
Net interest income	*0*	*0*	*(91)*	*(103)*	*(112)*	*306*	*(203)*	*203*
Other operating income	*0*	*0*	*(1 214)*	*(1 045)*	*(1 102)*	*4 096*	*(2 316)*	*3 051*
Income attributable to product suppliers	*(3 478)*	*(3 428)*	*0*	*0*	*0*	*0*	*(3 478)*	*(3 428)*
Net other operating income	*(3 478)*	*(3 428)*	*(1 214)*	*(1 045)*	*(1 102)*	*4 096*	*(5 794)*	*(377)*
Operating expenses	*0*	*0*	*(1 305)*	*(1 148)*	*1 984*	*1 601*	*679*	*453*
Depreciaton and impairment of fixed and intangible assets	*0*	*0*	*0*	*0*	*860*	*782*	*860*	*782*
Cost attributable to product suppliers	*(1 534)*	*(1 531)*	*0*	*0*	*0*	*0*	*(1 534)*	*(1 531)*
Total operating expenses	*(1 534)*	*(1 531)*	*(1 305)*	*(1 148)*	*2 844*	*2 383*	*5*	*(296)*
Pre-tax operating profit before impairment	*(1 944)*	*(1 897)*	*0*	*0*	*(4 059)*	*2 019*	*(6 003)*	*122*
Net gains on fixed and intangible assets	*0*	*0*	*0*	*0*	*4*	*8*	*4*	*8*
Impairment of loans and guarantees [3)]	*0*	*0*	*0*	*0*	*110*	*113*	*110*	*113*
Impairment loss attributable to product suppliers	*0*	*(1)*	*0*	*0*	*0*	*0*	*0*	*(1)*
Profit from repossessed operations	*0*	*0*	*0*	*0*	*196*	*197*	*196*	*197*
Pre-tax operating profit	*(1 945)*	*(1 897)*	*0*	*0*	*(3 969)*	*2 111*	*(5 913)*	*215*

The eliminations refer mainly to internal services from support units to business areas and between business areas. Further, intra-group transactions and gains and losses on transactions between companies in the Group are eliminated. The elimination of income/cost attributable to product suppliers primarily concerns net profits on customer business carried out in cooperation between DNB Markets and other business areas and taken to income in both areas.

The Group Centre includes Operations, HR (Human Resources), IT, Group Finance and Risk Management, Marketing, Communications and eBusiness, Corporate Centre, Treasury, the partially owned company Eksportfinans, investments in IT infrastructure and shareholder-related costs. In addition, the Group Centre includes that part of the Group's equity that is not allocated to the business areas. With effect from the first quarter of 2012, profits from repossessed operations which are fully consolidated in the DNB Group are presented net under "Profit from repossessed operations" in company's internal reporting of the business areas. The acquired companies are included in the Group Centre. Figures for previous periods have been restated.

*) *Group Centre - pre-tax operating profit in NOK million*	*2012*	*2011*
+ Interest on unallocated equity etc.	*712*	*871*
+ Income from equities investments	*(53)*	*102*
+ Mark-to-market adjustments Treasury and fair value of loans	*(1 586)*	*(386)*
+ Basis swaps	*(1 674)*	*2 819*
+ Eksportfinans AS	*753*	*246*
+ Net gains on investments property	*(330)*	*(24)*
- Unallocated impairment of loans and guarantees	*110*	*113*
- Allocation to employees	*217*	*217*
- Ownership-related expenses (costs relating to shareholders, investor relations, strategic planning etc.)	*427*	*249*
- Unallocated pension expenses	*365*	*60*
- Unallocated IT expenses	*180*	*94*
- Funding costs on goodwill	*50*	*55*
- Operating expenses relating to the move to the new head office in Bjørvika	*57*	*0*
- Impairment loss for intangible assets	*240*	*190*
Other	*(144)*	*(540)*
Pre-tax operating profit	*(3 969)*	*2 111*

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

3) *See note 12 Developments in impairment of loans and guarantees for an analysis of the gross change in impairment for the Group.*

4) *Loans to customers includes accrued interest, impairment and value adjustments. Correspondingly, deposits from customers include accrued interest and value adjustments.*

5) *The figures include total assets in DNB Livsforsikring. With effect from 2012, total assets in DNB Private Equity, totalling NOK 5.9 billion, have been included. Figures for previous periods have been restated.*

6) *Allocated capital for the business areas are calculated on the basis of internal measurement of risk-adjusted capital requirement. Allocated capital for the Group is recorded equity.*

Note 3 Segments (continued)

Key figures

	Retail Banking		Large Corporates and International		DNB Markets		Insurance and Asset Management		DNB Baltics and Poland		Other operations		DNB Group DNB Group	
Per cent	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Cost/income ratio 1)	53.1	58.3	27.5	29.2	28.8	32.5	58.1	75.5	80.0	62.1			49.5	47.1
Ratio of deposits to loans as at 31 Dec. 2)	53.0	52.1	82.7	65.1					55.2	46.7			62.5	57.8
Return on allocated capital 3)	30.6	24.6	21.7	20.6	57.0	51.0	13.8	3.5	2.8	(15.3)			20.4	19.1
Number of full-time positions as at 31 Dec. 4)	4 897	5 040	1 118	1 174	722	698	1 017	1 060	3 083	3 297	2 454	2 352	13 291	13 620

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

2) Deposits from customers relative to loans to customers.

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

4) Historical figures for DNB Baltics and Poland do not include DnB NORD's operations and branches in Finland and Denmark which have been closed down or transferred to DNB in Oslo.

Geographic areas

Income statement

	DNB Baltics and Poland		Other international operations		Norway		DNB Group DNB Group	
Amounts in NOK million	2012	2011	2012	2011	2012	2011	2012	2011
Net interest income	1 061	1 319	4 593	3 582	21 562	20 352	27 216	25 252
Net other operating income	886	763	2 076	1 951	11 539	14 040	14 501	16 754
Total income	1 948	2 082	6 668	5 532	33 101	34 391	41 717	42 006

Balance sheet items

	DNB Baltics and Poland		Other international operations		Norway		DNB Group DNB Group	
Amounts in NOK billion	31.12.12	31.12.11	31.12.12	31.12.11	31.12.12	31.12.11	31.12.12	31.12.11
Loans to customers	53	56	163	185	1 081	1 039	1 298	1 279
Total assets	72	68	485	418	1 708	1 640	2 265	2 126
Guarantees	2	2	22	25	70	66	94	93

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 products.

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 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	2012	2011
Commissions and fees income etc.	2 305	2 162
Commissions and fees expenses etc.	330	315
Net gains on assets in DNB Livsforsikring *)	14 283	5 795
Guaranteed returns, strengthened premium reserve and allocations to policyholders in DNB Livsforsikring **)	13 232	5 772
Premium income etc. included in the risk result in DNB Livsforsikring	5 102	4 941
Insurance claims etc. included in the risk result in DNB Livsforsikring	5 421	4 853
Other income	30	29
Net other operating income	**2 738**	**1 988**
Total income	**2 738**	**1 988**
Salaries and other personnel expenses	718	674
Other expenses	648	791
Depreciation and impairment of fixed and intangible assets	92	107
Total operating expenses	**1 459**	**1 573**
Net gains on fixed and intangible assets	0	0
Pre-tax operating profit	**1 279**	**415**
Taxes	(355)	101
Profit for the year 2)	**1 634**	**314**
**) Of which:*		
Financial instruments at fair value	*8 727*	*(855)*
Commercial paper and bonds, held to maturity	*3 872*	*3 377*
Loans and deposits	*(55)*	*58*
Investment property	*1 936*	*2 987*
Other	*(197)*	*228*
***) Of which provisions for higher life expectancy, group pensions*	*3 323*	*464*

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	*2012*	*2011*
Interest result	*4 952*	*(74)*
Application of/(transferred to) additional allocations	*0*	*524*
*Risk result *)*	*(300)*	*129*
Administration result	*7*	*(192)*
Upfront pricing of risk and guaranteed rate of return	*580*	*531*
Transferred to security reserve	*19*	*41*
*Provisions for higher life expectancy, group pensions **)*	*3 323*	*464*
Funds transferred to policyholders	*618*	*(2)*
Pre-tax operating profit	*1 279*	*415*
Taxes	*(355)*	*101*
Profit for the year	*1 634*	*314*

**) The risk result includes provisions for higher life expectancy within individual pension insurance of NOK 410 million for 2012 and NOK 300 million for 2011.*

***) Provisions for higher life expectancy include a proposed increase in premium reserves for group pensions of NOK 3 323 million for 2012. The provisions are financed through the interest and risk result and were finally determined at year-end. In 2011, the premium reserves for group pensions were increased by NOK 464 million to reflect higher life expectancy.*

Note 3 Segments (continued)

Balance sheets [1]	DNB Livsforsikring	
Amounts in NOK million	31 Dec. 2012	31 Dec. 2011
Assets		
Due from credit institutions	7 476	4 999
Loans to customers	1 941	1 858
Commercial paper and bonds	64 952	72 810
Shareholdings [2]	37 816	40 607
Financial assets, customers bearing the risk [3]	28 269	23 776
Financial derivatives	1 279	1 470
Commercial paper and bonds, held to maturity [4]	88 948	73 954
Investment property [5]	37 968	37 632
Investments in associated companies	17	16
Intangible assets	211	240
Deferred tax assets	295	0
Fixed assets	4	10
Other assets	1 395	1 460
Total assets	**270 570**	**258 831**
Liabilities and equity		
Financial derivatives	665	2 322
Insurance liabilities, customers bearing the risk [3] [6]	28 269	23 776
Liabilities to life insurance policyholders in DNB Livsforsikring [6]	221 185	212 271
Payable taxes	16	214
Deferred taxes	0	382
Other liabilities	2 782	2 646
Pension commitments	229	224
Subordinated loan capital	1 302	2 509
Total liabilities	**254 448**	**244 343**
Share capital	1 621	1 621
Share premium reserve	3 875	3 875
Other equity	10 626	8 992
Total equity	**16 122**	**14 488**
Total liabilities and equity	**270 570**	**258 831**

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	2012	2011
Recorded return, excluding changes in unrealised gains on financial instruments [1]	5.4	3.2
Value-adjusted return, excluding changes in unrealised gains on commercial paper and bonds, held to maturity [1]	5.7	2.1
Value-adjusted return, including changes in unrealised gains on commercial paper and bonds, held to maturity, and unrealised gains on current assets [1]	7.3	2.8
Capital adequacy ratio at end of period [2]	16.7	15.3
Tier 1 capital ratio at end of period [2]	15.6	13.9
Solvency margin capital in per cent of requirement at end of period [2] [3]	195	192

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

Note 4 Capitalisation policy and capital adequacy

The Basel Committee proposed a new international regulatory framework for capital and liquidity for banks in 2010 (Basel III). The EU will implement the regulations in its new capital requirements directive, CRD IV, and capital requirements regulation, CRR. Their implementation has been delayed, though the new regulations are expected to enter into force as from 1 January 2014. 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 2012 is that the Group should have a common equity Tier 1 capital ratio of 12.5 per cent based on IRB measurement of risk-weighted volume under normal market conditions in 2015. According to these principles, the common equity Tier 1 capital ratio should not fall below 10.0 per cent during an economic recession. Through its considerations of the Basel III proposal, the EU has supplemented the capital adequacy requirements with additional requirements for systemically important banks. The Group’s capitalisation guidelines will be revised when the regulatory requirements have been finalised.

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 11 per cent at year-end 2012. 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 10.7 per cent and a capital adequacy ratio of 12.6 per cent at year-end 2012, compared with 9.4 and 11.4 per cent, respectively, at year-end 2011. 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. Based on requirements from the European Banking Authority, EBA, Finanstilsynet requires that all Norwegian credit institutions have a common equity Tier 1 capital ratio of minimum 9 per cent from 30 June 2012. This requirement also applies for subsidiaries in financial services groups.

After year-end adjustments and dividend payments, the holding company DNB ASA will have a liquidity reserve of approximately NOK 6.7 billion.

The DNB Bank Group had a common equity Tier 1 capital ratio of 10.5 per cent and a capital adequacy ratio of 12.4 per cent at year-end 2012, compared with 9.3 and 11.5 per cent, respectively, a year earlier. 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 2012, this requirement was fulfilled by a wide margin.

DNB Livsforsikring had a capital adequacy ratio of 16.7 per cent and a solvency margin of 195.4 per cent at year-end 2012, which is well above the regulatory requirements of 8 per cent and 100 per cent, respectively. Total annual profits after tax were NOK 1 634 million, all of which was retained in the company. Finanstilsynet has given the company permission to use NOK 3.3 billion of policyholders’ share of profits to strengthen technical insurance provisions. As from 2015, it is expected that 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 2012 DNB Boligkreditt AS had a common equity Tier 1 capital ratio of 10.3 per cent and a capital adequacy ratio of 11.2 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. With effect from 2013, the Group’s entire equity will be allocated to the business areas. The allocation reflects both regulatory requirements and the 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**	
Amounts in NOK million	31 Dec. 2012	31 Dec. 2011	31 Dec. 2012	31 Dec. 2011	31 Dec. 2012	31 Dec. 2011
Share capital	18 314	18 314	18 314	18 314	16 269	16 260
Other equity	87 160	79 328	98 280	85 990	111 767	101 555
Total equity	105 474	97 643	116 594	104 304	128 035	117 815
Deductions						
Pension funds above pension commitments	(8)	0	(19)	(22)	(94)	(126)
Goodwill	(2 907)	(2 419)	(3 543)	(3 834)	(5 223)	(5 741)
Deferred tax assets	(565)	(3)	(1 055)	(644)	(1 066)	(651)
Other intangible assets	(1 092)	(1 130)	(1 822)	(2 028)	(2 033)	(2 270)
Dividends payable etc.	0	0	(6 000)	0	(3 420)	(3 258)
Unrealised gains on fixed assets	0	0	(30)	(30)	(30)	(30)
50 per cent of investments in other financial institutions	(392)	(1 022)	(538)	(1 022)	0	0
50 per cent of expected losses exceeding actual losses, IRB portfolios	(415)	(648)	(626)	(835)	(626)	(835)
Adjustments for unrealised losses/(gains) on debt recorded at fair value	181	(24)	84	(713)	84	(713)
Equity Tier 1 capital	100 276	92 396	103 047	95 177	115 627	104 191
Perpetual subordinated loan capital securities [1) 2)]	3 162	5 973	3 162	6 159	3 162	6 159
Tier 1 capital	103 439	98 370	106 209	101 336	118 790	110 350
Perpetual subordinated loan capital	3 804	4 153	3 804	4 153	3 804	4 153
Term subordinated loan capital [2)]	12 848	12 773	13 081	13 230	13 081	13 230
Deductions						
50 per cent of investments in other financial institutions	(392)	(1 022)	(538)	(1 022)	0	0
50 per cent of expected losses exceeding actual losses, IRB portfolios	(415)	(648)	(626)	(835)	(626)	(835)
Additions						
45 per cent of unrealised gains on fixed assets	0	0	18	18	18	18
Tier 2 capital	15 846	15 256	15 740	15 544	16 278	16 566
Total eligible primary capital [3)]	119 285	113 625	121 949	116 879	135 068	126 916
Risk-weighted volume	874 840	874 786	984 137	1 018 586	1 075 672	1 111 574
Minimum capital requirement	69 987	69 983	78 731	81 487	86 054	88 926
Equity Tier 1 capital ratio (%)	11.5	10.6	10.5	9.3	10.7	9.4
Tier 1 capital ratio (%)	11.8	11.2	10.8	9.9	11.0	9.9
Capital ratio (%)	13.6	13.0	12.4	11.5	12.6	11.4

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 2012, calculations of capital adequacy for the banking group and DNB Group included a total of NOK 233 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 according to the pro-rata method 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 2011 and 2012 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. 2012	EAD [1] 31 Dec. 2012	Risk-weighted volume 31 Dec. 2012	Capital requirements 31 Dec. 2012	Capital requirements 31 Dec. 2011
IRB approach					
Corporate	808 855	673 236	367 717	29 417	30 453
Specialised Lending (SL)	4 310	4 255	2 400	192	286
Retail - mortgage loans	583 866	583 866	70 687	5 655	5 515
Retail - other exposures	99 482	82 062	22 992	1 839	1 891
Securitisation	70 831	70 831	23 660	1 893	752
Total credit risk, IRB approach	1 567 344	1 414 250	487 457	38 997	38 898
Standardised approach					
Central government	137 650	149 344	121	10	10
Institutions	138 103	107 684	25 496	2 040	1 922
Corporate	334 065	256 582	240 337	19 227	22 278
Retail - mortgage loans	53 391	51 059	27 368	2 189	1 674
Retail - other exposures	62 477	30 311	23 404	1 872	2 857
Equity positions	3 172	3 172	3 276	262	288
Securitisation	4 632	4 632	856	69	143
Other assets	9 472	9 472	9 472	758	901
Total credit risk, standardised approach	742 961	612 257	330 329	26 426	30 074
Total credit risk	2 310 306	2 026 507	817 786	65 423	68 971
Market risk					
Position risk, debt instruments			38 881	3 110	2 833
Position risk, equity instruments			1 295	104	95
Currency risk			0	0	0
Commodity risk			63	5	0
Total market risk			40 239	3 219	2 928
Operational risk			72 416	5 793	5 386
Net insurance, after eliminations			94 538	7 563	7 708
Deductions			(334)	(27)	(50)
Total risk-weighted volume and capital requirements before transitional rule			1 024 645	81 972	84 942
Additional capital requirements according to transitional rule [2]			51 027	4 082	3 984
Total risk-weighted volume and capital requirements			1 075 672	86 054	88 926

1) EAD, exposure at default.

