DNB Group

RISK AND CAPITAL MANAGEMENT

Disclosure according to Pillar 3

2012

DNB

CONTENTS

INTRODUCTION

This report contains information about risk management, risk measurement and capital adequacy in accordance with the requirements in Pillar 3 of the capital adequacy regulations. This report is updated annually. Information on capital adequacy and minimum primary capital requirements is updated quarterly in the Pillar 3 appendix. The Pillar 3 report is not subject to audit.

The methods used to calculate capital requirements for credit risk, market risk and operational risk (Pillar 1) are described in the document. In addition, it includes information about the bank's internal risk measurement, reporting and management (Pillar 2). Methods for calculating economic capital and the use thereof in the management of the bank are also described. Calculations of economic capital include a quantification of risk categories other than those covered by the capital adequacy requirements.

DNB's Pillar 3 report for 2012 includes information about the Group's new risk appetite framework and more extensive information about DNB's ICAAP process.

More detailed information can be found in the Pillar 3 attachment.

MAJOR DEVELOPMENTS

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 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 (the central bank of Norway) 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.

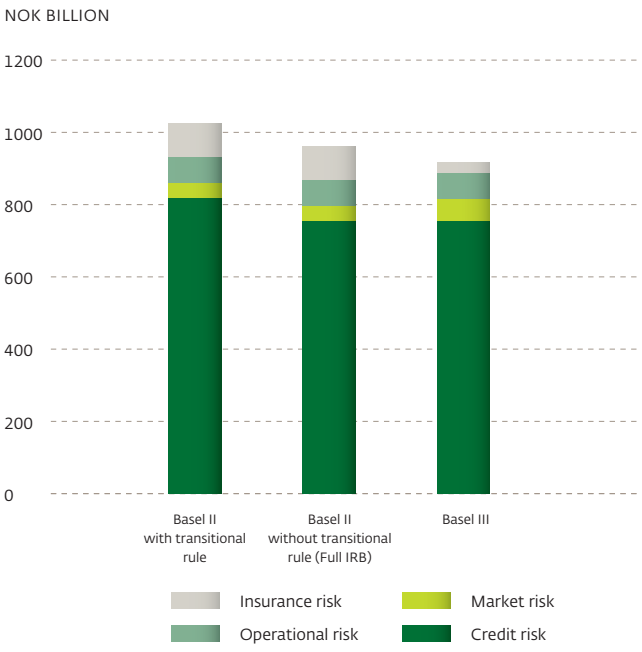
There was an increase in employment levels in Norway, in spite of a 0.4 percentage point increase in the unemployment rate during the fourth quarter of 2012. This was caused partly by an increase in the supply of labour, reflecting continued high immigration levels. The strong increase in the supply 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.

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.

CAPITAL ADEQUACY DEVELOPMENTS

At year-end 2012, the DNB Group had a common equity Tier 1 capital ratio, given full Basel III implementation, of 12.1 per cent. This is based on DNB's best estimate for phasing in CVA (Credit Value Adjustment), and for life insurance operations, expected losses and changes in pension calculations according to IAS 19. The Norwegian authorities still calculate Norwegian banks' capital adequacy based on the Basel II transitional rules, according to which the common equity Tier 1 capital ratio stood at 10.7 per cent and the capital adequacy ratio at 12.6 per cent, compared with 9.4 per cent and 11.4 per cent, respectively, a year earlier. The DNB Group is well prepared to meet the uncertain economic developments and stricter capitalisation requirements from the market and the authorities. The planned accumulation of capital will influence the growth limits. See chapter 3 for more information on capital adequacy. The diagram below illustrates risk-weighted volume based on transitional rules, full IRB and Basel III.

RISK WEIGHTED ASSETS



DEVELOPMENTS IN RISK-ADJUSTED CAPITAL

The DNB Group quantifies risk by measuring economic capital, called risk-adjusted capital internally in DNB. Net risk-adjusted capital declined by NOK 5.8 billion from year-end 2011, to NOK 75 billion at end-December 2012, reflecting a reduction in credit exposure in the course of the year.

Risk-adjusted capital for credit risk declined by NOK 7.5 billion in 2012, reflecting a reduction in volumes in the corporate customer segments. The strengthening of the Norwegian krone contributed to 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 expectations of continued growth in global trade, however, there could 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 supplier 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.

There was an increase in risk-adjusted capital for market risk, mainly due to changes in assumptions reflecting fluctuations in market prices during the financial crisis. With effect from 2012, basis risk for derivative positions in trading activities is included in risk-adjusted capital calculations. 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, the effects will be balanced out over time.

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 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. In the longer term, this will affect DNB Livsforsikring's ability to assume risk to ensure a healthy return for policyholders. A strong financial result for 2012 enabled the company to increase reserves to meet the anticipated increase in life expectancy by NOK 3.8 billion. The remaining required increase in reserves is estimated to be around NOK 10 -11 billion It will be possible to distribute this increase over the 2013 – 2018 period.

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 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 table below shows risk-adjusted capital per risk category for 2011 and 2012.

NOK billion	1112	1212	Change
Credit risk	64.5	57.0	(7.5)
Market risk	6.3	8.0	1.7
Market risk in life insurance	10.6	10.6	0.0
Insurance risk	1.8	1.7	(0.1)
Operational risk	9.0	9.8	0.8
Business risk	4.7	4.6	(0.0)
Total risk-adjusted capital before diversification			
Diversification	97.0	91.9	(5.1)
Total risk-adjusted capital after diversification	(16.1)	(16.8)	(0.7)
Diversification in per cent of gross risk-adjusted capital			
Netto risikojustert kapital	80.9	75.0	(5.8)
Diversifiseringseffekt i prosent av brutto RK	16.6%	18.3%	1.7%

** 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.*

RISK MANAGEMENT AND LIMIT STRUCTURE IN DNB

RISK MANAGEMENT AND CONTROL IN DNB

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. A short description of how risk management is organised in DNB is given below.

DNB's group policy for risk management 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. According to the group policy for risk management, DNB aims to maintain a low risk profile and will only assume risk which is comprehensible and possible to follow up, and which will not harm its reputation. The Group's corporate culture shall be characterised by transparent methods and processes which promote sound risk management. All managers are responsible for risk within their own area of responsibility.

Responsibility for entering into agreements which entail risk for the Group will be delegated to the organisation through personal authorisations and limits. Risk management functions and the development of risk management tools shall be organised in units which are independent of the units which engage in business operations.

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 adequacy assessment.* A summary and analysis of the Group's capital and risk situation is presented in a special risk report to the Board of Directors in DNB ASA.
- *Use of risk information.* Risk is an integral part of the management and monitoring of business areas.

Relevant risk measures

- *Risk appetite.* Risk appetite is the risk that DNB is willing to accept to carry out to reach its targets. From 2013 DNB established a risk appetite framework for the Group. Risk appetite will provide a holistic and balanced view of the risk in the business.
- *A common risk measure for the Group.* The Group's risk is measured in the form of risk-adjusted capital, calculated for main risk categories and for all of the Group's business areas. See the paragraph "Risk measurement and risk-adjusted capital" 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.