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

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. 2012	31 Dec. 2013 [1)]
Retail:		
- mortgage loans, DNB Bank and DNB Boligkreditt	IRB [2)]	IRB [2)]
- qualifying revolving retail exposures, DNB Bank [3)]	IRB [2)]	IRB [2)]
- loans in DNB Finans Norway	IRB [2)]	IRB [2)]
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 and DNB Næringskreditt	Standardised	Advanced IRB
- leasing, DNB Bank	Advanced IRB	Advanced IRB
- corporate clients, DNB Næringskreditt	Advanced IRB	Advanced IRB
Securitisation positions:		
- international bond portfolio, DNB Markets	IRB [2)]	IRB [2)]
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, JSC DNB Bank and various other small portfolios	Standardised	Standardised

1) As according to implementation plan. The conversion is, however, subject to final approval from the Norwegian FSA.
2) There is only one IRB approach for retail exposures and securitisation positions.
3) 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 quarterly 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 all of the Group's business areas and main risk categories, with the exception of liquidity risk. 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 appetite*. With effect from January 2013, DNB will monitor risk through defined targets. The risk appetite framework consists of 13 statements covering the risk dimensions which are considered to be significant for the DNB Group, and which added up give a good view of the total risk. Developments in the target figures are monitored and reported to DNB's Board of Directors on a monthly basis.

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 2011 and 2012.
- *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 2011 and 2012.
- *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 2011 and 2012.
- *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 insurance 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.

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 within a one-year horizon. This level is in accordance with an AA level rating target for the ordinary long-term debt in DNB Bank ASA.

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.

The similarities between the framework for risk-adjusted capital and the capital adequacy regulations gradually become greater as a larger part of the Group's exposures are reported according to the IRB approach. The underlying risk drivers for credit, and partly for operational risk, are largely the same. However, there are different confidence levels, and calculations based on risk-adjusted capital are more conservative.

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. A significant 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 2012, net risk-adjusted capital for the Group was estimated at NOK 75.0 billion, a reduction of NOK 5.8 billion from end-December 2011.

	DNB Group	
Amounts in NOK billion	2012	2011 [1]
Credit risk	57.0	64.5
Market risk [2]	8.0	6.3
Market risk in life insurance	10.6	10.6
Insurance risk in life insurance	1.0	1.0
Non-life insurance	0.8	0.8
Operational risk	9.8	9.0
Business risk	4.6	4.7
Gross risk-adjusted capital	91.9	97.0
Diversification effect [3]	(16.8)	(16.1)
Net risk-adjusted capital	75.0	80.9
Diversification effect in per cent of gross risk-adjusted capital [2]	18.3	16.6

1) *Figures for 2011 have been recalculated based on updated parameters.*
2) *With effect from the fourth quarter of 2012, the risk associated with basis risk for derivative positions in trading activities is included in market risk calculations. Figures for previous periods have been adjusted accordingly.*
3) *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.*

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

Note 5 Risk management (continued)

Risk-adjusted capital per business area as at 31 December 2012 **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	84.5	86.5	58.8			80.3	62.0
Market risk	1.6	0.8	16.3		100.0	1.8	8.8
Market risk in life insurance				69.6			11.6
Insurance risk in life insurance				6.3			1.1
Non-life insurance risk				4.9			0.8
Operational risk	8.7	9.1	14.5	15.3		12.2	10.7
Business risk	5.2	3.7	10.3	4.0		5.7	5.0
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Total risk-adjusted capital in NOK billion	25.4	30.8	8.8	13.6	2.7	3.2	

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 12.2 billion at year-end 2012, compared with NOK 12.0 billion a year earlier. Approximately 77 per cent of the NOK 12.2 billion represented market risk, 7 per cent insurance risk, 13 per cent operational risk, and the remaining 3 per cent business risk. Diversification effects between the various risk categories have been taken into account.

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 loans in high-risk categories, industries and geographical areas, cf. notes 3, 7 and 8. Total credit risk as at 31 December 2012 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, unutilised credit lines and loan offers, 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. Limits are established for counterparty risk, though such risk is not defined as credit risk. Credit risk management and measurement is described in further detail in the Risk and Capital Management (Pillar 3) report. See also note 5, in which credit risk for the Group is quantified in the form of risk-adjusted capital requirements.

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

Credit risk exposure and collateral **DNB Group**

	31 December 2012			
Amounts in NOK million	Maximum exposure to credit risk	Secured by real estate	Collateralised by securities	Other collateral 1)
Deposits with central banks	296 395	0	0	0
Due from credit institutions	37 136	0	17 091	92
Loans to customers	1 297 892	791 732	11 525	273 389
Commercial paper and bonds	382 080	0	0	0
Financial derivatives	96 584	0	0	55 002
Other assets	13 476	0	0	0
Total maximum exposure to credit risk reflected on the balance sheet	2 123 562	791 732	28 616	328 483
Guarantees	93 743	8 337	167	22 275
Unutilised credit lines and loan offers	492 947	53 907	39	51 763
Other commitments	4 249	4	0	13
Total maximum exposure to credit risk not reflected on the balance sheet	590 939	62 248	206	74 051
Total	2 714 501	853 980	28 822	402 535

1) *Other collateral includes the assessed fair value of movables, sureties, ships and cash as well as other credit enhancements, such as netting agreements and guarantees received.*

The table above includes on and off-balance sheet items which entail credit risk and the assessed value of related collateral. If available, fair values are used. In general, fair values are estimated according to different techniques depending on the type of collateral. With respect to properties, models estimating the value of collateral based on market parameters for similar properties, are used. Corresponding techniques are used for other non-financial collateral. In order to reflect the effective available collateral value, the fair value of collateral included in the table is limited to the maximum credit exposure of the individual loan or exposure.

Comments to the main items:

- *Deposits with central banks:* Deposits with Norges Bank totalled NOK 1 595 million. DNB engages only in short-term transactions with central banks outside Norway, mainly in OECD countries.
- *Loans to customers:* See further description under "Collateral and other risk-mitigating measures on loans, guarantees and unutilised credit lines" on the following page.
- *Commercial paper and bonds:* See further description under "Credit exposure of other financial assets".
- *Financial derivatives:* Derivatives are presented net after cash collateral received. Other collateral represents netting opportunities against other outstanding balances with customers.
- *Guarantees:* See further description under "Collateral and other risk-mitigating measures on loans, guarantees and unutilised credit lines" on the following page.
- *Unutilised credit lines and loan offers:* Offers of loans, credits and credit lines totalling NOK 53 496 million were included in the maximum credit exposure. No formal collateral has been established for such exposure, and the assessed value is not included in the table. Collateral is established once the offers are accepted by the customers. The assessment of the value of any collateral established in connection with such offers follows the procedure and criteria described under "Collateral and other risk-mitigating measures on loans, guarantees and unutilised credit lines" on the following page.

Credit risk exposure of loans and commitments

Notes 7 and 8 show the Group's credit risk exposure for principal customer groups and according to geographic location. Notes 9 through 12 show impaired loans and guarantees and impairment of loans and guarantees.

Classification of loans and commitments

DNB divides loans and 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.

Note 6 Credit risk (continued)

DNB's risk classification [1)]

	Probability of default (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.

Loans and commitments according to risk classification — DNB Group

Amounts in NOK million	Gross loans to customers	Guarantee commitments	Unutilised credit lines	Total loans and commitments
Risk category based on probability of default				
1 - 4	767 341	67 827	310 559	1 145 727
5 - 6	371 533	22 802	97 542	491 877
7 - 10	120 640	3 493	19 681	143 814
Non-performing and impaired loans and guarantees	28 930	159	0	29 089
Total loans and commitments as at 31 December 2011 [1)]	1 288 443	94 282	427 782	1 810 507
Risk category based on probability of default				
1 - 4	789 311	66 453	326 212	1 181 976
5 - 6	354 592	16 599	80 919	452 110
7 - 10	133 639	5 261	24 782	163 682
Non-performing and impaired loans and guarantees	28 553	659	0	29 212
Total loans and commitments as at 31 December 2012 [1)]	1 306 096	88 972	431 913	1 826 980

1) Based on nominal amount.

Loan-loss level [1)]

	2012	2011
Normalised losses including loss of interest income in per cent of net lending	0.31	0.31

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.

Collateral and other risk-mitigating measures on loans, guarantees and unutilised credit lines

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 to extensive processes for credit assessment and monitoring of the loans and commitments, the Group uses collateral to reduce risk, depending on the market and type of transaction. Collateral 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 impairment has 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.

Note 6 Credit risk (continued)

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 loan and commitment. Received guarantees can only serve as collateral and affect the calculation of losses in the event of default if they are placed in risk class 6 or higher. Received 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, received guarantees 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.

Past due loans not subject to impairment

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. Loans and guarantees where a probable deterioration of customer solvency is identified are reviewed for impairment. Such reviews are also carried out for the loans and guarantees 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.

	DNB Group	
Amounts in NOK million	31 Dec. 2012	31 Dec. 2011
No. of days past due/overdrawn		
1 - 29	453	208
30 - 59	246	263
60 - 89	33	95
> 90	382	213
Past due loans not subject to impairment	1 114	779

Credit exposure of other financial assets

DNB has a group policy for investments in commercial paper and bonds. External credit ratings are a key factor in assessing such investments. See note 37 for a description of DNB Markets' international bond portfolio and DNB Livsforsikring's portfolio of held-to-maturity bonds.

The Group's exposure to the so-called PIIGS countries, Portugal, Ireland, Italy, Greece and Spain, at year-end 2012 totalled approximately NOK 22.5 billion, the majority of which referred to DNB Markets' international bond portfolio (NOK 14.3 billion) and held-to-maturity investments in the common portfolio of DNB Livsforsikring (NOK 5.3 billion).The Group had no exposure to Greece.

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.

Repossessed properties and other assets - recognised value

Repossessed assets are assets acquired by units within the Group as part of the management of non-performing and impaired loans and guarantees. 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 loans and guarantees at the time of acquisition is classified as impairment 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 2011 mainly included the acquisition of the companies Royston/Propinvest. Disposals in 2011 mainly related to the residential market in Latvia. Property additions in 2012 mainly included the acquisition of the companies Bryggetorget Holding AS and commercial buildings and flats in Lithuania.

	DNB Group	
Amounts in NOK million	2012	2011
Repossessed properties and other repossessed assets as at 1 January	5 185	2 822
Property additions	693	2 559
Other asset additions	0	0
Property disposals	411	196
Other asset disposals	3	0
Net gains resulting from adjustment to fair value (investment properties)	400	0
Repossessed properties and other repossessed assets as at 31 December	5 064	5 185

Note 6 Credit risk (continued)

Companies/parts of companies acquired in 2012

Pres-Vac

Pres-Vac Engineering Aps and Valpress GmbH (Pres-Vac) develop and produce, among other things, tank valves for ships which transport liquid cargo. As part of the restructuring of the bank's loans and commitments with the companies, DNB Bank ASA took over all the shares in the companies. The companies were taken over at a price of DKK 1 and EUR 1, respectively. During the first quarter of 2012, DKK 105 million of the company's debt was converted to equity. The companies are included in the above table.

Bryggetorget Holding AS

After Faktor Eiendom ASA went into liquidation, Bryggetorget Holding AS, which is owned by DNB Bank ASA, took over Skurufjellet Eiendom AS, Trysiltunet Eiendom AS and Trysilfjell Apartment Eiendom AS from the estate in the first quarter of 2012. In addition, 31 holiday apartments in Uvdal organised as a housing cooperative were taken over. The properties were acquired at fair value. After the acquisition, the balance sheet value of the properties in Bryggetorget Holding was NOK 222 million. The property values are included in the above table.

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 loans and commitments with the company. In addition, a company in Sweden and another in Finland were acquired. On the acquisition date the companies owned 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 Relacom Group, the creditors took over all shares in Relacom AB in April 2011. Debt totalling SEK 2.3 billion was thereafter converted to equity capital. See note 39 Investments in associated companies for more information. The investment is not included in the above table.

Loans and deposits designated as at fair value

	DNB Group	
Amounts in NOK million	31 Dec. 2012	31 Dec. 2011
Loans and deposits designated as at fair value	131 545	102 817
Total exposure to credit risk	131 545	102 817
Value adjustment from credit risk [1)]	665	611
Value adjustment from change in credit risk	54	(17)

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

Effects of changes in credit margins

Overall, there was a positive financial market trend through 2012. The central banks within the EU and in the US made extensive purchases of sovereign debt. In addition, confidence in the banking system increased in the EU in consequence of the plans to establish a banking union. In the second half of the year, risk premiums in the money and capital markets were reduced to the levels prevailing in the first half of 2011. Reduced credit margins affected a number of items in the DNB Group's balance sheet.

As part of ongoing liquidity management, DNB Markets invests in an international covered bond portfolio. The holding of such bonds increased through 2012. Reduced margin requirements resulted in unrealised gains in this portfolio of NOK 685 million at end-December 2012, compared with unrealised losses of NOK 487 million at year-end 2011. The unrealised gains and 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 of 2011. In 2012, the required rate of return in the market has been reduced, and Eksportfinans has sizeable unrealised losses on own debt. The impairment loss recorded by DNB in the fourth quarter of 2011 has been reversed by an amount corresponding to these unrealised losses. The reversal represented just under NOK 7.5 billion of DNB's holding after tax. The impairment loss in 2011 and the reversal in 2012 have been reported on the line "Profit from companies accounted for by the equity method" along with DNB's share of profits from the company.

The DNB Group's long-term borrowings in Norwegian kroner are carried at fair value through profit or loss. Due to the positive financial market trend throughout the second half of 2012, investors' margin requirements were reduced. At end-December 2012, there were unrealised losses of NOK 571 million on long-term borrowings, compared with unrealised gains of NOK 536 million at year-end 2011. Unrealised gains and losses on the Group's liabilities will be reversed over the remaining term to maturity.

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 increased margin requirements on these loans came to NOK 226 million at year-end 2012, compared with unrealised losses of NOK 115 million at end-December 2011. The unrealised gains and losses will be reversed over the remaining term to maturity, provided that there are no changes in the credit status of the loans.

Note 7 Loans and commitments for principal customer groups[1)]

Loans and commitments as at 31 December 2012 — **DNB Group**

Amounts in NOK million	Loans and receivables	Guarantees	Unutilised credit lines	Total loans and commitments
Private individuals	647 587	270	102 096	749 953
Transportation by sea and pipelines and vessel construction	126 992	11 075	36 572	174 638
Real estate	184 906	3 117	17 703	205 727
Manufacturing	45 009	14 583	31 729	91 322
Services	77 177	6 009	27 428	110 614
Trade	35 703	4 236	19 131	59 070
Oil and gas	22 164	13 333	39 677	75 174
Transportation and communication	31 727	4 123	17 383	53 234
Building and construction	42 657	12 119	16 191	70 967
Power and water supply	29 836	14 548	27 091	71 475
Seafood	18 490	262	6 355	25 107
Hotels and restaurants	6 555	263	1 162	7 980
Agriculture and forestry	9 597	578	3 959	14 135
Central and local government	7 134	278	5 866	13 278
Other sectors	11 252	4 177	79 570	94 999
Total customers, nominal amount after individual impairment	1 296 787	88 972	431 913	1 817 672
– Collective impairment, customers	2 321	-	-	2 321
+ Other adjustments	3 425	(169)	-	3 255
Loans to customers	**1 297 892**	**88 802**	**431 913**	**1 818 607**
Credit institutions, nominal amount after individual impairment	37 021	4 632	7 538	49 191
+ Other adjustments	115	0	-	115
Loans to and due from credit institutions	**37 136**	**4 632**	**7 538**	**49 306**

Loans and commitments as at 31 December 2011 — **DNB Group**

Amounts in NOK million	Loans and receivables	Guarantees	Unutilised credit lines	Total loans and commitments
Private individuals	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 impairment	1 278 922	94 282	427 782	1 800 986
– Collective impairment, customers	2 119	-	-	2 119
+ Other adjustments	2 456	(98)	-	2 359
Loans to customers	**1 279 259**	**94 185**	**427 782**	**1 801 226**
Credit institutions, nominal amount after individual impairment	28 748	2 204	7 577	38 529
+ Other adjustments	6	0	-	6
Loans to and due from credit institutions	**28 754**	**2 204**	**7 577**	**38 534**

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

Note 8 Loans and commitments according to geographical location [1)]

Loans and commitments as at 31 December 2012 **DNB Group**

Amounts in NOK million	Loans and receivables	Guarantees	Unutilised credit lines	Total loans and commitments
Oslo	241 988	18 016	84 096	344 099
Eastern and southern Norway	437 406	22 103	148 392	607 902
Western Norway	167 680	10 846	37 799	216 324
Northern and central Norway	181 062	9 726	31 599	222 386
Total Norway	1 028 136	60 691	301 885	1 390 711
Sweden	62 270	6 243	26 472	94 985
United Kingdom	27 985	3 859	2 666	34 511
Other Western European countries	48 446	5 894	35 183	89 523
Russia	1 950	518	183	2 651
Estonia	3 581	61	135	3 778
Latvia	15 847	503	1 345	17 695
Lithuania	20 340	732	1 138	22 210
Poland	18 797	610	2 115	21 522
Other Eastern European countries	323	159	10	492
Total Europe outside Norway	199 541	18 579	69 247	287 366
USA and Canada	34 200	8 380	29 065	71 646
Bermuda and Panama [2)]	17 243	486	4 475	22 204
Other South and Central American countries	10 853	2 107	5 108	18 068
Total America	62 296	10 973	38 649	111 918
Singapore [2)]	12 663	1 189	2 547	16 399
Hong Kong	2 643	0	388	3 030
Other Asian countries	14 063	1 570	5 026	20 660
Total Asia	29 369	2 759	7 961	40 089
Liberia [2)]	11 229	230	3 520	14 980
Other African countries	970	84	1 428	2 483
Australia, New Zealand and Marshall Islands [2)]	11 600	426	16 762	28 788
Commitments [3)]	1 343 141	93 743	439 451	1 876 335
– Individual impaiment	9 333	139	-	9 472
– Collective impairment	2 321	-	-	2 321
+ Other adjustments	3 540	(169)	-	3 370
Net loans and commitments	**1 335 028**	**93 434**	**439 451**	**1 867 913**

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

2) *Represents shipping loans and commitments.*

3) *All amounts represent gross loans and guarantees respectively before individual impairment.*

Note 8 Loans and commitments according to geographical location [1] (continued)

Loans and commitments as at 31 December 2011 **DNB Group**

Amounts in NOK million	Loans and receivables	Guarantees	Unutilised credit lines	Total loans and 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 impaiment	9 546	78	-	9 624
– Collective impairment	2 119	-	-	2 119
+ Other adjustments	2 462	(98)	-	2 365
Net loans and commitments	**1 308 013**	**96 389**	**435 359**	**1 839 760**

1) Based on the customer's address.

2) Represents shipping loans and commitments.

3) All amounts represent gross loans and guarantees respectively before individual impairment.

Note 9 Impaired loans and guarantees for principal customer groups [1)]

DNB Group

Amounts in NOK million	Gross impaired loans and guarantees 31 Dec. 2012	Gross impaired loans and guarantees 31 Dec. 2011	Total individual impairment 31 Dec. 2012	Total individual impairment 31 Dec. 2011	Net impaired loans and guarantees 31 Dec. 2012	Net impaired loans and guarantees 31 Dec. 2011
Private individuals	6 214	6 557	2 669	2 786	3 545	3 771
Transportation by sea and pipelines and vessel construction	6 514	4 045	1 268	494	5 246	3 551
Real estate	5 290	5 121	1 605	1 546	3 685	3 575
Manufacturing	2 784	3 676	973	1 604	1 811	2 072
Services	1 384	1 410	811	838	573	572
Trade	985	1 671	615	817	370	854
Oil and gas	75	0	35	0	40	0
Transportation and communication	1 000	761	416	427	584	334
Building and construction	1 697	1 349	667	702	1 030	647
Power and water supply	207	80	102	80	105	0
Seafood	96	100	29	33	67	67
Hotels and restaurants	332	429	127	131	205	298
Agriculture and forestry	331	388	96	128	235	260
Central and local government	0	0	0	0	0	0
Other sectors	49	35	34	13	15	22
Total customers	26 959	25 622	9 447	9 599	17 512	16 023
Credit institutions	25	46	25	25	0	21
Total impaired loans and guarantees	26 984	25 667	9 472	9 624	17 512	16 043
Non-performing loans and guarantees not subject to impairment	2 228	3 422	-	-	2 228	3 422
Total non-performing and impaired loans and guarantees	29 212	29 089	9 472	9 624	19 740	19 465

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

Note 10 Impairment of loans and guarantees

DNB Group

Amounts in NOK million	2012 Loans [1)]	2012 Guarantees	2012 Total	2011 Loans [1)]	2011 Guarantees	2011 Total
Write-offs	344	0	344	550	0	550
New individual impairment	3 717	83	3 800	4 047	73	4 120
Total new individual impairment	4 061	83	4 144	4 597	73	4 670
Reassessed individual impairment	797	20	818	968	47	1 015
Recoveries on loans and guarantees previously written off	412	0	412	437	0	437
Net individual impairment	2 852	63	2 915	3 192	26	3 217
Changes in collective impairment of loans	265	-	265	227	-	227
Impairment of loans and guarantees	**3 117**	**63**	**3 179**	**3 419**	**26**	**3 445**
Write-offs covered by individual impairment made in previous years	2 876	2	2 879	2 740	13	2 753

1) Including impairment of loans at fair value.

Note 11 Impairment of loans and guarantees for principal customer groups [1)]

DNB Group

Amounts in NOK million	2012 New individual impairment	2012 Reassessed individual impairment	2012 Recoveries on loans and guarantees previously written off	2012 Net impairment	2011 New individual impairment	2011 Reassessed individual impairment	2011 Recoveries on loans and guarantees previously written off	2011 Net impairment
Private individuals	1 072	68	378	626	1 758	225	360	1 174
Transportation by sea and piplines and vessel construction	1 146	1	2	1 142	417	77	4	336
Real estate	631	186	12	434	917	167	12	738
Manufacturing	147	217	2	(71)	281	109	1	171
Services	279	128	3	147	213	73	4	135
Trade	220	76	4	139	316	105	7	203
Oil and gas	35	0	0	35	1	0	0	1
Transportation and communication	121	22	3	96	74	52	7	15
Building and construction	269	58	3	208	527	105	5	416
Power and water supply	99	0	0	98	3	10	0	(7)
Seafood	9	3	0	6	24	20	0	3
Hotels and restaurants	51	16	0	35	48	27	0	20
Agriculture and forestry	45	39	1	6	59	43	1	16
Central and local government	0	0	2	(2)	0	0	0	0
Other sectors	20	0	2	18	8	1	5	2
Total customers	4 144	816	412	2 917	4 644	1 015	406	3 222
Credit institutions	0	2	0	(2)	26	0	31	(5)
Changes in collective impairment of loans	-	-	-	265	-	-	-	227
Impairment of loans and guarantees	**4 144**	**818**	**412**	**3 179**	**4 670**	**1 015**	**437**	**3 445**
Of which individual impairment of guarantees	*83*	*20*	*0*	*63*	*73*	*47*	*0*	*26*

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

Note 12 Developments in impairment of loans and guarantees

DNB Group

Amounts in NOK million	2012 Loans to credit institutions	2012 Loans to customers	2012 Guarantees	2012 Total	2011 Loans to credit institutions	2011 Loans to customers	2011 Guarantees	2011 Total
Impairment as at 1 January	25	12 350	78	12 453	1	11 737	65	11 803
New impairment	0	2 400	83	2 483	26	2 320	53	2 399
Increase in impairment	0	1 317	0	1 317	0	1 701	21	1 722
Reassessed impairment	2	796	20	818	0	968	47	1 015
Write-offs covered by previous impairment	0	2 876	2	2 879	0	2 740	13	2 753
Changes in individual impairment of accrued interest and amortisation	1	(2)	-	(1)	0	52	-	52
Changes in collective impairment	0	265	-	265	0	227	-	227
Changes in group structure	0	0	0	0	0	0	0	0
Changes due to exchange rate movement	0	(319)	0	(319)	(1)	20	0	19
Impairment as at 31 December	25	12 337	139	12 501	25	12 350	78	12 453
Of which: Individual impairment	*25*	*9 308*	*139*	*9 472*	*25*	*9 521*	*78*	*9 624*
Individual impairment of accrued interest and amortisation	*1*	*708*	*-*	*709*	*0*	*710*	*-*	*710*
Collective impairment	*0*	*2 321*	*-*	*2 321*	*0*	*2 119*	*-*	*2 119*

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, property, interest rate, commodity, credit and equity markets. The risk level reflects market price volatility and the positions taken. Overall, market risk represents a non-dominant part 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 risk categories. Financial instruments in DNB Livsforsikring are divided into eight risk categories. Risk-adjusted capital for the risk categories 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.

DNB has chosen to make a distinction between calculations of market risk in life insurance and market risk in the rest of the Group, as different calculation methods are used. Calculations of risk-adjusted capital for market risk in life insurance are an assessment of the risk associated with financial instruments in life insurance. The calculation takes account of the obligations resulting from the guaranteed rate of return, equity buffers and dynamic portfolio management.

Market risk in life insurance was NOK 10.6 billion at year-end 2012, unchanged from a year earlier. There was a significant reduction in equity exposure towards the end of 2011, and equities represented between 6 and 8 per cent of total investments through 2012. DNB Livsforsikring reduced its commercial property investments in 2012. Underlying assumptions for calculating market risk were updated to reflect changes in market prices during the financial crisis. Seen in isolation, this resulted in an increase in the risk-adjusted capital for market risk in life insurance of approximately 8 per cent. At year-end 2012, long-term Norwegian swap rates, which are reference rates for expected returns, were just below policyholders' guaranteed rate of return. If this trend continues in the longer term, this will affect DNB Livsforsikring's ability to assume risk to ensure a healthy return for policyholders.

The risk-adjusted capital for market risk in operations other than life insurance was NOK 8 billion at year-end 2012 up from NOK 6.3 billion from year-end 2011, mainly due to changes in assumptions to reflect fluctuations in market risk during the financial crisis. In addition, changes affecting basis risk for derivative positions in trading activities were made. With effect from 2012, such basis risk is included in risk-adjusted capital for market risk. This risk fluctuated significantly through the year and was estimated at NOK 1.2 billion at year-end. There were no significant changes in market risk limits in 2012. Mark-to-market adjustments of swap contracts entered into in connection with the Group's long-term 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.

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 1)
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 2012						
NOK	323	23	533	130	533	477
USD	2	58	34	45	21	66
EUR	38	82	357	21	184	74
GBP	1	2	12	7	3	0
SEK	9	2	10	6	1	8
Other currencies	16	13	11	9	6	35
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

1) Applies to the DNB Group excluding DNB Livsforsikring and DNB Baltics and Poland.

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 2012						
NOK	5	63	115	423	411	1 017
USD	0	100	9	83	293	267
EUR	0	117	21	104	267	231
GBP	0	31	7	11	110	83
Other currencies	0	18	3	6	39	60
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

Duration		**DNB Livsforsikring**
	31 Dec. 2012	31 Dec. 2011
Norwegian bonds - average residual maturity (years) 1)	3.62	3.68
International bonds - average residual maturity (years) 1)	6.41	5.95
Money market - average residual maturity (years) 1)	0.35	0.38
International credit - average residual maturity (years) 1)	5.68	4.91
Average effective interest rate - Norwegian bonds (per cent) 2)	2.84	3.64
Average effective interest rate - international bonds (per cent) 2)	3.10	2.83
Average effedtive interest rate - money market (per cent) 2)	1.97	2.35
Average effective interest rate - international credit (per cent) 2)	4.36	5.21

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 2012.

Note 18 gives a description of a liability adequacy test prepared in compliance with IFRS 4 Insurance Contracts concerning liabilities to policyholders as at 31 December 2012.

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. 2012	31 Dec. 2011	31 Dec. 2012	31 Dec. 2011
USD	(556)	248	90	(68)
EUR	(123)	(115)	(492)	109
GBP	56	25	(26)	16
SEK	496	307	5	(52)
DKK	0	0	(212)	437
CHF	(9)	(11)	(292)	(13)
JPY	0	0	5	(43)
NOK [1)]	1 552	1 484	-	-
Other	287	588	(640)	(127)
Total foreign currencies	1 703	2 526	(1 561)	259

1) Equity and bond funds denominated in NOK with foreign currency exposure, including EUR, GBP, JPY and USD.

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 an 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 interest rates are exchanged for floating rates or floating rates are exchanged for fixed rates
  - 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 2012			31 December 2011		
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	1 847 276	1 220	1 568	2 211 782	1 515	2 076
Swaps	2 525 537	102 282	49 414	2 378 628	77 745	43 395
OTC options, bought and sold	68 697	858	607	75 113	245	155
Other OTC contracts	1 562	0	0	1 562	22	0
Total OTC derivatives	4 443 073	104 359	51 589	4 667 085	79 527	45 625
Exchange-traded contracts - futures, bought and sold	65 562	0	0	11 280	0	0
Total interest rate contracts	4 508 635	104 359	51 589	4 678 365	79 527	45 625
Foreign exchange contracts						
Forward contracts	909 807	1 418	1 940	1 017 839	1 887	2 826
Swaps	706 084	11 432	37 802	658 241	34 448	36 454
OTC options, bought and sold	42 937	504	503	26 586	284	274
Total foreign exchange contracts	1 658 828	13 353	40 245	1 702 667	36 619	39 554
Equity-related contracts						
Forward contracts	2 996	683	696	4 264	162	189
OTC options, bought and sold	1 741	286	56	4 336	83	72
Total OTC derivatives	4 737	969	751	8 600	245	261
Futures, bought and sold	4 461	15	8	3 715	0	0
Options, bought and sold	1 055	13	15	1 864	20	23
Total exchange-traded contracts	5 517	29	23	5 578	20	23
Total equity-related contracts	10 254	997	774	14 178	266	285
Equity-related derivatives recorded as shareholdings		0	0		(230)	(258)
Commodity-related contracts						
Swaps	64 722	2 154	1 827	52 996	1 883	1 700
Total commodity related contracts	64 722	2 154	1 827	52 996	1 883	1 700
Collaterals received/paid						
Total collaterals received/paid		(24 280)	(31 160)		(21 372)	(22 540)
Total financial derivatives	**6 242 439**	**96 584**	**63 274**	**6 448 206**	**96 693**	**64 365**
Of which: Applied for hedging purposes	*345 282*	*31 531*	*2 149*	*244 619*	*11 479*	*1 498*
- Interest rate swaps		*28 670*	*964*		*10 097*	*462*
- Interest rate and currency swaps		*2 861*	*1 185*		*1 381*	*1 036*

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. These derivatives are carried at fair value. There may be significant variations in the value of the basis swaps from day to day, due to changes in basis swap spreads. This unhedged risk causes unrealised gains and losses. For the year 2012, there was a NOK 1 687 million decrease in value (negative effect on profits), compared with a NOK 3 031 million increase in value (positive effect on profits) in 2011.

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 DNB Group will be unable to meet its payment obligations. Overall liquidity management in the Group implies that DNB Bank ASA is responsible for funding domestic subsidiaries, 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 within different time frames. The various maturities are subject to stress testing based on a bank-specific crisis and a systemic crisis and a combination thereof, 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 net loans was 62.5 per cent at year-end 2012, up from 57.8 per cent a year earlier. The ratio of deposits to net loans in DNB Bank ASA was 110.3 per cent at year-end 2012.

Throughout 2012, the short-term funding markets were generally sound for banks with good credit ratings. DNB had ample access to short-term funding, and investors showed increasing interest in longer maturities during the second half of the year. The markets are less selective than before, and an increasing number of banks are regarded as financially strong and have good access to capital. DNB is still one of these banks.

There was a very high level of activity in the long-term funding markets during the first half of the year, and banks with strong credit ratings had particularly good access to these markets. Prices of long-term funding gradually improved during the January through June period, partly due to the fact that measures launched by the European Central Bank, ECB, the so-called LTRO programme, provided European banks with considerable long-term funding. As the summer was approaching, there was increasing uncertainty regarding European sovereign debt, and very few transactions were completed during the second half of the year. Towards the end of the year, investors showed renewed interest in long-term funding, while the banks had a limited need for new funding. Thus, there was a reduction in funding costs in the second half of the year for both new covered bonds and senior bond debt. DNB completed most of its annual long-term funding activities during the first half of the year, but also raised some funding in the second half of the year to cover parts of its funding requirement for 2013.

The average remaining term to maturity for the portfolio of senior bond debt was 4.6 years at year-end 2012, compared with 4.5 years a year earlier. The DNB 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 2012 [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	298 893						298 893
Due from credit institutions	16 649	11 181	2 247	7 069			37 146
Loans to customers	151 903	82 100	60 710	238 902	766 628	(2 321)	1 297 922
Commercial paper and bonds at fair value	7 070	43 856	56 753	87 240	26 868		221 788
Commercial paper and bonds, held to maturity	1 876	2 225	7 928	51 883	92 093		156 006
Shareholdings						50 293	50 293
Other assets		1 439		830			2 269
Total	476 391	140 801	127 638	385 925	885 589	47 971	2 064 316
Liabilities							
Due to credit institutions	190 091	5 320	15 158	40 810			251 379
Deposits from customers	810 375						810 375
Debt securities issued	69 123	138 083	77 396	245 371	154 351		684 323
Other liabilities etc.	1 438	3 671		322			5 431
Subordinated loan capital [2)]	300				16 011	3 804	20 115
Total	1 071 328	147 073	92 554	286 503	170 361	3 804	1 771 624
Financial derivatives							
Financial derivatives, gross settlement							
Incoming cash flows	640 635	369 118	252 141	429 409	215 242		1 906 546
Outgoing cash flows	643 110	366 569	252 467	434 927	219 660		1 916 733
Financial derivatives, net settlement	1 319	1 970	4 418	22 111	16 876		46 694
Total financial derivatives	(1 157)	4 519	4 093	16 593	12 458		36 507

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
Due from credit institutions	14 741	5 645	5 896	2 393	125		28 800
Loans to customers	213 708	109 709	78 904	165 562	714 930	(2 119)	1 280 694
Commercial paper and bonds at fair value	4 012	38 393	64 952	53 966	17 401		178 724
Commercial paper and bonds, 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							
Due to credit institutions	200 670	7 490	6 227	65 419	42		279 849
Deposits from customers	739 522						739 522
Debt securities issued	86 164	138 690	43 490	216 785	136 417		621 546
Other liabilities etc.	1 351	3 939				324	5 614
Subordinated loan capital [2)]		131		85	12 773	10 131	23 120
Total	1 027 707	150 250	49 717	282 289	149 232	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

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. 2012	31 Dec. 2011
Unutilised credit lines under 1 year	309 704	275 428
Unutilised credit lines over 1 year	185 462	246 309

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 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**
Deposits	3 798	13 498
Return	2 303	11 987
Inflow of reserves	834	1 284
Outflow of reserves	827	2 566
Insurance payments	1 241	12 587
Other changes	(373)	(2 701)
Balance sheet as at 31 December 2012	**28 269**	**221 185**

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 2012 **DNB Group [1)]**

	Group life insurance - defined-benefit pensions			Individual annuity and pension insurance					
Amounts in NOK million	Private sector	Public sector	Group asso-ciation insurance	Annuity and pension insurance	Endow-ment insurance	Group life insurance	Non-life insurance	Total 2012	Total 2011
Premium reserve	143 162	35 462	3 767	36 949	15 880	205	0	235 424	198 300
Additional allocations	2 591	971	135	966	212	0	0	4 874	5 171
Market value adjustment reserve	691	140	24	177	51	4	0	1 085	409
Claims reserve	184	0	13	202	254	532	1 345	2 530	2 152
Premium fund	3 262	1 760	23	211	0	0	0	5 257	5 955
Pensioners' profit fund	6	0	0	0	0	0	0	6	17
Other technical reserves	14	0	0	0	0	0	263	277	266
Liabilities to policyholders	**149 910**	**38 333**	**3 962**	**38 504**	**16 397**	**740**	**1 608**	**249 454**	**212 271**
Unrealised gains on bonds held to maturity [2)]								5 881	2 444

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.

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 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, called pure endowment risk. It will be possible to cover the required increase in reserves relating to insurance risk by future surpluses on investment results. The company’s insurance risk mainly comprises pure endowment risk and disability risk.