DNB's group policy for risk management 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. According to the group policy for risk management, DNB aims to maintain a low risk profile and will only assume risk which is comprehensible and possible to follow up, and which will not harm its reputation. The Group's corporate culture shall be characterised by transparent methods and processes which promote sound risk management. All managers are responsible for risk within their own area of responsibility. Responsibility for entering into agreements which entail risk for the Group will be delegated to the organisation through personal authorisations and limits. Risk management functions and the development of risk management tools shall be organised in units which are independent of the units which engage in business operations.

The group policy for risk management is reviewed on a regular basis. A new policy was approved and entered into force on 14 March 2013. It reads as follows:

1. All of the Group's operations entail risk. The ability to manage risk is the core of financial operations and a prerequisite for long-term value generation.
2. In DNB, risk is divided into six main categories which are

subject to special measurement and monitoring: credit risk, market risk, operational risk, insurance risk, liquidity risk and business risk.
3. DNB's acceptable risk level is determined on the basis of risk appetite targets. DNB aim to maintain a low risk profile.
4. The Group will only assume risk which is comprehensible and possible to follow up and will not be associated with operations which may harm its reputation.
5. The Group's corporate culture shall be characterised by transparent methods and processes which promote sound risk management.
6. The Board of Directors determines the Group's risk appetite targets.
7. All managers 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.
8. Responsibility for entering into agreements which entail risk for the Group will be delegated to the organisation through personal authorisations and limits.
9. Risk management functions and the development of risk management tools shall be organised in units which are independent of the units which engage in business operations.
10. The Group's risk management processes and solutions shall be at the forefront compared with its peers.
11. Risk shall be identified, measured, managed and communicated in a uniform and consistent manner, and risk-mitigating measures shall be followed up.
12. Risk and risk-adjusted profitability shall be an integral part of DNB's management processes and a key element in all strategic decisions.
13. Risk in the Group is quantified through calculations of risk-adjusted capital, which is deduced from operations in the individual unit. Risk is also followed up through supplementary risk targets which are adapted to the relevant risk category and business area.
14. All levels in the organisation shall have access to relevant and updated risk information.
15. The Group's risk management processes shall be subject to regular controls and testing.

RISK MEASUREMENT AND RISK-ADJUSTED CAPITAL

The DNB Group quantifies risk by measuring economic capital, called risk-adjusted capital internally in DNB. The Group's total risk model is used to measure risk-adjusted capital in DNB. Risk-adjusted capital measures the risk of losses stemming from the different business activities, and allows for comparison across risk categories and business areas. The quantification is based on statistical probability calculations for the various risk categories on the basis of historical data. In cases where the historical data is of inadequate quality, expert assessments are applied.

The model initially simulates the risk of losses stemming from each of the different risk categories before calculating the total risk. A significant diversification 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 nevertheless be a diversification effect, as not all areas will be hit equally hard or at the same time. The diversification effects between risk categories and business areas imply that the Group's risk-adjusted capital will be much lower than if the business areas had been independent companies. The diversification effects are calculated through the correlation structure in the total risk model. The correlation structure describes correlations within and between the various risk categories.

DNB has stipulated that risk-adjusted capital should cover 99.97 per cent of potential unexpected losses within a one-year horizon. This level is in accordance with an AA level rating target for ordinary long-term debt.

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.

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. As from 2012, market risk also includes basis risk. Basis risk is the risk that changes in the value of a hedge are not fully correlated with the changes in value of the underlying position it hedges. The reason for the mismatch can be different start dates, expiration dates, delivery locations or quality, advantages/disadvantages of holding the underlying instrument, credit risk and supply and demand effects.

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 in non-life insurance 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.

Liquidity risk is the risk that the Group will be unable to meet its obligations as they fall due, and the 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.

Operational risk is the risk of losses resulting from inadequate or failed internal processes, people and systems or from external events. Operational risk also includes compliance risk, which is the risk of loss caused by violation of laws and regulation or simular obligations as well as legal risk.

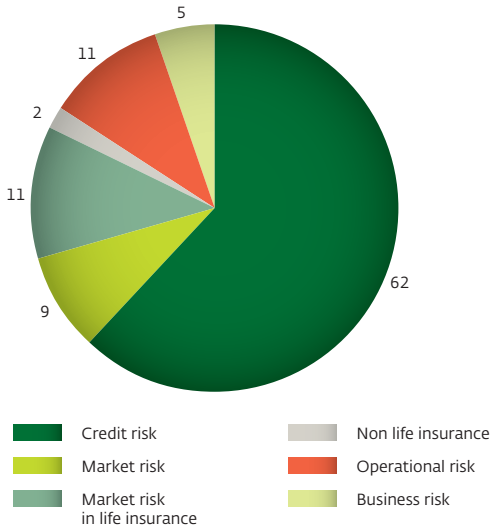
Business risk is the risk of losses due to changes in external factors such as the market situation or government regulations. This risk category also includes reputational risk.

Liquidity risk is not quantified in the form of risk-adjusted capital, but is followed up in other ways, for example through stress tests, cf. "Risk management and control". See chapter 9 for more details on liquidity risk management.

The table below shows gross risk-adjusted capital per risk category at year-end 2012.

GROSS RISK ADJUSTED CAPITAL BY RISK CATAGORY AT YEAR-END 2012

PER CENT



RETURN ON CAPITAL

Return relative to tied-up capital is an important key figure at all levels of the Group, used in both profitability measurement and in ongoing monitoring and planning for the business areas and at group level.

In internal reporting and the management of operations at different organisational levels, returns are measured relative to the capital allocated to the various units. Up until and including 2012, allocated capital was based on DNB's model for calculating risk-adjusted capital. This enables comparisons between different units in the Group, as profits are measured relative to the assessed risk of operations. However, the supervisory authorities now present stricter capitalisation requirements for banks, which has resulted in a widening gap between the assessed capital requirement according to internal models and the external capital requirement the Group has to meet. Thus, it has been decided to change the allocation of capital with effect from 2013. Capital allocated to operations should as far as possible reflect statutory capital requirements and the Group's stated capital adequacy targets. The allocation of capital will be based on external regulations combined with internal assessments of the risk of operations.

Return on capital is measured relative to both recorded and normalised profits.

RORAC, Return **O**n **R**isk-**A**djusted **C**apital is defined as recorded profits after tax relative to risk-adjusted capital for operations and is used to measure historical profits and assessing plans in a short-term perspective.

RARORAC, **R**isk-**A**djusted **R**eturn **O**n **R**isk-**A**djusted **C**apital is defined as normalised, risk-adjusted profits after tax relative to risk-adjusted capital. When normalising profits, recorded impairment losses are replaced by normalised losses calculated over a business cycle. RARORAC is adjusted for random fluctuations in impairment and is used to assess profits achieved and plans in a longer-term perspective.

RORAC and RARORAC are used in parallel to measure a unit's return. By normalising profits for fluctuations in loan losses, RARORAC gives a better indication of the level of returns in a longer-term perspective, while RORAC shows the realised return at the moment and expected returns in the near future.