DNB Livsforsikring ASA increased premium reserves by a total of NOK 3 733 million in 2012 due to higher life expectancy, of which NOK 410 million referred to individual pension insurance and NOK 3 323 million to group pension insurance. Additional provisions of NOK 70 million will be made for individual pension insurance in 2013, whereby the build-up of reserves for individual pension insurance will be completed. The provisions within individual pension insurance are included in the risk result. For group pension insurance, a further strengthening of premium reserves will be required over the next few years. On 8 March 2013, Finanstilsynet announced new assumptions to be used by life insurance companies when calculating future retirement pension payments. Finanstilsynet has used Statistics Norway’s medium alternative for life expectancy projections as a basis, but added a 10 per cent safety margin. In addition, the initial mortality rate has been adjusted by 12 per cent. The new calculation base gives a total required increase in reserves of approximately NOK 14.4 billion, of which NOK 3.8 billion had been set aside as at 31 December 2012. The remaining required increase in reserves represents approximately 6.5 per cent of reserves. The authorities require that 20 per cent of the financing be in the form of shareholder contributions. New premium rates will be introduced with effect from 2014. Any required increase in reserves must be financed by year-end 2018. Certain aspects regarding the implementation remain to be 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.

Note 18 Insurance risk (continued)

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.

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.

Risk result

The table shows the effect on the risk result for 2012 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”.

DNB Livsforsikring

		Group life insurance - defined-benefit pensions		Individual annuity and pension insurance				
Amounts in NOK million	Private sector	Public sector	Group association insurance	Annuity and pension insurance	Endow-ment insurance	Other sectors	Total 2012	Total 2011
Risk result								
Risk result in 2012 *)	10	(35)	(24)	(239)	61	(73)	(300)	
Risk result in 2011	415	(38)	(21)	(226)	42	(42)		129
Sensitivities - effect on risk result in 2012								
5 per cent reduction in mortality rate	(12)	(9)	(1)	(10)	2	7	(22)	(20)
10 per cent increase in disability rate	(169)	(32)	0	(8)	(6)	(13)	(229)	(202)
**) Of which: Mortality risk*	*(102)*	*6*	*30*	*1*	*47*	*(40)*	*(58)*	*146*
Longevity risk	*(54)*	*(37)*	*(1)*	*(12)*	*0*	*1*	*(102)*	*(261)*
Disability rate	*189*	*71*	*12*	*71*	*44*	*(50)*	*337*	*497*
Other	*(23)*	*(74)*	*(66)*	*(300)*	*(30)*	*16*	*(476)*	*(252)*

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.

Calculation assumptions

The table shows the effect of changes in key calculation assumptions on gross premium reserves.

DNB Livsforsikring

Amounts in NOK million	Change in per cent	Effect on gross premiumreserve
Mortality	-5	+2 003
Disability	+10	+2 346

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	122	306	1 302	61	153	651
Individual disability lump sum	223	695	0	333	1 177	0
Individual disability pension	409	1 024	3 255	653	1 946	4 898
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	2012	2011	2010	2009
Group pension insurance, private sector	3.4	3.4	3.4	3.5
Group pension insurance, public sector	3.0	3.1	3.0	3.1
Individual pension insurance	3.4	3.5	3.4	3.5
Individual endowment insurance	2.7	2.7	2.8	3.1
Group association insurance	4.1	4.1	4.0	4.1
Total	3.3	3.3	3.3	3.4

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 premium 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 premium rates and the future required increase in reserves to reflect higher life expectancy. See the paragraph on insurance risk for a further description.

The fair 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 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 adequacy test is susceptible to changes in the interest rate curve as well as to assumptions for increased reserves to reflect higher life expectancy.

The adequacy test indicated no need for further provisions covering liabilities to policyholders as at 31 December 2012.

Solvency capital

The solvency capital consists of the market value adjustment reserve, additional allocations, the security reserve, risk equalisation fund, 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 policy-holders' funds.

	DNB Livsforsikring	
Amounts in NOK million	31 Dec. 2012	31 Dec. 2011
Market value adjustment reserve	1 085	409
Additional allocations	4 874	5 171
Security reserve	219	196
Risk equalisation fund	900	821
Equity	15 222	13 667
Subordinated loan capital and perpetual subordinated loan capital securities	1 300	2 503
Unrealised gains on bonds held to maturity	5 881	2 444
Total available capital	29 482	25 211
Guaranteed return on policyholders' funds [1)]	7 296	7 044

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 2012, DNB Livsforsikring ASA had a capital adequacy ratio of 16.7 per cent, compared with 15.3 per cent at the end of 2011. The Tier 1 capital ratio was 15.6 per cent, up from 13.9 per cent a year earlier.

Risk-weighted volume and eligible primary capital	DNB Livsforsikring			
	31 December 2012		31 December 2011	
Amounts in NOK million	Recorded	Weighted	Recorded	Weighted
Total assets	270 061	95 689	258 188	97 133
Primary capital				
Tier 1 capital		14 947		13 521
Net Tier 2 capital		1 075		1 348
Financial deduction		0		0
Total eligible primary capital		16 021		14 869
Capital adequacy requirement		7 655		7 771
Capital in excess of requirement		8 366		7 098

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 within the EU, thus the implementation in Norwegian law will also be delayed. A major uncertain factor in capital adequacy calculations 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 that 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. 2012	31 Dec. 2011
Total eligible primary capital	16 021	14 869
Additional allocations (50 per cent)	2 437	2 585
Risk equalisation fund (50 per cent)	450	411
Security reserve in non-life insurance (above 55 per cent of the minimum requirement)	99	88
Solvency capital	19 007	17 953
Solvency capital requirement	9 726	9 332

INSURANCE RISK IN NON-LIFE INSURANCE

The non-life insurance products offered by DNB Skadeforsikring AS are distributed mainly through the DNB Group’s sales channels. The premium portfolio totalled NOK 1 657 million at year-end 2012, of which the greater part represented insurance coverage for individual customers.

Risk in DNB Skadeforsikring comprises insurance, market, counterparty, operational and business risk. Insurance risk includes the risk of losses if insurance premiums fail to cover future claims payments, in addition to the risk that the company has not set aside adequate claims reserves for incurred claims. Indemnity payments are influenced by a number of factors, including catastrophic losses, claims frequency and inflation. 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. 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, counterparty risk and operational risk. Risk utilisation is measured relative to both the prevailing Solvency I regulations and the coming Solvency II regulations.

During 2012, DNB Skadeforsikring had an excess of loss programme covering individual losses and incidents 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 reduce counterparty risk. In addition to excess of loss contracts, the company entered into so-called proportional contracts in 2012. These contracts should help ensure that the most volatile products in the portfolio, mainly fire/combined, become more predictable.

Insurance risk is subject to continual review by monitoring the profitability of all products and quarterly risk measurement.

Note 19 Net interest income

DNB Group

	2012			2011		
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 amounts due from credit institutions	947	251	1 198	1 054	376	1 430
Interest on loans to customers	4 706	48 016	52 722	4 062	44 596	48 658
Interest on impaired loans	0	625	625	0	548	548
Interest on commercial paper and bonds at fair value	3 510	0	3 510	3 834	0	3 834
Interest on commercial paper and bonds, held to maturity	-	1 481	1 481	-	2 305	2 305
Front-end fees etc.	25	312	337	10	282	292
Other interest income	343	2 851	3 195	606	2 402	3 007
Total interest income	**9 531**	**53 537**	**63 068**	**9 565**	**50 509**	**60 075**
Interest on amounts due to credit institutions	2 949	315	3 264	3 980	446	4 426
Interest on deposits from customers	1 167	14 671	15 838	1 366	12 576	13 942
Interest on debt securities issued	4 006	9 129	13 135	3 457	8 660	12 118
Interest on subordinated loan capital	67	609	676	72	543	616
Other interest expenses [2]	2 654	286	2 939	3 374	347	3 721
Total interest expenses	**10 843**	**25 009**	**35 853**	**12 250**	**22 573**	**34 823**
Net interest income	**(1 312)**	**28 528**	**27 216**	**(2 684)**	**27 936**	**25 252**

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	
	2012	2011	2012	2011
Assets				
Due from credit institutions	0.31	0.60	387 241	237 323
Loans to customers	4.11	4.06	1 299 486	1 212 423
Commercial paper and bonds	0.77	0.47	134 749	124 376
Liabilities				
Due to credit institutions	1.07	1.35	306 132	328 339
Deposits from customers	1.96	2.02	808 652	689 072
Securities issued	1.50	1.57	708 909	564 788

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 commission and fee income

	DNB Group	
Amounts in NOK million	2012	2011
Money transfer fees	3 186	2 984
Fees on asset management services	1 044	1 115
Fees on custodial services	320	311
Fees on securities broking	185	254
Corporate finance	585	454
Interbank fees	43	92
Credit broking commissions	445	488
Sales commissions on insurance products	2 599	2 468
Sundry commissions and fees on banking services	891	968
Total commission and fee income etc.	**9 299**	**9 135**
Money transfer fees	1 142	1 049
Commissions on fund management services	160	133
Fees on custodial services	132	122
Interbank fees	78	130
Credit broking commissions	91	93
Commissions on the sale of insurance products	112	124
Sundry commissions and fees on banking services	621	605
Total commission and fee expenses etc.	**2 337**	**2 256**
Net commission and fee income	**6 962**	**6 879**

Note 22 Other income

	DNB Group	
Amounts in NOK million	2012	2011
Income from owned/leased premises	63	26
Income from investment properties	273	197
Fees on real estate broking	1 134	1 012
Miscellaneous operating income	671	540
Total other income	**2 141**	**1 775**

Note 23 Net gains on financial instruments at fair value

	DNB Group	
Amounts in NOK million	2012	2011
Foreign exchange and financial derivatives	1 388	7 164
Commercial paper and bonds	2 810	387
Shareholdings	(121)	(221)
Other financial assets	(44)	(262)
Financial liabilities	(94)	(224)
Net gains on financial instruments, trading	3 939	6 845
Loans at fair value	797	205
Commercial paper and bonds	242	21
Shareholdings	242	(26)
Financial liabilities	(1 887)	(195)
Net gains on financial instruments, designated as at fair value	(607)	5
Financial derivatives, hedging	12 545	10 336
Financial assets, hedged items	(14)	(46)
Financial liabilities, hedged items	(13 071)	(10 603)
Net gains on hedged items [1) 2)]	(540)	(313)
Financial guarantees	718	603
Dividends	400	521
Net gains on financial instruments at fair value	**3 910**	**7 661**

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.*

Note 24 Salaries and other personnel expenses

	DNB Group	
Amounts in NOK million	2012	2011
Salaries [*)]	7 844	7 594
Employer's national insurance contributions	1 123	985
Pension expenses	1 423	989
Restructuring expenses	131	11
Other personnel expenses	652	701
Total salaries and other personnel expenses	**11 174**	**10 279**

**) Of which:*	*Ordinary salaries*	*6 481*	*6 078*
	Performance-based pay	*1 206*	*1 343*

Note 25 Other expenses

	DNB Group	
Amounts in NOK million	2012	2011
Fees [1]	1 289	1 775
IT expenses	1 849	1 658
Postage and telecommunications	342	370
Office supplies	99	105
Marketing and public relations	904	949
Travel expenses	250	277
Reimbursement to Norway Post for transactions executed	138	167
Training expenses	65	75
Operating expenses on properties and premises [2]	1 441	1 383
Operating expenses on machinery, vehicles and office equipment	143	146
Other operating expenses	931	816
Total other expenses	**7 451**	**7 722**

1) *Systems development fees totalled NOK 781 million in 2012 and NOK 1 157 million in 2011.*

2) *Costs relating to leased premises were NOK 1068 million in 2012 and NOK 1 070 million in 2011.*

Note 26 Depreciation and impairment of fixed and intangible assets [1]

	DNB Group	
Amounts in NOK million	2012	2011
Depreciation of machinery, vehicles and office equipment	1 134	1 052
Other depreciation of tangible and intangible assets	668	658
Impairment of activated systems development	25	212
Impairment losses for goodwill [2]	287	190
Other impairment of fixed and intangible assets	208	60
Total depreciation and impairment of fixed and intangible assets	**2 322**	**2 172**

1) *See note 40 Intangible assets and note 42 Fixed assets.*

2) *Impairment losses for goodwill of NOK 202 million relating to DNB Livsforsikring, NOK 47 million relating to SalusAnsvar and NOK 38 million relating to Pres-Vac were recorded in 2012. Impairment losses for goodwill of NOK 190 million relating to DNB Baltics and Poland were recorded in 2011.*

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 500 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 are part of the contractual pension (CPA) scheme for the private sector. In addition, the Group has an agreement on contractual pensions according to public sector rules for employees who are members of the Public Service Pension Fund.

The private CPA scheme gives a life-long supplement to ordinary pension payments. The employees can opt for the CPA scheme from the age of 62 and can choose to combine pension payments with continued employment.

The private 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 2013 is set at 2.0 per cent (2012: 1.75 per cent). Thus far, no details have been presented on how the new commitments should be recorded in the accounts. All Norwegian companies in the Group are members of the private CPA scheme. For members of the Norwegian Public Service Pension Fund, the CPA scheme will continue unchanged in 2013.

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 136 million of the Group's total pension expenses of NOK 1 423 million.

Economic assumptions applied in calculating pension expenses and commitments:

Economic assumptions **DNB Group**

	Expenses		Commitments	
Per cent	2012	2011	31 Dec. 2012	31 Dec. 2011
Discount rate [1]	2.6	4.1	3.8	2.6
Anticipated return [2]	4.1	5.5	4.0	4.1
Anticipated rise in salaries	3.50	4.00	3.50	3.50
Anticipated increase in basic amount	3.25	3.75	3.25	3.25
Anticipated rise in pensions	1.75	2.00	0.50	1.75
Anticipated CPA acceptance	Actual acceptance		Actual acceptance	
Demographic assumptions about mortality [3]	K2005	K2005	K2005	K2005

1) *As of 31 December 2012 the discount rate used is determined by reference to the yield on covered bonds at the balance sheet date, 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, plus 15 per cent for men and 10 per cent for women, prepared by Finance Norway. K2005 is a calculation base for statistical mortality assumptions.*

Pension expenses **DNB Group**

	2012			2011		
Amounts in NOK million	Funded	Unfunded	Total	Funded	Unfunded	Total
Net present value of pension entitlements	507	67	574	436	66	502
Interest expenses on pension commitments	414	50	463	521	66	587
Anticipated return on pension funds	(444)	0	(444)	(544)	0	(544)
Changes in pension schemes	0	0	0	0	0	0
Amortisation of changes in estimates not recorded in the accounts	335	9	345	121	(57)	65
Administrative expenses	63	0	63	50	0	50
Employer's contributions	78	18	96	63	18	82
Risk coverage premium	-	85	85	-	68	68
Contractual pensions, new scheme	-	75	75	-	48	48
Total defined benefit pension schemes	952	304	1 256	648	210	858
Defined contribution pension schemes			167			131
Net pension expenses [1]			1 423			989

1) *Pension expenses for DNB Næringseiendom are presented under "Net gains on assets in DNB Livsforsikring". The company's pension commitments are included in the table below.*

Note 27 Pensions (continued)

Pension commitments **DNB Group**

	31 Dec. 2012			31 Dec. 2011		
Amounts in NOK million	Funded	Unfunded	Total	Funded	Unfunded	Total
Accrued pension commitments	17 246	2 022	19 268	13 322	1 777	15 098
Estimated effect of future salary adjustments	(4 077)	(402)	(4 479)	2 373	263	2 637
Total pension commitments	13 169	1 620	14 789	15 695	2 040	17 735
Value of pension funds	(11 365)	0	(11 365)	(10 727)	0	(10 727)
Net pension commitments	1 804	1 620	3 423	4 969	2 040	7 009
Changes in the estimates not recorded in the accounts	(983)	198	(785)	(4 876)	(159)	(5 035)
Employer's contributions	235	224	460	696	284	980
Total recorded pension commitments	1 056	2 042	3 098	789	2 165	2 953
Of which: Recorded defined benefit pension commitments			*3 228*			*3 123*
Recorded defined benefit pension assets			*130*			*170*

Pension commitments **DNB Group**

Amounts in NOK million	2012	2011
Opening balance	17 735	15 413
Transition to defined contribution pension scheme	0	(118)
Accumulated pension entitlements	583	502
Interest expenses	466	587
Pension payments	(610)	(732)
Changes in pension schemes	0	0
Changes in estimates not recorded in the accounts	(3 386)	2 082
Closing balance	14 789	17 735

Pension funds **DNB Group**

Amounts in NOK million	2012	2011
Opening balance	10 727	10 178
Transition to defined contribution pension scheme	0	(39)
Anticipated return	447	544
Premium transfers	622	575
Pension payments	(479)	(460)
Changes in pension schemes	0	0
Changes in estimates not recorded in the accounts	127	(35)
Administrative expenses	(78)	(37)
Closing balance	11 365	10 727

Premium transfers in 2013 are expected to be NOK 820 million. Payments through operations are estimated at NOK 165 million.

Past developments **DNB Group**

Amounts in NOK million	31 Dec. 2012	31 Dec. 2011	31 Dec. 2010	31 Dec. 2009	31 Dec. 2008
Gross pension commitments [1)]	15 248	18 715	16 129	14 870	15 696
Gross pension funds	(11 365)	(10 727)	(10 178)	(9 892)	(9 443)
Commitments not recorded in the accounts	(785)	(5 035)	(2 754)	(1 103)	(2 279)
Net recorded pension commitments	3 098	2 953	3 197	3 875	3 975

1) Gross pension commitments include employer’s contributions.

Members **DNB Group**

	31 Dec. 2012	31 Dec. 2011
Number of persons covered by pension schemes	16 690	17 096
- of which defined benefit schemes	8 252	9 042
- of which retirement and disability pensions	5 966	5 912
- of which defined contribution schemes	2 472	2 142

Note 27 Pensions (continued)

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 9 687 million of the Group's total pension funds. The recorded return on assets in the common portfolio administered by DNB Livsforsikring was 5.4 per cent in 2012 and 3.2 per cent in 2011.