STRESS TESTING

Stress testing is an important management tool in DNB for assessing the risk of losses on credit exposures in connection with severe changes in macroeconomic conditions. Stress tests of the whole of DNB may also illustrate corresponding changes in capital adequacy ratios.

DNB's credit portfolios are stress tested annually in order to identify factors that may affect developments in credit risk and capital adequacy. The DNB Group uses stress tests in the ICAAP and the capital planning process in order to determine how severe changes in the macro-environment will affect the need for capital. The scope of the changes will depend on both the macroeconomic scenario and the quality of the portfolio. Stress testing of specific risk element in individual sub-portfolios is not mandatory, but may be performed in conjunction with industry analyses.

In 2011, DNB took part in stress tests initiated by the European Banking Authority (EBA) and the Norwegian supervisory authorities. The DNB Group had an adequate level of capital in these scenarios, although DNB Bank had to receive a capital injection from the holding company to reach the new capital requirements set by the EBA. A new stress test initiated by the EBA is expected to be implemented during the first half of 2013.

The EBA has issued recommendations (GL 32) which DNB uses as guidance for how the stress tests should be implemented in the organisation. DNB implemented a reverse stress testing test project in 2012.

Internal stress test scenarios
The bank's main stress scenario is presented in the financial plan each year, which is approved by the Board of Directors. The scenario consists of a set of macroeconomic variables that are projected for the next three years. These variables are translated into model-specific variables in order to conduct stress tests on the different credit portfolios. In these models the probability of default (PD) for each customer is stressed, and accordingly the bank will suffer higher loan losses and have a greater need for capital than in the baseline scenario. Furthermore, the loss given default (LGD) and exposure at default (EAD) models are subject to the same macroeconomic shocks.

On the basis of the results from the stress testing of the models, the DNB Group calculates its capital requirement under this specific scenario. The PD models are not fully cyclical, which means that the PD values will not be fully consistent with the observed default frequency over a business cycle. In addition, risk-weighted volume will be less cyclical than the PD value included in the calculation. Therefore, the transition from IRB figures to projections of actual levels of new defaults and losses must take into consideration the IRB system's calibration level and cyclicality, in addition to the current position in the economic cycle.

DNB also uses custom-made scenarios when stress testing different subsidiaries and portfolios. These might consist of fewer macroeconomic variables and/or more direct changes in the different risk parameters in the model, thus reflecting the needs of the different business areas.

Requirements for stress testing by the authorities
The regulatory stress tests build on specific macroeconomic scenarios applied by the banks on their portfolio models. The EBA conducted a stress test of European banks during the spring/summer of 2011. The test covered 91 banks representing more than 65 per cent of banks' assets within the EEA. The test aimed to assess the robustness of the European banking system in the event of a severe shock in the economy, including the financial strength of the individual bank in such a scenario.

Originally, the assumptions of the test and the methodology used were established to assess banks' capital adequacy against a requirement of a 5 per cent common equity Tier 1 (CET1) capital ratio. The stress test was based on an assumption of a static balance as of December 2010 and covered a projection period of two years (2011 to 2012). The test did not take into account future adjustments in business strategies in such a crisis situation. Therefore, the stress test is not a forecast of how the profits of DNB Bank will develop in such a scenario.

The stress test showed that DNB Bank will achieve significant profits even under the adverse scenario, and combined with the assumption of static balance this will contribute to an increase in the CET1 capital ratio. The ratio increased to 9.0 per cent at the end of 2012 under the adverse scenario, compared with 8.3 per cent at the end of 2010.

In the autumn of 2011, there was an update of the stress test, where sovereign debt exposures in the trading and balance books were adjusted to the current market prices. DNB Bank had no exposure to government bonds whose values had to be written down. The CET1 capital ratio requirement was also increased to a minimum of 9 per cent. By the third quarter of 2011, DNB Bank had a CET1 capital ratio of 7.8 per cent. In accordance with the DNB Group's capitalisation guidelines a substantial liquidity reserve is retained in DNB ASA for the capitalisation of DNB Bank and other subsidiaries. The DNB Group was able to meet the 9 per cent requirement with immediate effect by redistributing the available internal capital resources in the fourth quarter of 2011.

DNB Bank passed the EU-wide stress test with a good margin. The solid performance is due to a robust Norwegian economy, a strong capital position, a low risk profile and no exposure to debt-ridden sovereigns in the eurozone. However, a number of large European banks had capital adequacy ratios which were below the requirement of the stress test and had to prepare recapitalisation plans. The EBA announced that in light of the ongoing recapitalisation process, no new stress test of European banks would be initiated in 2012.

A new stress test will be implemented in 2013 under the auspices of the EBA and the national supervisory authorities.

RISK APPETITE

Through 2012, DNB worked to establish a risk appetite framework for the Group. This will become effective in 2013. Below is a brief description of the framework.

Background for implementing risk appetite in the DNB Group
One of the key challenges in the financial services industry is to give management a holistic and balanced view of the risk in their business. This has resulted in initiatives to clarify and integrate the risk perspective in the organisation and consider it holistically as part of strategy and planning processes. Recent years' financial market turmoil, the challenging economic outlook and volatile regulatory environment have further accentuated this need.

The risk appetite concept has emerged as an industry best practice enabling organisations to include risk as a holistic part of planning and strategy processes and thus react more swiftly to changing surroundings. In the DNB Group, the risk appetite framework will represent an operationalisation of the Group's current risk policy and guidelines, ensuring that risk is managed and integrated with other key steering processes in the organisation in a practical, structured, transparent and synchronised manner.

The guiding principle used when calibrating the various statements has been that the total risk level in the DNB Group is satisfactory and will be maintained, but that risk exposure within selected portfolios is considered to be on the high side and will be reduced in the future.

The risk appetite framework

The risk appetite framework consists of 13 risk appetite statements covering the risk dimensions considered to be significant for the DNB Group, and which added up give a good view of the total risk. The risk appetite statements set defined reference points against which the risk consequences of the organisation's strategic and financial planning should be evaluated. The statements have been formulated along the following dimensions:

- Profitability and earnings
- Capitalisation
- Market risk
- Insurance risk
- Credit risk
- Liquidity risk
- Operational risk
- Reputational risk

The group-level limits will be cascaded to business and support unit level. This is important to ensure that the risk appetite statements become more tangible and relevant in both strategy and planning processes as well as in day-to-day operations at business unit level.

Governance principles

To support the framework a set of governance principles and operational procedures and responsibilities within the DNB Group are defined. These are vital to ensure that risk appetite contributes to risk being managed and integrated with other key steering processes in the organisation, while still maintaining the required independence to function as a reference point for risk consequences of the organisation's strategic and financial planning:

- **Ownership**: Ownership of the framework rests with the Board of Directors. All changes to the framework and the governance principles are to be approved by the Board of Directors.
- **Annual review**: The risk appetite framework is to be reviewed at least once a year in a process initiated by the Group's chief risk officer, CRO. The annual review is to take place independent of the strategic and financial planning process.
- **Reporting**: There will be monthly reporting of actual risk exposure within the DNB Group in the form of a "traffic light" representation. Based on this reporting structure there are pre-defined procedures for following up and handling risks that are approaching critical levels vis-à-vis the risk appetite statements, and for risk elements that may have exceeded such levels.
- **Accountability and responsibility:** Each risk appetite statement is to be assigned an owner within the administration who will be responsible for follow-up if risk levels are exceeded.