	DNB Group	
Per cent	31 Dec. 2012	31 Dec. 2011
Commercial paper and bonds at fair value	16	15
Commercial paper and bonds, held to maturity	40	35
Money market	18	23
Equities	7	8
Real estate	17	18
Other	2	1
Total	100	100

Sensitivity analysis for pension calculations

The following estimates are based on facts and conditions prevailing on 31 December 2012, 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%	+0.5%	+1%	-1%
Percentage change in pensions								
Pension commitments	(10-12)	13-15	4-6	(3-4)	8-10	(4)	(1-2)	1-2
Net pension expenses for the period	(16-18)	21-23	11-13	(10-11)	9-10	(3-5)	(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 reduction in the discount rate will cause an increase in pension commitments in the order of 13 to 15 per cent. Higher salary increases and adjustments in pensions will also cause a rise in pension commitments.

Note 28 Number of employees/full-time positions

	DNB Group	
	2012	2011
Number of employees as at 31 December	13 703	14 072
- of which number of employees abroad	4 371	4 674
Number of employees calculated on a full-time basis as at 31 December	13 291	13 620
- of which number of employees calculated on a full-time basis abroad	4 316	4 560
Average number of employees	13 982	13 641
Average number of employees calculated on a full-time basis	13 542	13 250

Note 29 Taxes

Taxes		**DNB Group**
Amounts in NOK million	2012	2011
Payable taxes	7 879	1 791
Changes in deferred taxes	(3 851)	3 632
Total taxes	**4 028**	**5 423**

Balancing tax charges against pre-tax operating profit		
Amounts in NOK million	2012	2011
Operating profit before taxes	17 589	18 407
Estimated income tax - nominal tax rate (28 per cent)	4 925	5 154
Tax effect of different tax rates in other countries	(14)	316
Tax effect of debt interest distribution with international branches	(37)	84
Tax effect of tax-exempt income from share investments	(493)	(334)
Tax effect of other tax-exempt income and non-deductible expenses	90	11
Estimated taxes on tax-related losses which cannot be utilised [1)]	47	382
Excess tax provision previous year [2)]	(490)	(190)
Total taxes	**4 028**	**5 423**
Effective tax rate	23%	29%

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 335 million of this represents recognition of deferred tax assets in 2012 which have not been recognised in the balance sheet in previous years. In 2011, the corresponding amount was NOK 440 million.*

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).

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	2012	2011
Annual changes in deferred tax assets/(deferred taxes)		
Deferred tax assets/(deferred taxes) as at 1 January	(4 254)	799
Changes recorded against profits	3 851	(3 632)
Changes due to group contributions to subsidiaries	0	(1 421)
Deferred tax assets/(deferred taxes) as at 31 December	(403)	(4 254)

Deferred tax assets and deferred taxes in the balance sheet affect the following temporary differences:	31 Dec.	31 Dec.
Amounts in NOK million	2012	2011
Deferred tax assets		
Fixed assets	34	42
Net pension commitments	12	2
Financial instruments [1]	(74)	90
Net other tax-deductable temporary differences	661	41
Losses and credit allowances carried forward	425	468
Total deferred tax assets	**1 058**	**643**
Deferred taxes		
Fixed assets	401	766
Net pension commitments	(874)	(832)
Financial instruments [1]	2 393	5 119
Net other taxable temporary differences	517	539
Losses and credit allowances carried forward	(976)	(695)
Total deferred taxes	**1 461**	**4 897**

Deferred taxes in the profit and loss accounts affect the following temporary differences:		
Amounts in NOK million	2012	2011
Fixed assets	(357)	(73)
Pensions	(52)	22
Financial instruments	(2 562)	4 447
Other temporary differences	(641)	144
Losses and credit allowances carried forward	(239)	(908)
Deferred taxes	(3 851)	3 632

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 2012 was NOK 4 028 million, down NOK 1 395 million from 2011. Relative to pre-tax operating profits, the tax charge was reduced from 29 to 23 per cent from 2011 to 2012. 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. The losses and the credit allowances carried forward will be utilised through allocations within the Group. Unrecorded deferred tax assets relating to losses carried forward totalled NOK 807 million at year-end 2012.

Payable taxes for 2012 totalled NOK 7 879 million, an increase of NOK 6 088 million from 2011. 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 2012, net deferred taxes of NOK 1 434 million were capitalised for the tax group against NOK 4 775 million in 2011.

Note 30 Classification of financial instruments

As at 31 December 2012 **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	223 348	0		75 544		298 892
Due from credit institutions	23 819	996		12 321		37 136
Loans to customers	2 219	130 548		1 165 124		1 297 892
Commercial paper and bonds at fair value	79 856	144 894				224 750
Shareholdings	7 277	41 011				48 288
Financial assets, customers bearing the risk		28 269				28 269
Financial derivatives	65 053		31 531			96 584
Commercial paper and bonds, held to maturity					157 330	157 330
Other assets				14 309		14 309
Total financial assets	401 572	345 719	31 531	1 267 297	157 330	2 203 449
Due to credit institutions	168 927	57 001		25 461		251 388
Deposits from customers	45 346	13 323		752 291		810 959
Financial derivatives	61 125		2 149			63 274
Debt securities issued	242 367	66 501		399 179		708 047
Other liabilities				18 451		18 451
Subordinated loan capital		1 468		19 622		21 090
Total financial liabilities [2)]	517 765	138 293	2 149	1 215 004	0	1 873 210

1) *Includes hedged liabilities.*

2) *Contractual obligations of financial liabilities designated as at fair value totalled NOK 135 798 million.*

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
Due from credit institutions	15 711	459		12 583		28 754
Loans to customers	936	102 358		1 175 966		1 279 259
Commercial paper and bonds at fair value	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
Due to 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				17 767		17 767
Subordinated loan capital		1 462		22 701		24 163
Total financial liabilities [2)]	522 102	151 088	1 498	1 086 353	0	1 761 041

1) *Includes hedged liabilities.*

2) *Contractual obligations of financial liabilities designated as at fair value totalled NOK 150 494 million.*

Note 31 Fair value of financial instruments at amortised cost

	DNB Group			
	31 December 2012		31 December 2011	
Amounts in NOK million	Recorded value	Fair value	Recorded value	Fair value
Cash and deposits with central banks	75 544	75 544	9 797	9 797
Due from credit institutions	12 321	12 321	12 583	12 583
Loans to customers	1 165 124	1 165 684	1 175 966	1 175 074
Commercial paper and bonds, held to maturity	157 330	162 356	166 965	166 682
Total financial assets	1 410 319	1 415 904	1 365 311	1 364 136
Due to credit institutions	25 461	25 461	23 260	23 260
Deposits from customers	752 291	752 291	673 462	673 462
Securities issued	399 179	403 135	349 164	344 254
Subordinated loan capital	19 622	19 105	22 701	21 980
Total financial liabilities	1 196 552	1 199 991	1 068 586	1 062 955

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.

Due from credit institutions and loans to customers

The market for the purchase and sale of loan portfolios was restricted at year-end 2012. 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 and DNB Finans. 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 2012 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 impairment 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 2012 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 2012. 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. Loan 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 impairment 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)

Due to 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 2012					
Deposits with central banks	0	223 348	0	0	223 348
Due from credit institutions	0	24 707	0	108	24 815
Loans to customers	0	3 913	128 422	432	132 767
Commercial paper and bonds at fair value	94 789	127 023	593	2 345	224 750
Shareholdings [2]	13 685	24 984	9 619		48 288
Financial assets, customers bearing the risk	28 269	0	0		28 269
Financial derivatives	29	95 678	877		96 584
Liabilities as at 31 December 2012					
Due to credit institutions	0	225 537	0	390	225 927
Deposits from customers	0	58 516	0	152	58 669
Debt securities issued	0	308 078	0	790	308 868
Subordinated loan capital	0	1 456	0	12	1 468
Financial derivatives	23	62 645	607		63 274
Assets as at 31 December 2011					
Deposits with central banks	0	214 775	0	9	214 784
Due from credit institutions	0	16 153	0	17	16 171
Loans to customers	0	2 502	100 339	453	103 294
Commercial paper and bonds at fair value	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					
Due to 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

1) *Accrued interest on financial derivatives is included in the amounts in levels 2 and 3.*

2) *Equity-related derivatives linked to DNB Markets' market-making activities were included in Shareholdings (level 2) in 2011. In 2012 equity-related derivatives are presented in Financial derivatives.*

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

Due from credit institutions (level 2)
The item is primarily relevant for DNB Markets. The valuation of loans to and deposits with credit institutions is mainly based on agreed interest rate terms measured against a swap curve. The fixed-rate period is relatively short.

Loans 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.

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 (levels 2 and 3)
Equities in level 2 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.

When determining the fair value of private equity, PE, investments, an industry standard prepared by the European Private Equity & Venture Capital Association, EVCA, is used. The method is considered to represent the best basis for the best estimate of fair values for investments in not very liquid equity instruments. The value of the PE funds on the balance sheet date is reported by the fund managers after the Group has finalised its accounts. Valuations in the consolidated accounts are thus based on valuations received for previous periods, adjusted for a reporting lag of approximately three months. The time lag is determined based on developments in a weighted index consisting of a stock market parameter, using MSCI World as reference index, along with a parameter for anticipated long-term returns on PE investments.

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. Derivatives classified as level 2 also 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. 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.

Due to credit institutions (level 2)
See "Due from 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 50.0 billion at year-end 2012. 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	Loans to customers	Commercial paper and bonds	Share-holdings 1)	Financial derivatives	Financial derivatives
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**
Net gains on financial instruments	797	(9)	410	89	(52)
Additions/purchases	39 179	541	599	428	423
Sales	0	829	279	0	0
Settled	11 894	1 427	0	153	163
Transferred from level 1 or level 2	0	13	0	0	0
Transferred to level 1 or level 2	0	4 158	0	0	0
Other 2)	0	(4)	(84)	0	0
Recorded value as at 31 December 2012	**128 422**	**593**	**9 619**	**877**	**607**

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.*

2) *Includes exchange rate effects.*

Loans 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 2012, 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 or receiving compensation for the difference between the estimated and the registered margin. Fixed-rate loans carried at fair value totalled NOK 78 498 million at year-end 2012.

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 49 923 million at year-end 2012.

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 9 619 million at year-end 2012, NOK 3 902 million was invested in private equity funds, NOK 1 234 million in property funds, NOK 27 million in limited partnerships, NOK 1 274 million in unquoted hedge funds and NOK 3 182 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. 2012	Effect of reasonably possible alternative assumptions
Loans to customers	128 422	(286)
Commercial paper and bonds	593	(1)
Shareholdings	9 619	0
Financial derivatives, net	270	0

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. A 10 basis point increase in the discount rate has had insignificant effects.

Level 3 equities represent a total of NOK 6 184 million in private equity investments, property funds, hedge funds and unquoted equities in DNB Livsforsikring. The fair values of the funds are largely based on reported values from the fund managers. For private equity and property funds, the fund managers use cash flow-based models or multiples when determining fair values. The Group does not have full access to information about all elements in these valuations and thus has no basis for determining alternative values for alternative assumptions. The private equity funds have invested in a number of companies, thus the uncertainty linked to the valuation of individual mutual fund holdings is markedly reduced. The estimated values are somewhat uncertain, and the realisation of the underlying investments may result in both gains and losses. The Group uses a model to estimate the effect of time lags in the reporting of mutual fund values. On the balance sheet date, the Group had recorded income of NOK 92 million resulting from the time lag. This estimate is associated with uncertainty. The use of alternative values will have a limited effect on the Group’s profits, as the investments are included in DNB Livsforsikring’s common portfolio. Thus, unrealised gains shall be transferred to the market value adjustment reserve. At year-end 2012, the company’s market value adjustment reserve was of adequate size to absorb any reasonable possible negative changes in value.

The banking group’s portfolio of equities in level 3 was NOK 3 374 million at year-end 2012. The investment in Nets Holding represented NOK 1 788 million.

Note 33 Shareholdings

Investments in shares, mutual funds and equity certificates [1]		DNB Group
Amounts in NOK million	31 Dec. 2012	31 Dec. 2011
Total investments in shares, mutual funds and equity certificates, excluding DNB Livsforsikring	10 472	12 405
Total investments in shares, mutual funds and equity certificates, DNB Livsforsikring	37 816	40 607
Total investments in shares, mutual funds and equity certificates	**48 288**	**53 012**

Specification of the largest investments in shares, mutual funds and equity certificates as at 31 December 2012

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]	397 896	0.1	31 593
Storebrand [3]	657 623	0.1	17 637
Other financial institutions			10 882
Total financial institutions			**60 113**
Norwegian companies			
Algeta [3]	260 675	0.6	40 352
Alpinco	315 495	18.1	63 099
Cermaq [3]	4 346 000	4.7	363 977
DNB Eiendomsinvest I [3]	5 253 854	14.5	363 167
DNO International [3]	6 420 228	0.6	59 804
E6 Logistikk [3]	1 388 979	96.5	118 063
Finn Eiendom	755	7.6	82 318
IT Fornebu Properties	16 198 752	12.6	207 930
Marine Harvest [3]	107 392 288	2.9	549 849
Norsk Hydro [3]	6 458 455	0.3	180 062
Odfjell ASA [3]	2 366 070	11.2	53 710
Odfjell SE [3]	5 878 344	8.9	141 080
Orkla [3]	3 036 235	0.3	147 257
Statoil [3]	2 850 432	0.1	396 210
Telenor [3]	1 371 269	0.1	153 856
Yara International [3]	1 459 646	0.5	399 651
Other Norwegian companies			571 216
Total Norwegian companies			**3 891 602**
Companies based abroad			
Calpine [3]	1 650 000	0.3	165 772
Cape Investment	9 261	13.9	84 122
Deep Sea Supply [3]	4 500 105	3.5	44 596
Golar [3]	875 000	7.5	182 000
Nets Holding	33 547 173	18.2	1 787 577
North Atlantic Drilling [3]	3 557 220	1.5	209 876
Pacific Drilling [3]	4 551 600	6.6	237 458
Prosafe [3]	260 846	0.1	12 343
Rowan Cos. [3]	6 050 000	4.9	1 045 169
Royal Caribbean Cruises [3]	172 362	0.1	31 715
Seadrill [3]	7 314 240	1.6	1 486 985
Subsea 7 [3]	400 522	0.1	52 909
Other companies based abroad			79 608
Total companies based abroad			**5 420 130**
Mutual funds			
Interest funds			263 611
Combination funds			1 374
Mutual funds			117 014
Private equity funds			433 389
Other funds			285 215
Total mutual funds			**1 100 603**
Total investments in shares, mutual funds and equity certificates			10 472 448

DNB Livsforsikring

Recorded value in NOK 1 000	Number of shares	Ownership share in per cent [2]	Recorded value
Financial institutions			
Gjensidige Forsikring	465 427	0.1	36 955
Storebrand	840 054	0.2	22 530
Other financial institutions			212 130
Total financial institutions			**271 615**
Norwegian companies			
Høyteknologisenteret i Bergen	8 154	0.6	36 448
Marine Harvest	7 246 856	0.2	37 104
Norsk Hydro	2 179 076	0.1	60 753
Norsk Tillitsmann	26 214	0.0	59 244
Norwegian Property	6 104 396	1.1	51 887
Orkla	4 341 387	0.2	210 557
Oslo Børs VPS Holding	8 522 045	0.0	366 448
Petroleum Geo-Services	647 959	0.3	61 783
Schibsted	164 316	0.2	38 696
Sektor Fond 1	999 999	10.0	81 400
Statoil	2 733 069	0.1	379 897
Telenor	1 821 517	0.1	204 374
Yara International	428 173	0.2	117 234
Other Norwegian companies			489 812
Total Norwegian companies			**2 195 637**
Companies based abroad			
Apple	23 801	0.0	70 604
Comcast	210 153	0.0	43 718
Exxon Mobil	136 550	0.0	65 772
General Electric	580 224	0.0	67 779
Google	15 430	0.0	60 915
Johnson & Johnson	99 439	0.0	38 794
Microsoft	352 641	0.0	52 459
Nestle	118 981	0.0	43 114
Oracle	231 486	0.0	42 925
Procter and Gamble	133 750	0.0	50 534
Royal Caribbean Cruises	234 113	0.1	43 077
Seadrill	455 290	0.1	92 560
Siemens	68 803	0.0	41 496
Subsea 7	905 938	0.3	119 674
Vodafone	3 967 580	0.0	55 435
Other companies based abroad			3 957 707
Total companies based abroad			**4 846 565**
Mutual funds			
Interest funds			21 817 701
Combination funds			13 120
Mutual funds			3 103 759
Hedge funds			2 098 603
Private equity funds			3 468 634
Total mutual funds			**30 501 817**
Total investments in shares, mutual funds and equity certificates			37 815 633

1) *Equity certificates represent investments in savings banks.*

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 7 230 million at year-end 2012. DNB Markets' equity investments 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 5.6 million at year-end 2012.*

Note 34 Repurchase agreements and securities lending

Transferred assets still recognised in the balance sheet		**DNB Group**
Amounts in NOK million	31 Dec. 2012	31 Dec. 2011
Guarantees		
Loans transferred to Eksportfinans	4 089	10 632
Repurchase agreements		
Commercial paper and bonds	0	162
Stimulus package - swap scheme with Norges Bank	49 993	65 882
Securities lending		
Shares	1 429	122
Total guarantees, repurchase agreements and securities lending	55 510	76 798

Liabilities associated with the assets		**DNB Group**
Amounts in NOK million	31 Dec. 2012	31 Dec. 2011
Guarantees		
Deposits from Eksportfinans	4 089	10 632
Repurchase agreements		
Due to credit institutions	0	139
Deposits from customers	0	21
Funding from Norges Bank	49 993	65 882
Securities lending		
Due to credit institutions	1 417	103
Deposits from customers	83	25
Total liabilities	55 581	76 802

Transfer of loans with guarantees

Eksportfinans

DNB Bank ASA (the bank) carries loans in its balance sheet which according to a legal agreement have been transferred to Eksportfinans ASA, but that are guaranteed for by the bank. According to the agreement, the bank still carries interest rate, settlement and credit risk associated with the transferred loans. According to the IFRS regulations, the loans have therefore not been removed from the balance sheet of the bank. At year-end 2012, loans representing a total of NOK 4 089 million had been transferred, compared with NOK 10 632 million at end-December 2011. The loans are set off by deposits from Eksportfinans.