CAPITAL MANAGEMENT

ASSESSMENT OF RISK PROFILE AND CAPITAL REQUIREMENTS

Pursuant to the Norwegian Public Limited Liability Companies Act, all companies must at all times have an equity which is sound, based on the extent of the company's activities and the risk they involve. The capital adequacy regulations set a minimum primary capital requirement, encompassing credit risk, market risk and operational risk. In addition, financial institutions are required to complete an Internal Capital Adequacy Assessment Process, ICAAP. Finanstilsynet (the Financial Supervisory Authority of Norway) has established guidelines for what such a process should include.

The capital adequacy assessment process should encompass risks which are not included in the calculation of the minimum requirement. In addition, it should reflect the fact that risk quantification and capital requirements are based on methods and data which entail uncertainty. Capital requirement assessments should be forward-looking and take account of business plans, growth and access to capital markets. The capital base should be adequate to get through a recession characterised by negative results and difficulties in obtaining new capital. As part of the supervisory process, Finanstilsynet prepares a total risk assessment for the Group each year and provides feedback on the capitalisation of the Group.

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 regarding the capitalisation of the Group. The basis for this dialogue in 2012 was 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. The transitional rule will be reviewed in connection with the implementation of CRD IV.

In DNB, the Group's risk and capital situation is assessed on an ongoing basis through monthly reporting of financial and risk aspects to the group management team, cf. description in chapter 2 and the risk appetite framework. Each quarter, a complete capital adequacy assessment is prepared for the entire Group in connection with the risk report to the Board of Directors. This process includes a review and assessment of the current capital situation, recent developments in the risk picture, relevant macroeconomic aspects, changes in the regulatory framework and business strategies.

The capital adequacy assessment should include the current and future regulatory capital adequacy requirements, measurements of developments in the risk level in terms of risk-adjusted capital, an assessment of external and internal factors which are not covered by risk-adjusted capital, including changes in regulatory requirements, and stress tests of DNB's capitalisation. The liquidity and funding situation should be reviewed relative to the Group's capitalisation.

The capital adequacy assessments are forward-looking and reflect organic growth and the need for strategic flexibility, as well as the economic situation. Risk is quantified by estimating risk-adjusted capital and the regulatory risk-adjusted volume used in capital adequacy calculations.

The capital adequacy assessments are based on the Group's capitalisation guidelines, which specify capital adequacy targets for the Group. The Group's capitalisation is followed up through a stress test linked to defined targets for common equity Tier 1 capital. In addition, stress tests for credit and market risk will be important references. The capitalisation guidelines are reviewed each year as part of the Group's budget and strategy process.

A process for assessing the risk profiles and capital requirements of the parent company DNB ASA and all major subsidiaries is completed each year, based on risk-adjusted capital, regulatory requirements and qualitative assessments.

Each year, an extensive ICAAP report is prepared in accordance with the capital adequacy regulations. The report is sent to Finanstilsynet and forms the basis for for the dialogue with Finanstilsynet. The content of the report is reviewed annually and adjusted in line with feedback from Finanstilsynet. Key subsidiaries prepare separate ICAAP documentation which is

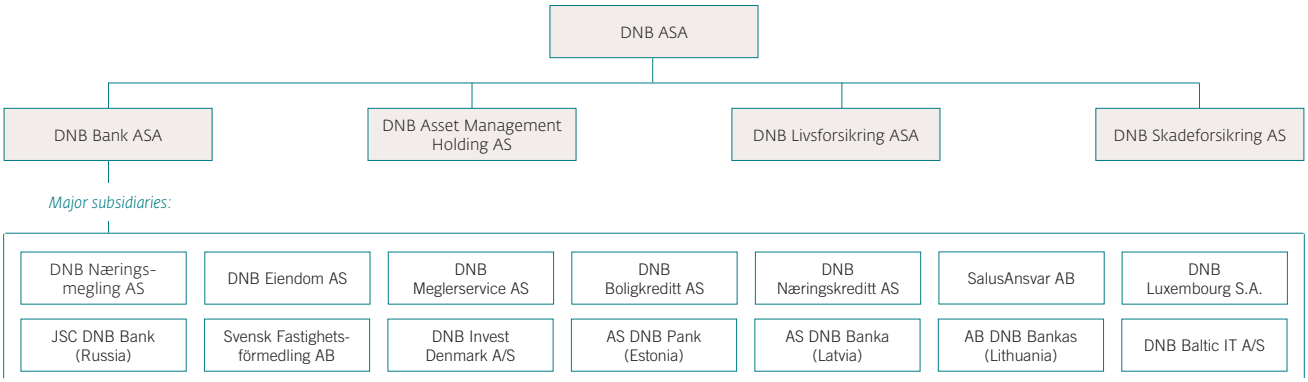
included in the Group's report. An international supervisory college has been established for DNB under the auspices of Finanstilsynet.

The main conclusions in Finantilsynet's review of the 2011 ICAAP process was that based on the prevailing risk level and external factors, the DNB Group and its sub-groups were adequately capitalised as at 31 December 2011. However, Finanstilsynet stated that a major increase in the common equity Tier 1 capital would be required in 2012 and the coming years in order to meet future regulatory requirements.

LEGAL STRUCTURE AND CONSOLIDATION RULES

The consolidated accounts for DNB ASA ("DNB") include DNB Bank ASA, DNB Livsforsikring ASA, DNB Asset Management Holding AS and DNB Skadeforsikring AS. All subsidiaries are wholly owned.

DNB GROUP – LEGAL STRUCTURE AS AT 31 DECEMBER 2012



1) In 2012, DNB entered into an agreement to sell its Swedish subsidiary SalusAnsvar AB. The transaction was completed in January 2013.
2) Operations in DNB Baltics and Poland are under restructuring. As part of the restructuring, ownership of the banks in Lithuania and Latvia was transferred to DNB at end-June 2011. In the first quarter of 2012 the ownership of AS DNB Liising in Estonia was transferred to Norway. AS DNB Liising has now received a banking licence in Estonia and has thus changed its name to AS DNB Pank and taken over the operations of the branch in Estonia. In the second quarter of 2012 the ownership of DNB Baltic IT A/S was transferred to Norway. DNB Invest Denmark A/S still owns the operations in Poland, but the ownership will be transferred to DNB Bank ASA as soon as possible. The company's banking licence in Denmark was handed in on 9 November 2012, and the company will continue as a "bank holding company" until the Polish operations are transferred to Norway. Following the restructuring, DNB Invest Denmark A/S will only engage in investment activity.

DNB has prepared consolidated accounts for 2011 in accordance with IFRS, Inter¬national Financial Reporting Standards, as endorsed by the EU. When preparing consolidated accounts, intra-group transactions and balances along with unrealised gains or losses on these transactions between group units are eliminated.

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 consolidated in the accounts according to the equity method are consolidated according to the gross method in capital adequacy calculations. An overview of DNB investments in associated companies, including risk-weighted volume is shown in the table below.