Stimulus package (see also note 51 Information on related parties)

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. Upon expiry of the agreements, the banks are under an obligation to repurchase the covered bonds from the government at the original selling price.

DNB Bank ASA has purchased bonds from DNB Boligkreditt AS (Boligkreditt), which have been used as collateral for swap agreements with Norges Bank. Since the bank retains substantially all the risks and returns associated with the bonds, they 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 Boligkreditt.

In practice, the swap agreements imply that the bank purchases Treasury bills from Norges Bank. 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 2012, this funding represented NOK 50.0 billion, compared with NOK 65.9 billion at year-end 2011.

Repurchase agreements

Securities which have been sold under an agreement to repurchase are generally not derecognised, as the risks and returns associated with ownership of the assets are normally not transferred. Such transactions primarily involve fixed-income securities. The table includes securities which the recipient is entitled to sell or repledge, but which must be returned at the end of the agreement period.

Securities lending

Transactions mainly include equity lending. Agreements on securities lending are generally based on collateral in the form of cash or securities. Equities which have been transferred in such transactions, are generally not derecognised, as risks and returns associated with ownership of the assets are normally not transferred.

Note 35 Securities received which can be sold or repledged [1)]

Securities received		**DNB Group**
Amounts in NOK million	31 Dec. 2012	31 Dec. 2011
Reverse repurchase agreements		
Commercial paper and bonds	579	2 550
Securities borrowing		
Shares	2 400	2 346
Total securities received	2 979	4 896
Of which securities received and subsequently sold or repledged:		
Commercial paper and bonds	*559*	*2 518*
Shares	*1 678*	*1 112*

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. 2012	31 Dec. 2011
Mutual funds	12 235	10 163
Bond funds	8 725	6 486
Money market funds	3 282	2 646
Combination funds	2 297	2 280
Bank deposits	1 730	2 201
Total financial assets, customers bearing the risk [1)]	**28 269**	**23 776**
Total insurance liabilities, customers bearing the risk	**28 269**	**23 776**

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

	DNB Group	
Amounts in NOK million	31 Dec. 2012	31 Dec. 2011
DNB Markets	70 831	95 062
DNB Livsforsikring	88 948	73 954
Other units [1)]	(2 449)	(2 050)
Commercial paper and bonds, held to maturity	**157 330**	**166 965**

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

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 2012, 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 2012, there would have been a NOK 1 325 million increase 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 2012 was NOK 0.8 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 25.5 billion at end-December 2012. The average term to maturity of the portfolio was 5.0 years, and the change in value resulting from an interest rate adjustment of one basis point was NOK 13 million at end-December 2012.

Effects on profits of the reclassification	**DNB Group**	
Amounts in NOK million	2012	2011
Recorded amortisation effect	139	329
Net gain, if valued at fair value	1 464	(1 181)
Effects of reclassification on profits	(1 325)	1 510

Effects on the balance sheet of the reclassification	**DNB Group**	
Amounts in NOK million	31 Dec. 2012	31 Dec. 2011
Recorded, unrealised losses	766	905
Unrealised losses, if valued at fair value	1 585	3 048
Effects of reclassification on the balance sheet	818	2 144

Development in the portfolio after the reclassification	**DNB Group**	
Amounts in NOK million	31 Dec. 2012	31 Dec. 2011
Reclassified portfolio, recorded value	25 511	39 825
Reclassified portfolio, if valued at fair value	24 692	37 682
Effects of reclassification on the balance sheet	818	2 144

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 the international bond portfolio as from 2011 mainly represent covered bonds carried at fair value. As at 31 December 2012 DNB Markets' international bond portfolio represented NOK 120.8 billion. 82.3 per cent of the securities in the portfolio had an AAA rating, while 12.3 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. 2012	NOK million 31 Dec. 2012
Asset class		
Consumer credit	0.1	122
Residential mortgages	35.1	42 679
Corporate loans	0.6	730
Government related	25.2	30 641
Covered bonds	39.0	47 421
Total international bond portfolio DNB Markets, nominal values	100.0	121 593
Accrued interest, amortisation effects and fair value adjustments		(814)
Total international bond portfolio DNB Markets		120 779
Total international bond portfolio DNB Markets, held to maturity		70 831
Of which reclassified portfolio		25 511

The average term to maturity of DNB Markets' international bond portfolio is 3.2 years, and the change in value resulting from an interest rate adjustment of one basis point was NOK 17 million at end-December 2012.

DNB Livsforsikring

Bonds held-to-maturity totalled NOK 88.9 billion in DNB Livsforsikring ASA as at 31 December 2012, mainly comprising bonds issued by highly creditworthy borrowers. At end-December 2012, bonds with government guarantees represented 24 per cent of the portfolio, while covered bonds represented 30 per cent. The remaining bonds are generally issued by municipalities, county municipalities and highly creditworthy finance companies. 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.

		DNB Group
	Per cent 31 Dec. 2012	NOK million 31 Dec. 2012
Asset class		
Government/government-guaranteed	24.0	20 813
Guaranteed by supranational entities	0.9	800
Municipalities/county municipalities	5.5	4 792
Bank and mortgage institutions	27.8	24 097
Covered bonds	30.2	26 206
Other issuers	11.6	10 026
Total bond portfolio DNB Livsforsikring, held to maturity, nominal values	100.0	86 734
Accrued interest, amortisation effects and fair value adjustments		2 214
Total bond portfolio DNB Livsforsikring, held to maturity		88 948

Note 38 Investment properties

	DNB Group	
Amounts in NOK million	31 Dec. 2012	31 Dec. 2011
DNB Livsforsikring	37 968	37 632
Properties for own use [1)]	(3 506)	-
Other investment properties [2)]	5 034	5 165
Total investment properties	**39 496**	**42 796**

1) *Some properties in DNB Livsforsikring are classified as properties for own use in the group accounts and are recorded at fair value.*

2) *Other investment properties 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 2012, external appraisals were obtained for a total of 17 properties, representing 50 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.

Specific property risk is reflected in the cash flow through contractual rent, future market rent, operating expenses, required investments, adaptations for new tenants upon expiry of the contract, vacancy risk and adjustments for future price inflation (CPI).

Developments in market and contractual rents

During 2012, total contractual rent for the wholly-owned portfolio in Norway rose by NOK 3 million to NOK 1 564 million, while the estimated market rent was down NOK 17 million to NOK 1 621 million. Adjusted for changes in the portfolio, contractual rent rose by NOK 47 million, while market rent rose by NOK 30 million.

Value development and sensitivity

The valuations resulted in a NOK 173 million positive revaluation of the property portfolio in 2012. There were no changes in the value 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 1 026 million. Correspondingly, a 5 per cent change in future market rents will change the value of the property portfolio by approximately 4.1 per cent or NOK 1 007 million.

Vacancy and credit evaluation

At year-end 2012, economic vacancy in the portfolio was 2.8 per cent, down from 2.9 per cent a year earlier.

Tenants in DNB Livsforsikring's properties are subject to a semi-annual credit evaluation. In the fourth quarter of 2012, 88.6 per cent of the tenants were classified as good payers, down from 89.9 per cent in 2011.

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	11 799	472 315	6.3
Office buildings	Rest of Norway	4 010	204 195	5.9
Shopping centres	Norwegian cities	8 012	247 193	3.8
Hotels	Norwegian cities	4 213	168 783	11.4
Office buildings/shopping centres/hotels	London/Stockholm/Gothenburg/Malmø	9 830	257 487	8.2
Other	Eastern and Western Norway	104	2 010	1.0
Total investment properties as at 31 December 2012		37 968	1 351 983	6.7
Total investment properties as at 31 December 2011		37 632	1 431 148	5.7
Change in 2012		336	(79 164)	1.0
Total investment properties as at 31 December 2012		37 968	1 351 983	6.7

Projects, expected completion

		DNB Livsforsikring	
Amounts in NOK million	2013	2014	2015
Contractual obligations for property purchases and development	0	1 194	0

Amounts included in the income statement

	DNB Group	
Amounts in NOK million	2012	2011
Rental income from investment properties	2 592	2 475
Direct expenses (including repairs and maintenance) related to investment properties generating rental income	538	473
Direct expenses (including repairs and maintenance) related to investment properties not generating rental income	32	20
Total	2 022	1 982

Changes in the value of investment properties

	DNB Group
Amounts in NOK million	Investment properties
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	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	**42 796**
Additions, purchases of new properties	1 391
Additions, capitalised investments	1 238
Additions, acquired companies	285
Net gains resulting from adjustment to fair value [1)]	(230)
Net gains resulting from adjustment to fair value of projects	0
Disposals [2)]	5 511
Exchange rate movements etc.	(473)
Recorded value as at 31 December 2012 [3)]	**39 496**

1) *Of which NOK 403 represented a negative value adjustment of investment properties which are not owned by DNB Livsforsikring.*

2) *NOK 681 million refers to properties reclassified as properties for own use in the group accounts.*

3) *The balance sheet value of projects was NOK 1 426 million as at 31 December 2012.*

Note 39 Investments in associated companies

	DNB Group	
Amounts in NOK million	2012	2011
Recorded value as at 1 January	2 189	2 307
Share of profits after tax	(6 704)	11 861
Impairment of the ownership interest in Eksportfinans AS [1]	7 492	(11 785)
Additions/disposals	(64)	30
Dividends	(32)	(225)
Recorded value as at 31 December [2]	**2 882**	**2 189**

						DNB Group	
Amounts in NOK million	Assets 31 Dec. 2012 [3]	Liabilities 31 Dec. 2012 [3]	Income 2012 [3]	Profit 2012 [3]	Ownership share (%) 31 Dec. 2012	Recorded value 31 Dec. 2012	Recorded value 31 Dec. 2011
Eksportfinans AS [1]	157 406	140 468	(24 515)	(17 756)	40	2 631	1 878
Amports Inc.	837	211	135	74	30	115	122
Nordito Property AS	271	233	200	199	40	106	85
Other associated companies						31	104
Total						**2 882**	**2 189**

1) *Moody's and Standard & Poor's downgrades of Eksportfinans' credit rating in the fourth quarter of 2011 resulted in sizeable unrealised gains on the company's long-term funding. The effect of such unrealised gains on DNB's holding, after tax, represented NOK 11.8 billion in the fourth quarter of 2011. After reviewing the fair value of the company in connection with the closing of the annual accounts, DNB wrote down the value by an amount corresponding to unrealised gains on Eksportfinans' own debt in the fourth quarter of 2011. In 2012, the required rate of return in the market has been reduced, and Eksportfinans has sizeable unrealised losses on own debt. The impairment loss recorded by DNB in the fourth quarter of 2011 has been reversed by an amount corresponding to these unrealised losses. The reversal represented just under NOK 7.5 billion of DNB's holding after tax. The impairment loss in 2011 and the reversal in 2012 have been reported on the line "Profit from companies accounted for by the equity method" along with DNB's share of profits from the company. 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 accounts have been used.*

Note 40 Intangible assets

	DNB Group	
Amounts in NOK million	31 Dec. 2012	31 Dec. 2011
Goodwill [1)]	4 717	5 174
Capitalised systems development	1 737	1 511
Sundry intangible assets	264	319
Total intangible assets	**6 718**	**7 003**

					DNB Group
Amounts in NOK million	Goodwill [1)]	Postbanken brand name	Capitalised systems development [2) 3)]	Sundry intangible assets [4)]	Total
Cost as at 1 January 2011	9 617	119	3 227	975	13 938
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	9 596	0	3 907	1 030	14 533
Total depreciation and impairment as at 1 January 2011	4 238	119	1 812	605	6 774
Depreciation			373	107	481
Impairment	190		212		402
Disposals		119			119
Exchange rate movements	(6)		(2)	(1)	(8)
Total depreciation and impairment as at 31 December 2011	4 422		2 396	712	7 530
Recorded value as at 31 December 2011	**5 174**	**0**	**1 511**	**319**	**7 003**
Cost as at 1 January 2012	9 596	0	3 907	1 030	14 533
Additions	50		935	141	1 127
Additions from the acquisition/establishment of other companies			4	39	43
Increase/reduction in cost price					0
Disposals [5)]	333		273	145	751
Exchange rate movements	(76)		(30)	(5)	(112)
Cost as at 31 December 2012	9 237	0	4 542	1 061	14 840
Total depreciation and impairment as at 1 January 2012	4 422		2 396	712	7 530
Depreciation			384	85	469
Impairment	287		25		312
Disposals [5)]	153				153
Exchange rate movements	(36)		0		(35)
Total depreciation and impairment as at 31 December 2012	4 520	0	2 806	797	8 123
Recorded value as at 31 December 2012	**4 717**	**0**	**1 737**	**264**	**6 718**

1) See note 41 Goodwill.

2) IT-systems recorded in the balance sheet are depreciated according to the straight line principle over their expected useful life, usually five years.

3) 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. Impairment losses 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.

4) 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.

5) In September 2012, an agreement was signed on the sale of SalusAnsvar AB in Sweden, and the assets were reclassified as "held for sale" as from 1 October 2012. The sale was formally completed in late January 2013.

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 2012 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 and Sweden.

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. Sensitivity analyses carried out in 2012 showed that probable changes in key assumptions for cash flows did not result in any need for impairment.

Goodwill		**DNB Group**
Unit	Recorded 31 Dec. 2012	Recorded 31 Dec. 2011
DNB Asset Management	1 651	1 676
Retail Banking - parent bank	1 465	1 465
Cresco	502	502
DNB Finans - car financing in Norway	365	365
DNB Finans - car financing in Sweden	361	367
Other	372	800
Total goodwill	4 717	5 174

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. The calculations are based on an annual medium-term growth rate of 3.7 per cent, which corresponds to estimated growth for this type of operations. A required rate of return corresponding to 13.6 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, including the former Nordlandsbanken, and recorded goodwill mainly represents goodwill from the merger between DnB and Gjensidige NOR, the acquisition of Nordlandsbanken, 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 impairment of loans. The long-term growth factor of 2.5 per cent has been used also in the medium term. A required rate of return corresponding to 12.5 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 impairment of loans. A medium-term negative growth factor of 2.0 per cent has been used in the calculations. This is due to the fact that the assumption of a gradual increase in money market rates during the period will cause pressure on margins in these operations. A required rate of return corresponding to 12.5 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 impairments of loans. The long-term growth factor of 2.5 per cent has been used also in the medium term. A required rate of return corresponding to 12.5 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 impairment of loans. The long-term growth factor of 2.5 per cent has been used also in the medium term. A required rate of return corresponding to 12.5 per cent before tax has been used.

Recorded impairment losses

Impairment losses per unit		**DNB Group**
Amounts in NOK million	2012	2011
DNB Livsforsikring	202	
SalusAnsvar AB	47	
Pres-Vac Engineering Aps	38	
DNB Baltics and Poland		190
Total impairment losses on intangible assets with indefinite useful life	287	190

DNB Livsforsikring
In the fourth quarter of 2012, impairment losses for goodwill related to DNB Livsforsikring of NOK 202 million were recorded after assessing the effects of regulatory changes, among other things concerning taxes.

SalusAnsvar AB
Impairment losses for goodwill related to SalusAnsvar AB of SEK 55 million were recorded in the third quarter of 2012 after an agreement on the sale of the company had been concluded. The sale has been approved by the supervisory authorities and will be reflected in the accounts as from the first quarter of 2013. The remaining goodwill of SEK 210 million and other intangible assets of SEK 80 million were reclassified as "Assets held for sale" in the fourth quarter of 2012.

Pres-Vac Engineering Aps
Impairment losses for goodwill related to Pres-Vac Engineering Aps of DKK 38 million were recorded in the third quarter of 2012 due to market developments for the company, which, among other things, produces tank valves for ships which transport liquid cargo.

DNB Baltics and Poland
Remaining goodwill in DNB Baltics and Poland was impaired in 2011. Recorded goodwill was related to operations in Poland. In consequence of lower growth prospects in the Polish market, it was decided to record impairment losses for the remaining goodwill.

Note 42 Fixed assets

	DNB Group	
Amounts in NOK million	31 Dec. 2012	31 Dec. 2011
Bank buildings and other properties	1 161	690
Real property at fair value	3 506	0
Machinery, equipment and vehicles	931	810
Fixed assets, operational leases	5 081	4 694
Other fixed assets	146	142
Total fixed assets	**10 825**	**6 336**

					DNB Group
Amounts in NOK million	Real property at historic cost	Real property at fair value [1]	Machinery, equipment and vehicles [2]	Fixed assets operational leases [2) 3)]	Total [4]
Accumulated cost as at 31 December 2011	855	0	4 390	7 702	12 947
Additions	619	3 495	498	2 068	6 680
Additions from merger/aquisition/establishment of other companies	43	0	0	0	44
Revaluation	0	45	0	0	45
Fixed assets, reclassified as held for sale	22	0	0	0	22
Disposals	113	0	78	2 970	3 160
Exchange rate movements	36	0	15	(57)	(6)
Cost as at 31 December 2012	1 418	3 541	4 825	6 744	16 527
Total depreciation and impairment as at 31 December 2011	165	0	3 579	3 008	6 752
Additions from merger/aquisition/establishment of other companies	58	0	24	0	83
Disposals	0	0	55	2 280	2 335
Depreciation [5]	31	32	313	938	1 314
Impairment	2	3	32	0	37
Reversal of previous impairment losses	0	0	0	0	0
Exchange rate movements	1	0	1	(4)	(2)
Total depreciation and impairment as at 31 December 2012	257	35	3 894	1 663	5 848
Recorded value as at 31 December 2012 [*]	1 161	3 506	931	5 081	10 679

*) *Value of property classified at fair value according to the historic cost principle* *3 463*

1) *Buildings which are owned by DNB Livsforsikring as part of the company's common portfolio and used by the Group itself, are recognised according to the revaluation model. The buildings are depreciated on an ongoing basis and are measured at fair value at the end of the period. The fair value measurement of these buildings follows the same principle as for investment properties, see note 38 Investment properties.*

2) *Including computer equipment and related software.*

3) *With effect from 2012, assets which were previously classified under machinery, equipment and vehicles are classified under operational leasing.*

4) *The total does not include "Other fixed assets".*

5) *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*

The DNB Group has not placed any collateral for loans/funding of fixed assets, including property.