DNB GROUP

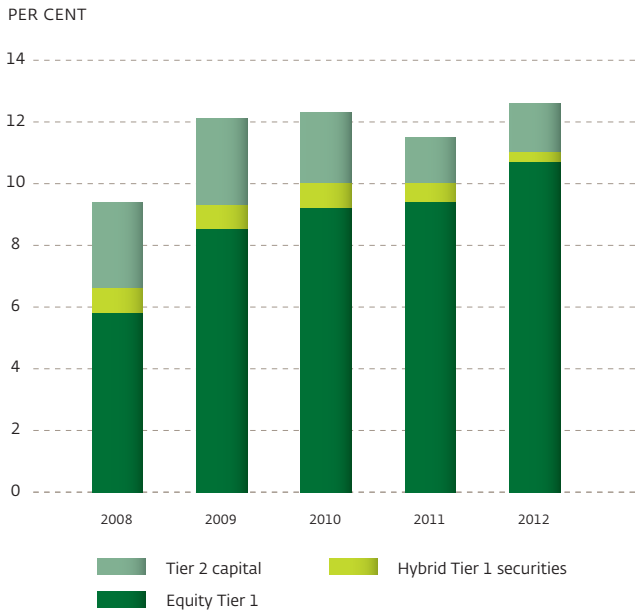
	Ownership share (%)	Assets	Risk-weighted[1] volume
Amounts in NOK million	31 Dec. 2012	31 Dec. 2012	31 Dec. 2012
Eksportfinans AS	40	157 406	11 864
Amports Inc.	29	837	214
Nordito Property AS	40	271	24
Relacom Management AB	28	5 050	381
Other associated companies	–	6 707	147

1) DNB's share

CAPITAL ADEQUACY

At year-end 2012, 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, compared with 9.4 per cent and 11.4 per cent, respectively, a year earlier. These calculations are based on the Basel II transitional rules. The DNB Group is well prepared to meet the uncertain economic developments and stricter capitalisation requirements from the market and the authorities. The planned accumulation of capital will influence the growth limits.

CAPITAL ADEQUACY



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 capital adequacy at a satisfactory level and developments in external parameters, in addition to an evaluation of expected profit levels in a normal situation.

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

DNB aspires to ensure that companies at all levels within the Group are adequately capitalised, as they are part of a group structure. 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.

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.

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 1.6 billion kroner, 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.

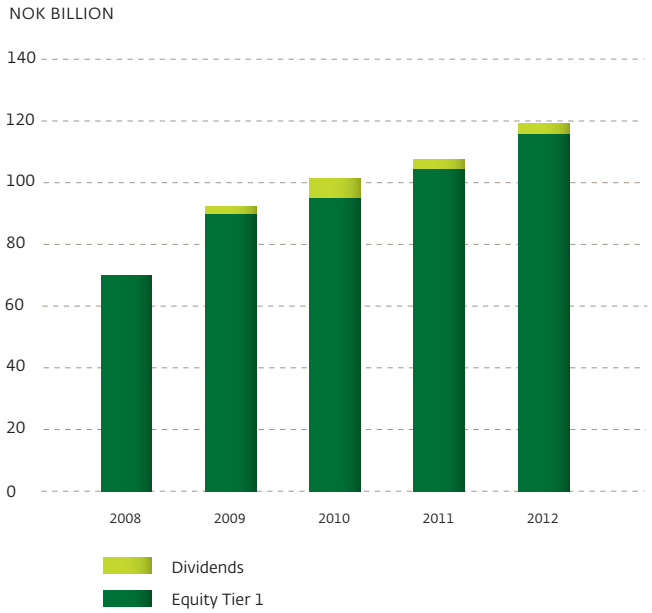
At year-end 2012 DNB Boligkreditt AS had a common equity Tier 1 capital ratio of 10.3 per cent and a capital adequacy ratio of 11.2 per cent.

PRIMARY CAPITAL AND MINIMUM CAPITAL REQUIREMENT

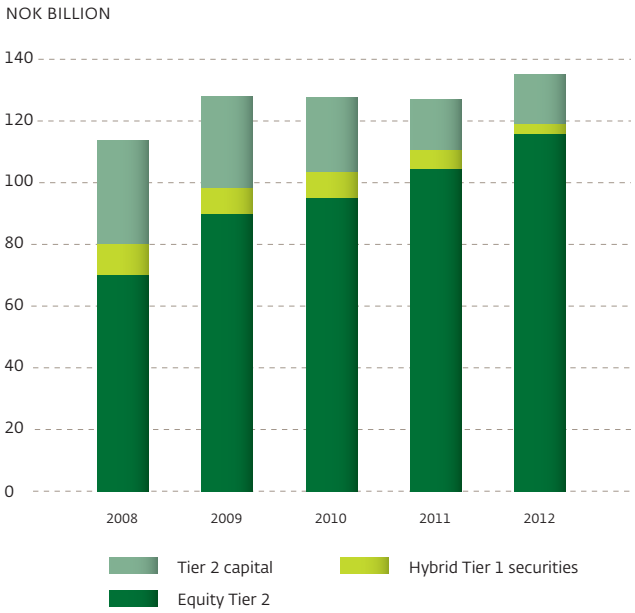
Specification of primary capital, including core capital, additions and deductions for DNB Bank ASA, the DNB Bank Group and the DNB Group as at 31 December 2012.

The diagram to the left below shows developments in the common equity Tier 1 capital ratio and dividends in the DNB Group. A share issue in 2009 increased equity by NOK 13.8 billion.

DEVELOPMENT IN COMMON EQUITY TIER 1 AND DIVIDENS FOR DNB GROUP



PRIMARY CAPITAL DNB GROUP



PRIMARY CAPITAL [1)]

	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)
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 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.

DEVELOPMENT IN CAPITAL ADEQUACY

DNB GROUP

Amounts in NOK million	31 Dec. 2012	30 Sept. 2012	30 June 2012	31 March 2012	31 Dec. 2011	30 Sept. 2011	30 June 2011	31 March 2011	31 Dec. 2010
Share capital	16 269	16 288	16 261	16 275	16 260	16 273	16 253	16 251	16 232
Other equity	111 767	98 329	98 230	101 483	101 555	88 613	88 378	94 931	94 964
50 per cent of profit year to date	-	4 924	3 170	880	-	4 445	3 199	1 426	-
Total equity	128 035	119 541	117 661	118 638	117 815	109 331	107 830	112 608	111 196
Deductions	(12 408)	(10 047)	(9 935)	(13 550)	(13 624)	(10 186)	(9 506)	(17 065)	(16 250)
Equity Tier 1 capital	115 627	109 494	107 726	105 088	104 191	99 145	98 324	95 542	94 946
Perpetual subordinated loan capital securities [1) 2)]	3 162	5 997	6 090	6 033	6 159	6 140	5 903	8 233	8 423
Tier 1 capital	118 790	115 491	113 816	111 121	110 350	105 285	104 227	103 775	103 369
Tier 2 capital	16 278	17 746	18 229	21 603	16 566	18 815	20 388	20 766	24 131
Total eligible primary capital [3)]	135 068	133 237	132 045	132 724	126 916	124 100	124 615	124 541	127 500
Risk-weighted volume, basis for transitional rule, Basel I	1 226 117	1 242 502	1 269 008	1 275 327	1 269 037	1 259 577	1 178 973	1 150 609	1 144 757
80 per cent of RWA, transitional rule	980 894	994 002	1 015 206	1 020 262	1 015 230	1 007 661	943 178	920 487	915 806
Net risk-weighted volume Insurance	94 538	98 353	101 176	103 987	96 345	118 726	121 295	119 003	112 599
Risk-weighted volume, transitional rule	1 075 672	1 092 354	1 116 382	1 124 249	1 111 574	1 126 388	1 064 474	1 039 491	1 028 404
Minimum capital requirement, transitional rules	86 054	87 388	89 311	89 940	88 926	90 111	85 158	83 159	82 272
Equity Tier 1 capital ratio, transitional rules (%)	10.7	10.0	9.6	9.3	9.4	8.8	9.2	9.2	9.2
Tier 1 capital ratio, transitional rules (%)	11.0	10.6	10.2	9.9	9.9	9.3	9.8	10.0	10.1
Capital ratio, transitional rules (%)	12.6	12.2	11.8	11.8	11.4	11.0	11.7	12.0	12.4
Equity Tier 1 capital ratio, transitional rules, excl. 50 per cent of profit for the period (%)	-	9.6	9.4	9.3	-	8.4	8.9	9.1	-
Tier 1 capital ratio, transitional rules, excl. 50 per cent of profit for the period (%)	-	10.1	9.9	9.8	-	9.0	9.5	9.8	-
Capital ratio, transitional rules, excl. 50 per cent of profit for the period (%)	-	11.7	11.5	11.7	-	10.6	11.4	11.8	-
Risk-weighted volume, Basel II	1 024 645	1 029 025	1 054 388	1 044 412	1 061 772	1 060 777	992 912	946 028	945 175
Minimum capital requirement, Basel II	81 906	82 322	84 351	83 553	84 942	84 862	79 433	75 682	75 614
Equity Tier 1 capital ratio, Basel II (%)	11.3	10.6	10.2	10.1	9.8	9.3	9.9	10.1	10.0
Tier 1 capital ratio, Basel II (%)	11.6	11.2	10.8	10.6	10.4	9.9	10.5	11.0	10.9
Capital ratio, Basel II (%)	13.2	12.9	12.5	12.7	12.0	11.7	12.6	13.2	13.5
Risk-weighted volume, full IRB	959 319	956 724	963 337	965 796	973 948	955 846	877 925	841 087	841 772
Minimum capital requirement, full IRB	76 746	76 538	77 067	77 264	77 916	76 468	70 234	67 287	67 342
Equity Tier 1 capital ratio, full IRB (%)	12.1	11.4	11.2	10.9	10.7	10.4	11.2	11.4	11.3
Tier 1 capital ratio, full IRB (%)	12.4	12.1	11.8	11.5	11.3	11.0	11.9	12.3	12.3
Capital ratio, full IRB (%)	14.1	13.9	13.7	13.7	13.0	13.0	14.2	14.8	15.1
Equity Tier 1 capital ratio, Basel III (%)	12.1	10.8	10.6	-	-	-	-	-	-

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 the 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

RISK-WEIGHTED VOLUME

Use of the IRB approach

DNB uses the IRB approach to calculate capital adequacy for approximately 70 per cent of the Group's credit risk, measured in terms of exposure at default. The table below shows the portfolios this applies to.

REPORTING METHODS FOR CREDIT RISK

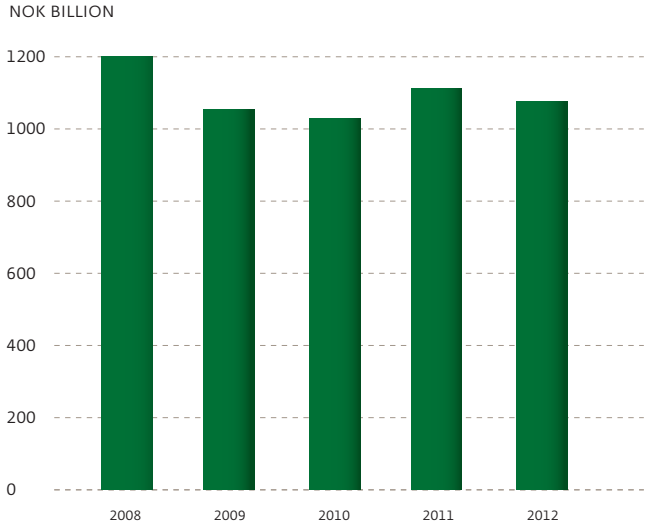
Portfolios	31 Dec. 2012	31 Dec. 2013 [1]
Retail:		
- mortgage loans, DNB Bank and DNB Boligkreditt	IRB [2]	IRB [2]
- qualifying revolving retail exposures, DNB Bank [3]	IRB [2]	IRB [2]
- loans in DNB Finans Norway	IRB [2]	IRB [2]
Corporates:		
- small and medium-sized corporates, DNB Bank	Avansert IRB	Avansert IRB
- large corporate clients (scorecard models), DNB Bank	Avansert IRB	Avansert IRB
- large corporate clients (simulation models), DNB Bank and DNB Næringskreditt	Standard	Avansert IRB
- leasing, DNB Bank	Avansert IRB	Avansert IRB
- corporate clients, DNB Næringskreditt	Avansert IRB	Avansert IRB
Securitisation positions:		
- international bond portfolio, DNB Markets	IRB [1]	IRB [1]
Institutions:		
- banks and financial institutions, DNB Bank	Standard	Avansert IRB
Exceptions:		
- approved exceptions: government and municipalities, equity positions	Standard	Standard
- temporary exceptions: DNB Baltics and Poland, DNB Luxembourg, JSC DNB Bank and various other small portfolios	Standard	Standard

1) According to the implementation plan. Implementation is subject to approval by the financial authorities.
2) There is only one IRB approach for retail exposures and securitisation positions.
3) Reported according to the IRB category Other retail exposures.

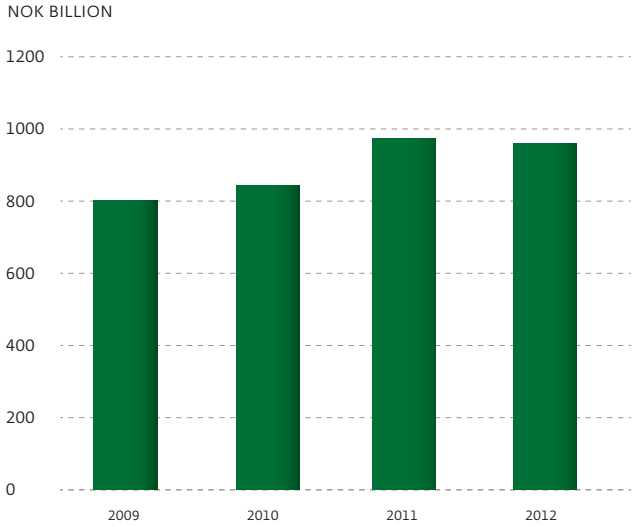
DNB uses the IRB approach to calculate capital adequacy for approximately all mortgages secured by real property. When applying the IRB approach to mortgage loans, the bank's models for expected default frequency, loss given default and exposure at default are used for both internal management purposes and capital adequacy calculations. In the retail market, supervisory approval has been sought in order to apply the IRB approach in2010 for capital adequacy reporting for mortgage loans in the former Nordlandsbanken, which has been merged with DNB.