Note 43 Leasing

Financial leases (as lessor)	DNB Group	
	31 Dec.	31 Dec.
Amounts in NOK million	2012	2011
Gross investment in the lease		
Due within 1 year	9 272	9 341
Due in 1-5 years	23 840	22 981
Due in more than 5 years	2 354	2 299
Total gross investment in the lease	35 466	34 620
Present value of minimum lease payments		
Due within 1 year	9 102	8 921
Due in 1-5 years	19 058	18 584
Due in more than 5 years	1 562	1 531
Total present value of lease payments	29 722	29 036
Unearned financial income	5 745	5 584
Unguaranteed residual values accruing to the lessor	46	47
Accumulated loan-loss provisions	1 492	1 532
Variable lease payments recognised as income during the period	92	107

Operational leases (as lessor)	DNB Group	
	31 Dec.	31 Dec.
Amounts in NOK million	2012	2011
Future minimum lease payments under non-cancellable leases		
Due within 1 year	1 681	2 349
Due in 1-5 years	4 991	7 050
Due in more than 5 years	1 936	4 744
Total future minimum lease payments under non-cancellable leases	8 607	14 143

Operational leases (as lessee)	DNB Group	
	31 Dec.	31 Dec.
Amounts in NOK million	2012	2011
Minimum future lease payments under non-cancellable leases		
Due within 1 year	105	162
Due in 1-5 years	1 382	1 281
Due in more than 5 years	2 942	6 945
Total minimum future lease payments under non-cancellable leases	4 429	8 388
Total minimum future sublease payments expected to be received under non-cancellable subleases	382	71

	DNB Group	
Amounts in NOK million	2012	2011
Leases recognised as an expense during the period		
Minimum lease payments	975	826
Variable lease payments	0	0
Total leases recognised as an expense during the period	975	826
Impairment of leases	35	29

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, 2013 and 2014. 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. 2012	31 Dec. 2011
Accrued expenses and prepaid revenues	833	2 105
Amounts outstanding on documentary credits and other payment services	954	808
Unsettled contract notes	6 528	5 380
Past due, unpaid insurance premiums	841	1 001
Other amounts outstanding	5 153	5 762
Total other assets [1]	**14 309**	**15 055**

1) Other assets are generally of a short-term nature.

Note 45 Deposits from customers for principal customer groups [1]

	DNB Group	
Amounts in NOK million	31 Dec. 2012	31 Dec. 2011
Retail customers	299 274	274 444
Transportation by sea and pipelines and vessel construction	55 121	54 942
Real estate	41 128	40 249
Manufacturing	27 023	26 271
Services	132 513	125 747
Trade	37 852	33 408
Oil and gas	36 681	35 340
Transportation and communication	36 427	22 716
Building and construction	16 814	18 128
Power and water supply	24 211	16 621
Seafood	4 218	5 270
Hotels and restaurants	2 638	2 075
Agriculture and forestry	4 188	4 062
Central and local government	38 657	24 658
Finance	53 322	55 222
Total deposits from customers, nominal amount	810 069	739 152
Adjustments	890	884
Deposits from customers	**810 959**	**740 036**

1) The breakdown into principal customer groups 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. 2012	31 Dec. 2011
Commercial paper issued, nominal amount	244 092	228 430
Bond debt, nominal amount [1)]	433 090	386 384
Adjustments	30 865	20 343
Total debt securities issued	**708 047**	**635 157**

Changes in debt securities issued

						DNB Group
Amounts in NOK million	Balance sheet 31 Dec. 2012	Issued 2012	Matured/ redeemed 2012	Exchange rate movements 2012	Other adjustments 2012	Balance sheet 31 Dec. 2011
Commercial paper issued, nominal amount	244 092	814 527	798 865			228 430
Bond debt, nominal amount [1)]	433 090	126 753	62 245	(17 802)		386 384
Adjustments	30 865				10 522	20 343
Total debt securities issued	**708 047**	**941 280**	**861 109**	**(17 802)**	**10 522**	**635 157**

Maturity of debt securities issued recorded at amortised cost as at 31 December 2012 [1) 2)]

			DNB Group
Amounts in NOK million	NOK	Foreign currency	Total
2013	0	4	4
Total commercial paper issued, nominal amount	0	4	4
2013	0	33 385	33 385
2014	0	33 509	33 509
2015	0	43 344	43 344
2016	0	61 541	61 541
2017	0	63 567	63 567
2018	0	9 296	9 296
2019 and later	0	126 932	126 932
Total bond debt, recorded at amortised cost, nominal amount	0	371 574	371 574
Total debt securities issued recorded at amortised cost, nominal amount	0	371 578	371 578

Maturity of debt securities issued recorded at fair value as at 31 December 2012 [1)]

			DNB Group
Amounts in NOK million	NOK	Foreign currency	Total
2013	78	244 010	244 088
Total commercial paper issued, nominal amount	78	244 010	244 088
2013	1 514	0	1 514
2014	13 660	0	13 660
2015	5 500	0	5 500
2016	10 333	0	10 333
2017	12 465	0	12 465
2018	8 655	0	8 655
2019 and later	9 390	0	9 390
Total bond debt, nominal amount	61 516	0	61 516
Total debt securities issued recorded at fair value, nominal amount	61 595	244 010	305 605
Adjustments	3 243	27 622	30 865
Debt securities issued	64 838	643 209	708 047

1) *Minus own bonds. Outstanding covered bonds in DNB Boligkreditt totalled NOK 361.8 billion as at 31 December 2012. The cover pool represented NOK 516.4 billion.*

2) *Includes hedged items.*

Note 47 Subordinated loan capital and perpetual subordinated loan capital securities

	DNB Group	
Amounts in NOK million	31 Dec. 2012	31 Dec. 2011
Term subordinated loan capital, nominal amount	12 848	12 859
Perpetual subordinated loan capital, nominal amount	3 804	4 158
Perpetual subordinated loan capital securities, nominal amount [1]	3 162	5 973
Adjustments	1 275	1 174
Total subordinated loan capital and perpetual subordinated loan capital securities	**21 090**	**24 163**

Changes in subordinated loan capital and perpetual subordinated loan capital securities — **DNB Group**

Amounts in NOK million	Balance sheet 31 Dec. 2012	Issued 2012	Matured/ redeemed 2012	Exchange rate movements 2012	Other adjustments 2012	Balance sheet 31 Dec. 2011
Term subordinated loan capital, nominal amount	12 848	5 525	5 363	(172)		12 859
Perpetual subordinated loan capital, nominal amount	3 804			(353)		4 158
Perpetual subordinated loan capital securities, nominal amount [1]	3 162		2 718	(93)		5 973
Adjustments	1 275				102	1 174
Total subordinated loan capital and perpetual subordinated loan capital securities	**21 090**	**5 525**	**8 082**	**(618)**	**102**	**24 163**

Year raised	Recorded value in foreign currency		Interest rate	Maturity	Call date	DNB Group Recorded value in NOK
Term subordinated loan capital						
2008	GBP	250	6.17% p.a.	2018	2013	2 259
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	3 614
2012	EUR	750	4.75% p.a.	2022	2017	5 525
Total, nominal amount						12 848
Perpetual subordinated loan capital						
1985	USD	215	3-month LIBOR + 0.25%			1 201
1986	USD	200	6-month LIBOR + 0.13%			1 117
1986	USD	150	6-month LIBOR + 0.15%			838
1999	JPY	10 000	4.51% p.a.		2029	649
Total, nominal amount						3 804
Perpetual subordinated loan capital securities [1]						
2007	GBP	350	6.01% p.a.		2017	3 162
Total, nominal amount						3 162

1) *Perpetual subordinated loan capital securities are eligible for inclusion in Tier 1 capital by an amount not exceeding 15 per cent of total Tier 1 capital.*

Note 48 Provisions

			DNB Group
Amounts in NOK million	Issued financial guarantees	Other provisions	Total provisions 1)
Recorded value as at 31 December 2011	**235**	**335**	**570**
New provisions, recorded in the accounts	196	208	404
Amounts used	5	136	141
Reversals of unutilised provisions	37	8	45
Other changes	(5)	(13)	(18)
Recorded value as at 31 December 2012	**384**	**386**	**770**

1) Provisions which are assumed to be settled after 12 months totalled NOK 510 million as at 31 December 2012.

Note 49 Other liabilities

		DNB Group
Amounts in NOK million	31 Dec. 2012	31 Dec. 2011
Short-term funding	1 438	1 351
Accrued expenses and prepaid revenues	4 256	4 519
Liabilities related to factoring	129	165
Documentary credits, cheques and other payment services	1 321	1 272
Unsettled contract notes	6 634	4 500
Accounts payable	635	695
General employee bonus	217	217
Other liabilities	3 822	5 049
Total other liabilities 1)	**18 451**	**17 767**

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, companies 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 minor 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

Remuneration to the group chief executive

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, the Group's return on equity, the Group's equity Tier 1 capital ratio, the Group's nominal costs and the DNB Group's customer satisfaction and corporate reputation scores. 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.

Group guidelines for variable remuneration
DNB implemented 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 general guidelines for variable remuneration approved by the Board of Directors' 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 guidelines for variable remuneration should ensure that the Group's schemes counteract excessive risk taking and help the Group 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 promote 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 2013
The Compensation Committee approves principal criteria, principles and limits for variable remuneration. The Compensation Committee has decided that recorded return, the Tier 1 capital ratio and cost levels should constitute the Group's key figures for 2013. 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.

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 2013. 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 2013.

Note 50 Remunerations etc. (continued)

Calculation of variable remuneration for 2013
The calculation of the earned variable remuneration for 2013 will consist of the following elements:

- Approved 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 Board of Directors will determine a maximum limit for total bonuses for the Group based on the attainment of group targets, combined with a general assessment of other important parameters and the Group's financial capacity.

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.

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
The group 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 2012 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 467 000 in 2012 as a chairman of the Board of Directors of DNB ASA, compared with NOK 456 000 in 2011. In addition, she received NOK 382 000 as chairman of the Board of Directors of DNB Bank ASA, compared with NOK 364 000 in 2011.

Terms for the group chief executive

Rune Bjerke received an ordinary salary of NOK 5 213 000 in 2012, compared with NOK 4 901 000 in 2011. The Board of Directors of DNB ASA stipulated the group chief executive's bonus payment for 2012 at NOK 1 713 000, compared with NOK 1 655 000 for 2011. The bonus for 2012 will be paid in 2013. Benefits in kind were estimated at NOK 272 000, compared with NOK 250 000 in 2011. Costs for DNB in connection with the group chief executive's pension scheme were NOK 4 987 000 for the 2012 accounting year, compared with NOK 3 957 000 in 2011. 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 2012 — DNB Group

Amounts in NOK 1 000	Fixed annual salary as at 31 Dec. 2012 [1]	Paid remunera-tion in 2012 [2]	Paid salaries in 2012 [3]	Bonus earned in 2012	Benefits in kind and other benefits in 2012	Total remunera-tion earned in 2012	Bonus earned in 2011	Loans as at 31 Dec. 2012 [4]	Accrued pension expenses	Current value of pension agree-ment [5]
Board of Directors of DNB ASA										
Anne Carine Tanum (chairman) [6]	-	848	-	-	-	848	-	0	-	-
Tore Olaf Rimmereid (vice-chairman) [6) 7)]	-	510	-	-	-	510	-	8	-	-
Jarle Bergo [7]	-	565	-	-	4	569	-	0	-	-
Bente Brevik [7]	-	363	-	-	-	363	-	0	-	-
Sverre Finstad	587	559	598	18	52	1 228	18	711	57	1 438
Carl A. Løvvik	577	280	638	18	15	950	32	54	71	1 364
Vigdis Mathisen (from 12 June 2012)	556	313	563	18	18	912	36	2 632	71	1 259
Ingjerd Skjeldrum (until 12 June 2012)	665	273	702	18	22	1 015	18	371	91	2 028
Bjørn Sund (until 12 June 2012) [6]	-	191	7	-	8	206	-	0	-	-
Berit Svendsen (from 12 June 2012) [6]	-	304	-	-	-	304	-	13 627	-	-
Group management										
Rune Bjerke, CEO	4 920	-	5 213	1 713	272	7 198	1 655	262	4 987	20 202
Bjørn Erik Næss, CFO	3 511	-	3 684	1 217	177	5 079	1 233	2 027	5 301	18 394
Trond Bentestuen, group EVP	2 177	-	2 265	799	191	3 254	866	6 246	665	2 264
Ottar Ertzeid, group EVP	7 982	-	9 036	3 221	183	12 440	3 137	32	712	8 517
Liv Fiksdahl, group EVP	2 032	-	2 132	833	172	3 137	812	2 255	1 088	8 889
Solveig Hellebust, group EVP	2 145	-	2 224	787	175	3 186	776	116	296	741
Cathrine Klouman, group EVP	2 314	-	2 434	730	178	3 341	803	3 203	1 472	9 063
Kari Olrud Moen, group EVP	1 775	-	1 843	732	174	2 749	707	12	750	3 280
Karin Bing Orgland, group EVP	2 960	-	3 077	912	178	4 168	879	3 794	1 510	18 659
Tom Rathke, group EVP	3 086	-	3 396	1 042	181	4 619	991	4 413	2 570	16 909
Leif Teksum, group EVP	3 520	-	3 738	1 290	213	5 240	1 230	1 584	2 170	33 389
Control Committee										
Frode Hassel (chairman)	-	395	-	-	-	395	-	0	-	-
Thorstein Øverland (vice-chairman)	-	283	-	-	21	304	-	0	-	246
Vigdis Merete Almestad (from 25 April 2012)	-	181	-	-	-	181	-	0	-	-
Svein Brustad (until 25 April 2012)	-	82	-	-	-	82	-	0	-	-
Svein Norvald Eriksen (until 25 April 2012)	-	82	-	-	-	82	-	1 733	-	-
Karl Olav Hovden [8]	-	263	-	-	270	533	-	0	-	3 254
Ida Espolin Johnson (from 25 April 2012)	-	181	-	-	-	181	-	61	-	-
Merete Smith	-	289	-	-	-	289	-	0	-	-
Supervisory Board	5 244	2 219	5 697	180	274	8 369	220	40 578	487	9 429
Loans to other employees								15 910 289		

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	Total remunera-tion earned in 2011	Bonus earned in 2010	Loans as at 31 Dec. 2011 4)	Accrued pension expenses	Current value of pension agree-ment 5)
Board of Directors of DNB ASA										
Anne Carine Tanum (chairman) 6)	-	820	-	-	1	821	-	0	-	-
Bjørn Sund (vice-chairman) 6)	-	355	-	-	1	356	-	0	-	-
Gunilla Berg (until 16 June 2011)	-	130	-	-	0	130	-	0	-	-
Jarle Bergo (from 16 June 2011) 7)	-	300	-	-	1	302	-	0	-	-
Bente Brevik 7)	-	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) 7)	-	315	-	-	0	315	-	0	-	-
Tore Olaf Rimmereid 6) 7)	-	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	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 8)	-	251	-	-	255	506	-	0	-	3 358
Merete Smith	-	276	-	-	-	276	-	0	-	-
Supervisory Board	7 339	1 786	7 708	270	306	10 070	403	55 319	600	17 552
Loans to other employees								14 285 477		

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.*

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 2 898 000 in 2012. 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) *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.*

5) *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 change in the net present value of pension agreements was mainly due to changes in the discount rate.*

6) *Also a member of the Compensation Committee.*

7) *Also a member of the Audit Committee.*

8) *Benefits in kind and other benefits Includes pension payments.*

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 2012.

Remuneration to the statutory auditor	**DNB ASA**		**DNB Group**	
Amounts in NOK 1 000	2012	2011	2012	2011
Statutory audit [1]	632	625	25 872	23 995
Other certification services	0	0	3 343	5 010
Tax-related advice [2]	0	0	6 449	5 339
Other services	0	0	3 938	2 006
Total remuneration to the statutory auditor	632	625	39 603	36 350

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	2012	2011	2012	2011
Loans as at 1 January	27	18	1 475	1 558
New loans/repayments during the year	6	5	74	(130)
Changes in related parties [1]	24	4	133	47
Loans as at 31 December	**57**	**27**	**1 682**	**1 475**
Interest income	**2**	**1**	**53**	**65**
Deposits as at 1 January [2]	20	22	14 230	10 171
Deposits/withdrawals during the year	3	(4)	(7 519)	3 996
Changes in related parties [1]	(1)	3	(109)	63
Deposits as at 31 December	**22**	**20**	**6 601**	**14 230**
Interest expenses	**1**	**1**	**113**	**102**
Guarantees [2]	**-**	**-**	**20 255**	**22 566**

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 Relacom Group, the creditors took over all shares in Relacom 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 4 089 million and NOK 10 632 million respectively at year-end 2012 and 2011. The loans are set off by deposits/payments from Eksportfinans. DNB Bank ASA has also issued guarantees for other loans in Eksportfinans.*

No impairments were made on loans to related parties in 2011 and 2012. 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. Employee loans 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 ASA
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 as and when the Treasury bills reach maturity during the agreement period. The Treasury bills are priced at NIBOR plus a premium corresponding to the margin at the time the agreement was concluded. As an additional requirement, there must be a spread of minimum 40 basis points between the agreed interest rate and the Treasury bill yield. Upon expiry of the agreements, the banks are under an obligation to repurchase the covered bonds from the government at the original selling price. Payments related to the covered bonds are credited to the banks on the same day as the payments are made, unless default occurs during the duration of the swap agreement.

DNB Bank ASA 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 2012, this funding represented NOK 50.0 billion. At end-December 2012, the bank's investments in Treasury bills used in the swap agreements represented NOK 50.0 billion.