A large part of the portfolio for small and medium-sized businesses is reported according to the advanced IRB approach. The use of this approach implies that the bank's models for expected default frequency, loss given default, exposure and maturity are used for both internal management purposes and

DEVELOPEMENT IN RISK WEIGHTED ASSETS BASED ON BASEL II UNDER TRANSITIONAL RULES



RISK WEIGHTED ASSETS DNB GROUP, FULL IRB



capital adequacy calculations. In the fourth quarter of 2012, DNB Næringskreditt was granted permission to use the advanced IRB approach. Approval has been sought to use the advanced IRB approach for simulation models in DNB Bank and for corporate loans transferred from Nordlandsbanken. The Group has also applied for permission to use the advanced IRB approach for loans to banks.

DNB Bank ASA reports according to the standardised approach, while some subsidiaries use the basic indicator approach.

A shift to the most advanced reporting standard, Advanced Measurement Approaches, AMA, will be considered at a later date. Market risk can be reported according to the standardised approach or the VaR-based Internal Models Approach. DNB reports according to the standardised approach.

The table below shows specification of risk-weighted volume and capital requirements for DNB Bank ASA, the DNB Bank Group and the DNB Group as at 31 December 2012.

SPECIFICATION OF RISK-WEIGHTED VOLUME AND CAPITAL REQUIREMENTS — DNB BANK ASA

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	789 221	653 936	362 500	29 000	30 291
Specialised Lending (SL)	4 310	4 255	2 400	192	286
Retail - mortgage loans	67 434	67 434	16 698	1 336	1 477
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	1 031 278	878 518	428 251	34 260	34 697
Standardised approach					
Central government	130 152	128 425	92	7	6
Institutions	389 755	343 303	65 280	5 222	5 795
Corporate	246 745	204 915	197 410	15 793	16 807
Specialised Lending (SL)					0
Retail - credit card exposures (QRRE)	18 662	17 397	9 214	737	180
Retail - other exposures	47 432	18 021	13 501	1 080	1 358
Securitisation	53 668	53 668	53 879	4 310	3 229
Other assets	2 836	2 836	2 836	227	310
Total credit risk, standardised approach	889 250	768 566	342 213	27 377	27 686
Total credit risk	1 920 529	1 647 085	770 464	61 637	62 383
Market risk					
Position risk, debt instruments			40 668	3 253	3 057
Position risk, equity instruments			1 295	104	95
Currency risk			0	0	0
Commodity risk			63	5	0
Total market risk			42 026	3 362	3 151
Operational risk			63 133	5 051	4 616
Deductions			(783)	(63)	(168)
Total risk-weighted volume and capital requirements before transitional rule			874 840	69 987	69 983
Additional capital requirements according to transitional rules			0	0	0
Total risk-weighted volume and capital requirements			874 840	69 987	69 983

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.

SPECIFICATION OF RISK-WEIGHTED VOLUME AND CAPITAL REQUIREMENTS

DNB BANK 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	148 205	117 786	27 516	2 201	2 081
Corporate	336 492	259 009	242 764	19 421	22 576
Specialised Lending (SL)					0
Retail - credit card exposures (QRRE)	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	2 914	2 914	3 124	250	276
Securitisation	4 632	4 632	856	69	143
Other assets	10 051	10 051	10 051	804	920
Total credit risk, standardised approach	755 813	625 108	335 206	26 816	30 537
Total credit risk	2 323 157	2 039 358	822 663	65 813	69 435
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			71 753	5 740	5 309
Deductions			(1 410)	(113)	(214)
Total risk-weighted volume and capital requirements before transitional rule			933 244	74 660	77 458
Additional capital requirements according to transitional rules [2]			50 892	4 071	4 029
Total risk-weighted volume and capital requirements			984 137	78 731	81 487

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.

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
Other retail	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
Specialised Lending (SL)					0
Retail - mortgage loans	53 391	51 059	27 368	2 189	1 674
Other retail	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, equity instruments			38 881	3 110	95
Position risk, debt instruments			1 295	104	2 833
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.

DEVELOPMENT IN CAPITAL REQUIREMENTS

DNB GROUP

Amounts in NOK million	31 Dec. 2012	30 Sept. 2012	30 June 2012	31 March 2012	31 Dec. 2011	30 Sept. 2011	30 June 2011	31 March 2011	31 Dec. 2010
IRB approach									
Corporate	29 417	29 861	30 710	29 773	30 453	29 113	25 504	25 102	25 103
Specialised Lending (SL)	192	180	306	289	286	166	133	124	117
Retail - mortgage loans	5 655	5 629	5 522	5 480	5 515	5 407	4 981	4 861	4 533
Retail - other exposures	1 839	2 000	1 983	1 977	1 891	1 869	1 813	1 778	1 778
Securitisation	1 893	853	775	704	752	827	778	649	735
Total credit risk, IRB approach	38 997	38 522	39 296	38 223	38 898	37 382	33 209	32 514	32 266
Standardised approach									
Central government	10	9	14	5	10	4	4	2	146
Institutions	2 040	1 888	1 858	2 108	1 922	2 050	1 781	1 919	1 783
Corporate	19 227	19 399	20 634	20 095	22 278	22 305	21 134	19 548	19 607
Specialised Lending (SL)	0	0	0	0	0	0	0	0	476
Retail - mortgage loans	2 189	1 818	1 861	1 665	1 674	1 613	1 507	1 331	1 294
Retail - other exposures	1 872	2 781	3 046	2 825	2 857	2 605	2 530	2 295	2 474
Securitisation	69	94	117	109	143	81	89	101	117
Other assets	758	1 102	893	993	901	999	874	642	688
Total credit risk	65 423	65 939	67 957	66 261	68 971	67 363	61 377	58 721	59 224
Market risk									
Position risk, debt instruments	3 110	3 071	2 869	3 539	2 833	3 056	3 260	2 340	2 429
Position risk, equity instruments	104	98	91	96	95	46	43	40	37
Currency risk	0	0	0	0	0	0	162	146	0
Commodity risk	5	-	-	-	-	-	-	-	-
Total market risk	3 219	3 168	2 960	3 635	2 928	3 102	3 464	2 525	2 466
Operational risk	5 793	5 386	5 386	5 386	5 386	4 956	4 956	4 956	4 956
Net insurance, after eliminations	7 563	7 868	8 094	8 319	7 708	9 498	9 704	9 520	9 008
Deductions	(27)	(39)	(45)	(47)	(50)	(56)	(38)	(39)	(39)
Total risk-weighted volume and capital requirements before transitional rule	81 972	82 322	84 351	83 553	84 942	84 862	79 462	75 683	75 614
Additional capital requirements according to transitional rules	4 082	5 066	4 959	6 387	3 984	5 249	5 725	7 477	6 658
Total capital requirements	86 054	87 388	89 310	89 940	88 926	90 111	85 187	83 160	82 272