Capitalisation and valuation of subsidiaries
During the first quarter of 2012, DNB Bank ASA took over the shares in AS DNB Pank (former AS DNB Liising) in Estonia at a price of EUR 10.5 million, while the shares in AS DNB Baltics IT were taken over at a price of EUR 2.8 million in the second quarter of 2012. Both companies were acquired from Bank DNB A/S in Copenhagen. The transactions are part of the integration of operations in the former DnB NORD into the DNB Group.

During the second quarter of 2012, AS DNB Pank in Estonia received a capital injection of just over EUR 90 million, while the Polish subsidiary of Bank DNB A/S received a capital injection of PLN 487 million. During the third quarter of 2012, the share capital of DNB Baltic IT was increased by DKK 660 million. During the fourth quarter of 2012, DNB Bank ASA's subsidiary in Asia, DNB Asia Ltd, received a capital injection of USD 1.5 billion as part of the adaptation to regulatory requirements.

In connection with the agreement to sell SalusAnsvar AB, entered into in the third quarter of 2012, the value of DNB Bank ASA's investment in the company was written down by SEK 95 million. The value of DNB Bank ASA's investment in Bryggetorget Holding AS was written down by NOK 48 million in the fourth quarter of 2012, reflecting unrealised losses on investment property.

Note 52 Earnings per share

	DNB Group	
	2012	2011
Profit for the year (NOK million)	13 657	12 979
Profit attributable to shareholders (NOK million)	13 657	12 979
Profit attributable to shareholders excluding operations held for sale (NOK million)	13 560	12 984
Profit from operations and non-current assets held for sale, after taxes	96	(5)
Average number of shares (in 1 000) [1)]	1 627 338	1 625 558
Average number of shares, fully diluted (in 1 000) [1)]	1 627 338	1 625 558
Earnings/diluted earnings per share (NOK)	8.39	7.98
Earnings/dilutet earnings per share excluding operations held for sale (NOK)	8.33	7.99
Earnings/diluted earnings per share, operations held for sale (NOK)	0.06	0.00

1) *Holdings of own shares are not included in calculations of the number of shares.*

Note 53 Largest shareholders

Shareholder structure in DNB ASA as at 31 December 2012	Shares in 1 000	Ownership in per cent
Norwegian Government/Ministry of Trade and Industry	553 792	34.00
Sparebankstiftelsen DNB NOR (Savings Bank Foundation)	163 580	10.04
Folketrygdfondet	95 883	5.89
Blackrock Investments	28 391	1.74
Fidelity Investments	27 508	1.69
People's Bank of China	25 751	1.58
DNB Funds	19 545	1.20
Saudi Arabian Monetary Agency	18 129	1.11
Vanguard Investment Funds	17 283	1.06
Capital Research/Capital International	16 512	1.01
T. Rowe Price International	13 875	0.85
Schroder Investment	12 760	0.78
TIAA-CREF	12 435	0.76
State Street Global Advisors	11 967	0.73
Nordea Funds	11 546	0.71
Newton Investment Management	10 980	0.67
Storebrand Funds	10 820	0.66
MFS Massachusetts Financial Services	10 502	0.64
Threadneedle Investment Funds	10 258	0.63
Marathon Asset Management	8 983	0.55
Total largest shareholders	1 080 501	66.34
Other	548 298	33.66
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. 2012	31 Dec. 2011
Performance guarantees	42 729	47 530
Payment guarantees	22 716	23 439
Loan guarantees [1)]	19 236	17 666
Guarantees for taxes etc.	6 658	5 645
Other guarantee commitments	2 405	2 285
Total guarantee commitments	93 743	96 565
Support agreements	10 863	10 237
Total guarantee commitments etc. [*)]	104 606	106 802
Unutilised credit lines and loan offers	492 947	519 143
Documentary credit commitments	2 219	2 594
Other commitments	2 030	1 381
Total commitments	497 195	523 118
Total guarantee and off-balance commitments	601 801	629 920
Pledged securities	94 871	90 524
**) Of which counter-guaranteed by financial institutions*	*1 139*	*19*

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 4 089 million were recorded in the balance sheet as at 31 December 2012. These loans are not included under guarantees in the table.

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 2012, Boligkreditt had issued covered bonds with a total balance sheet value of NOK 361.8 billion. In the event of bankruptcy, the bondholders have preferential rights to the company's cover pool. At year-end 2012, DNB Bank ASA had invested NOK 84.4 billion in covered bonds issued by Boligkreditt, used in the exchange scheme with the Norwegian government. In addition, DNB Livsforsikring had invested NOK 5.2 billion in such bonds.

Covered bonds	**DNB Boligkreditt**	
Amounts in NOK million	31 Dec. 2012	31 Dec. 2011
Total listed covered bonds	324 787	315 343
Total private placements under the bond programme	36 988	35 911
Adjustment		
Accrued interest	4 082	4 517
Unrealised gains/losses	16 674	7 502
Total debt securities issued	382 531	363 273

Cover pool	**DNB Boligkreditt**	
Amounts in NOK million	31 Dec. 2012	31 Dec. 2011
Pool of eligible loans	514 748	456 967
Market value of derivatives	5 409	12 923
Supplementary assets	0	0
Total collateralised assets	520 157	469 891
Over-collateralisation (per cent)	136	129

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.

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, which is expected to deliver its judgment in March 2013.

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 825 million plus interest on overdue payments.

Post-balance sheet events

On 8 March 2013, Finanstilsynet announced new assumptions to be used by life insurance companies when calculating future retirement pension payments. See note 18 Insurance risk for more detailed information.

No further information has come to light about important circumstances which had occurred on the balance sheet date on 31 December 2012 and up till the Board of Directors' final consideration of the accounts on 13 March 2013.

INCOME STATEMENT

		DNB ASA	
Amounts in NOK million	Note	2012	2011
Total interest income		138	474
Total interest expenses		410	385
Net interest income		**(272)**	**90**
Commissions and fees payable etc.		5	6
Other income [1)]	1	8 493	183
Net other operating income		**8 488**	**177**
Total income		**8 216**	**267**
Salaries and other personnel expenses		6	6
Other expenses		422	243
Total operating expenses		**427**	**249**
Pre-tax operating profit		**7 789**	**18**
Taxes	3	2 181	5
Profit/comprehensive income for the year		**5 608**	**13**
Earnings/diluted earnings per share (NOK)		3.44	0.01
Earnings per share excluding operations held for sale (NOK)		3.44	0.01

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

BALANCE SHEET

		DNB ASA	
Amounts in NOK million	Note	31 Dec. 2012	31 Dec. 2011
Assets			
Deposits with DNB Bank ASA	5	3 980	7 356
Loans to other group companies		225	225
Investments in group companies	4	62 216	62 216
Receivables due from group companies		8 493	183
Total assets		**74 914**	**69 981**
Liabilities and equity			
Short-term amounts due to DNB Bank ASA	5	817	410
Other liabilities and provisions		5 602	3 263
Long-term amounts due to DNB Bank ASA	5	10 067	10 067
Total liabilities		**16 487**	**13 741**
Share capital		16 288	16 288
Share premium reserve		22 556	22 556
Other equity		19 583	17 395
Total equity		**58 427**	**56 240**
Total liabilities and equity		**74 914**	**69 981**

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 2010	**16 288**	**22 556**	**20 640**	**59 484**
Profit for the period			13	13
Dividends for 2011 (NOK 2.00 per share)			(3 258)	(3 258)
Balance sheet as at 31 December 2011	**16 288**	**22 556**	**17 395**	**56 240**
Profit for the period			5 608	5 608
Dividends for 2012 (NOK 2.10 per share[1)])			(3 420)	(3 420)
Balance sheet as at 31 December 2012	**16 288**	**22 556**	**19 583**	**58 427**

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	2012	2011
Operating activities		
Net interest payment to/from subsidiaries	(281)	90
Payments to operations	(15)	(18)
Taxes paid	(5)	(843)
Net cash flow relating to operations	**(301)**	**(771)**
Investment activities		
Payments on the acquisition of long-term investments in shares	0	(11 000)
Net cash flow relating to investment activities	**0**	**(11 000)**
Funding activities		
Group contributions from subsidiaries	183	7 995
Dividend payments	(3 258)	(6 515)
Net cash flow relating to funding activities	**(3 075)**	**1 480**
Net cash flow	**(3 376)**	**(10 291)**
Cash as at 1 January	7 356	17 647
Net payments of cash	(3 376)	(10 291)
Cash as at 31 December	3 980	7 356

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. The only exception is that the Norwegian IFRS 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. DNB ASA presents note information in accordance with IFRS.

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	2012	2011
Group contributions received from:		
DNB Bank ASA	8 333	0
DNB Livsforsikring ASA	0	0
Other group companies	160	183
Total group contributions from subsidiaries	**8 493**	**183**

Allocations		**DNB ASA**
Amounts in NOK million	2012	2011
Proposed dividends per share (NOK)	2.10	2.00
Share dividend	3 420	3 258
Transfers to/(from) other equity	2 188	(3 245)
Total allocations	**5 608**	**13**

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	2012	2011
Tax base		
Operating profit in DNB ASA	7 789	18
Calculated effect from group contributions from subsidiaries	0	0
Tax base for the year	7 789	18
Taxes		
Payable taxes	2 181	5
Changes in deferred taxes	0	0
Total taxes	**2 181**	**5**

Note 4 Investments in subsidiaries as at 31 December 2012 [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
DNB Invest Denmark 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	
AS DNB pank	EUR	9 376	937 643	EUR	9 376	100.0	
Bryggetorget Holding		2 500	2 500		2 500	100.0	
Den Norske Syndicates	GBP	200	200 000	GBP	200	100.0	
DNB Asia [2)]	SGD	20 000	20 000 000	SGD	20 000	100.0	
DNB Asia [2)]	USD	1 500 000	150 000 000	USD	1 500 000	100.0	
DNB Baltic IT	DKK	330 600	330 600 000	DKK	330 600	100.0	
DNB Boligkreditt		2 527 000	25 270 000		2 527 000	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 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	
JSC DNB Bank	RUB	800 000	800 000 000	RUB	800 000	100.0	
Nordlandsbanken Invest		2 600	2 600		2 600	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.

2) DNB Asia Ltd has part of its share capital denominated in SGD (due to local requirements) and a part of its share capital denominated in USD.

Note 5 Loans and deposits with DNB Bank ASA

Receivables totalling NOK 3 980 million represented deposits with DNB Bank ASA at market terms. Loans totalling NOK 10 229 million have been granted by DNB Bank ASA at general market terms. Other loans from DNB Bank ASA total NOK 656 million.

Note 6 Shares in DNB ASA held by members of governing bodies and senior executives

	Number of shares 31 Dec. 2012
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
Helge Møgster	0
Ole Robert Reitan	0
Gudrun B. Rollefsen	0
Merethe Smith	0
Birger Solberg	8 000
Ståle Svenning	0
Turid Sørensen	0
Randi Eek Thorsen	0
Gine Wang	0
Hanne Rigmor Egenæss Wiig	1 705
Members elected by employees	
Rune Asprusten	3 074
Willy Furunes	1 110
Lillian Hattrem	0
Irene Buskum Olsen	551
Einar Pedersen	222
Eli Solhaug	874
Marianne Steinsbu	3 089
Britt Sæle	1 976
Astrid Waaler	0
Arvid Åsen	739

	Number of shares alloted in 2012	Number of shares 31 Dec. 2012
Control Committee of DNB ASA		
Frode Hassel, chairman		0
Thorstein Øverland, vice-chairman		0
Vigdis Merete Almestad		0
Karl Olav Hovden		0
Ida Espolin Johnson		0
Merete Smith		0
Board of Directors of DNB ASA		
Anne Carine Tanum, chairman		300 000
Tore Olaf Rimmereid, vice-chairman		6 111
Jarle Bergo		225
Bente Brevik		5 000
Sverre Finstad		8 189
Carl A. Løvvik		546
Vigdis Mathisen		222
Berit Svendsen		0
Senior executives		
Rune Bjerke, CEO	6 952	30 768
Bjørn Erik Næss, CFO	5 162	33 959
Trond Bentesuen, group EVP	3 747	8 629
Ottar Ertzeid, group EVP	12 434	161 524
Liv Fiksdahl, group EVP	3 578	12 663
Solveig Hellebust, group EVP	3 416	7 129
Cathrine Klouman, group EVP	3 536	20 055
Kari Olrud Moen, group EVP	3 043	12 135
Karin Bing Orgland, group EVP	3 656	11 496
Tom Rathke, group EVP	4 300	19 093
Leif Teksum, group EVP	5 040	53 706
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, 13 March 2013
The Board of Directors of DNB ASA

Anne Carine Tanum
(chairman)

Tore Olaf Rimmereid
(vice-chairman)

Jarle Bergo

Bente Brevik

Sverre Finstad

Carl A. Løvvik

Vigdis Mathisen

Berit Svendsen

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 2012 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, 13 March 2013
The Board of Directors of DNB ASA

Anne Carine Tanum
(chairman)

Tore Olaf Rimmereid
(vice-chairman)

Jarle Bergo

Bente Brevik

Sverre Finstad

Carl A. Løvvik

Vigdis Mathisen

Berit Svendsen

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 2012, the statements of income, cash flows and changes in equity for the year then ended and a summary of significant accounting policies and other explanatory information. The financial statements of the Group comprise the balance sheet as at 31 December 2012, the statements of income, comprehensive income, cash flows and 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 Chief Executive Officer's responsibility for the financial statements

The Board of Directors and Chief Executive Officer 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 financial statements of the Group, and for such internal control as the Board of Directors and Chief Executive Officer 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 at 31 December 2012 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 at 31 December 2012 and its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted by the EU.

Report on other legal and regulatory requirements

Opinion on the Board of Directors' report and the 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 Chief Executive Officer 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, 13 March 2013
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 2012 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 2012 financial year.

Oslo, 13 March 2013

Frode Hassel
(chairman)

Thorstein Øverland
(vice-chairman)

Vigdis Merete Almestad

Karl Olav Hovden

Ida Espolin Johnson
(deputy)

Merete Smith
(deputy)

KEY FIGURES

	DNB Group	
	2012	2011
Interest rate analysis		
1. Combined weighted total average spread for lending and deposits (%)	1.18	1.12
2. Average spread for ordinary lending to customers (%)	2.00	1.59
3. Average spread for deposits from customers (%)	(0.12)	0.30
Rate of return/profitability		
4. Net other operating income, per cent of total income	34.8	39.9
5. Cost/income ratio (%)	49.5	47.1
6. Return on equity (%)	11.2	11.4
7. RARORAC (%)	20.6	16.6
8. RORAC (%)	20.4	19.1
9. Average equity including allocated dividend (NOK million)	121 997	113 934
10. Return on average risk-weighted volume (%)	1.23	1.22
Financial strength		
11. Equity Tier 1 capital ratio at end of period (%)	10.7	9.4
12. Tier 1 capital ratio at end of period (%)	11.0	9.9
13. Capital ratio at end of period (%)	12.6	11.4
14. Equity Tier 1 capital at end of period (NOK million)	115 627	104 191
15. Risk-weighted volume at end of period (NOK million)	1 075 672	1 111 574
Loan portfolio and impairment		
16. Individual impairment relative to average net loans to customers	0.22	0.27
17. Impairment relative to average net loans to customers	0.24	0.28
18. Net non-performing and net doubtful loans and guarantees, per cent of net loans	1.50	1.50
19. Net non-performing and net doubtful loans and guarantees at end of period (NOK million)	19 740	19 465
Liquidity		
20. Ratio of customer deposits to net loans to customers at end of period (%)	62.5	57.8
Total assets owned or managed by DNB		
21. Customer assets under management at end of period (NOK billion)	459	506
22. Total combined assets at end of period (NOK billion)	2 473	2 395
23. Average total assets (NOK billion)	2 364	2 148
24. Customer savings at end of period (NOK billion)	1 270	1 246
Staff		
25. Number of full-time positions at end of period	13 291	13 620
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)	8.39	7.98
29. Earnings per share excluding operations held for sale (NOK)	8.33	7.99
30. Dividend per share (NOK) [1)]	2.10	2.00
31. Total shareholder's return (%)	23.7	(25.2)
32. Dividend yield (%)	2.98	3.42
33. Equity per share including allocated dividend at end of period (NOK)	78.61	72.33
34. Share price at end of period (NOK)	70.40	58.55
35. Price/earnings ratio	8.45	7.33
36. Price/book value	0.90	0.81
37. Market capitalisation (NOK billion)	114.7	95.4

1) Proposed dividend for 2012.

For definition of selected key figures, see next page.

Definitions

1, 2, 3	Based on nominal values excluding amounts due to and from credit institutions and impaired loans, measured against the 3-month money market rate.
5	Total operating expenses relative to total income. Total expenses exclude impairment losses for goodwill and other intangible assets.
6	Average equity is calculated on the basis of recorded equity.
7	RARORAC (Risk-Adjusted Return On Risk-Adjusted Capital) is defined as risk-adjusted profits relative to risk-adjusted capital requirement. Risk-adjusted profits indicate the level of profits in a normalised situation. The risk-adjusted capital requirement is described in further detail in the chapter "Management in DNB".
8	RORAC (Return On Risk-Adjusted Capital) is defined as profits for the period relative to risk-adjusted capital requirement. Profits for the period are adjusted for the difference between recorded interest on average equity and interest on risk-adjusted capital.
10	Profit for the period relative to average risk-weighted volume.
21	Total assets under management for customers in Insurance and Asset Management.
22	Total assets and customer assets under management.
24	Total deposits from customers, assets under management and equity-linked bonds.
26	The Annual General Meeting on 25 April 2012 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 25 April 2012. 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	Holdings of own shares are not included in calculations of earnings per share.
29	Excluding operations held for sale. 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 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 30 April 2013 at 3 p.m. at DNB's premises in Dronning Eufemiasgate 30, Bjørvika, Oslo. Information on how to register attendance and items on the agenda can be found at dnb.no/en/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 and who do not have access to DNB's Internet bank, may register at dnb.no/en/investor-account-services. Select "New user sign-up". Shareholders who have access to DNB's Internet bank can go to the "Savings & Investments" menu. Select "Investor account services" and follow the procedure described on the page.

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.

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

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