CREDIT RISK

DEVELOPMENTS IN CREDIT RISK IN 2012

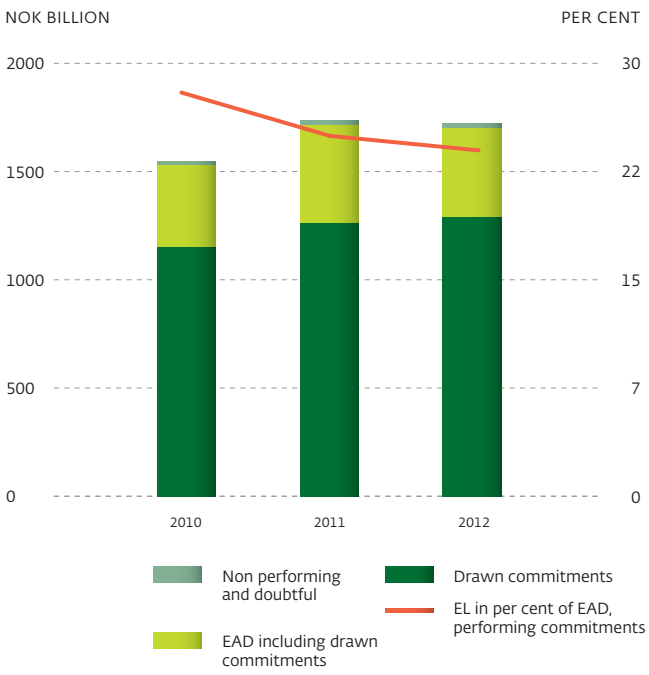
The risk-adjusted capital requirement for credit risk declined by NOK 7.5 billion in 2012, reflecting a reduction in volumes in the corporate customer segments. In terms of exposure at default (EAD), there was an overall decline of NOK 16 billion for total credit operations, excluding banks and Markets. There was a NOK 66 billion decline in the large corporate segment. NOK 21 billion of the decline was attributable to the strengthening of the Norwegian krone.

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 expectations of 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.

CREDIT VOLUME (EAD) IN BILLION KRONER AND EXPECTED LOSS (EL)



GENERAL INFORMATION ABOUT 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 refers to all claims against counterparties or customers, including credit risk in trading operations, country risk and settlement risk. The credit portfolio includes loans, liabilities in the form of other extended credits, guarantees, leasing, factoring, interest-bearing securities, approved, undrawn credits, as well as counterparty risk arising through derivatives and foreign exchange contracts. Settlement risk arises in connection with payment transfers as not all transactions take place in real time.

MANAGEMENT AND MEASUREMENT OF CREDIT RISK

According to the group guidelines for credit activity, approved by the Boards of Directors of DNB ASA and DNB Bank ASA in May 2012, the principal objective for credit activity is that the loan portfolio should have a quality and a composition which secure the Group's profitability in the short and long term. The quality of the credit portfolio should be consistent with The customer's debt servicing capacity will be 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. The value of collateral should be assessed based on estimated realisation value. The portfolio should be sufficiently flexible and liquid to permit sales, syndication and securitisation of credits and the use of credit derivatives.

Credit operations must comply with business, credit and industry strategies approved by the Board of Directors. According to DNB's corporate social responsibility guidelines, DNB has undertaken not to offer products and services or perform acts representing a material risk of involvement in unethical conduct, infringement of human or labour rights, corruption or harm to the environment.

The Group aims to reduce large risk concentrations, whereby significant changes in one or a few risk drivers may markedly affect the Group's profitability. Risk concentrations include large exposures to a customer or customer group as well as clusters of commitments in high-risk classes, industries and geographical areas. Credit exposure within shipping and commercial property is monitored closely.

The Group is in the process of implementing a new risk management tool, risk appetite (see chapter 2), which entails maximum limits for the bank's exposure to individual industries, thus aiming to reduce risk concentrations, especially in volatile industries. The risk appetite framework also includes target figures for maximum statistically expected annual losses in the credit portfolio, which will be measured and followed up on an ongoing basis.

Credit approval authorisations are personal and graded on the basis of customers' risk class. For large credits, there is a two-layered decision-making procedure where credit approval authority rests with the business units while final credit approval requires endorsement by a credit officer who is organisationally independent of the business units. Credits showing a negative development are identified and followed up separately.

All corporate customers granted credit must be classified according to risk in connection with every significant credit approval and, unless otherwise decided, at least once a year. In the personal banking market, where there is a large number of customers, the majority of credit decisions should be made on the basis of automated scoring and decision support systems. Risk classification should reflect long-term risk associated with each customer and the customer's credit commitment.

The unit responsible for the classification system is organisationally independent of the operative units. The classification models have been developed to cover specific loan portfolios. If the model applied is considered to place a loan in a highly misleading risk class, the generated class may be overridden by a unit which is independent of the operative units, based on a recommendation from the business areas. All overrides must be well founded and be made only in exceptional cases based on a thorough assessment. The effect of overrides is tested by an independent unit once a year.

The risk classification systems are used as decision support, risk monitoring and reporting. The risk parameters used in the classification systems are an integrated part of the credit process and ongoing monitoring, including the follow-up of credit strategies.

Detailed rules are in place for the use and monitoring of collateral, including guidelines for the valuation of various pledged assets and guarantees. Such valuations are part of credit decisions and are reviewed in connection with the annual renewal of the commitments. A procedure has been established for the periodic control of collateral

Credit risk is monitored by following developments in risk parameters, migration and distribution over the various risk classes. Developments in risk concentrations are monitored closely with respect to exposure, risk classes and allocated risk-adjusted capital. Large customers and customer groups are followed up based on risk class and allocated risk-adjusted capital. In the corporate segment, all commitments which are considered to require special follow-up during the credit approval process are identified. This ensures management attention and follow-up.

The models' calculations of estimated probability of default should show the average probability of default during a business cycle. This implies that the models overestimate the credit risk during a period of strong economic expansion and underestimate the credit risk during a recession. Consequently, stress testing is also used to assess the effects of a recession on capital requirements. The stress tests should identify possible future changes in economic conditions which could have a negative impact on the Group's credit exposure and ability to withstand such changes. These assessments are taken into account in the Group's risk and capital assessment process to determine the correct level of capital.

Risk-adjusted capital for credit risk is aggregated based on individual loans, where each loan is classified with respect to quality in the form of expected default frequency and the amount of loss experienced in the event of default. The portfolio classification provides a basis for statistically based calculations of normalised losses and risk-adjusted capital. Calculations of risk-adjusted capital include the effect of industry concentrations, diversification effects and large exposures.

The DNB Group has extensive experience with classification systems as support for credit decisions and monitoring. Data and analytical tools are an integrated part of risk management.

The Group's credit risk models provide a basis for statistically based calculations of expected losses in a long-term perspective and risk-adjusted capital in a portfolio perspective. The calculations are based on several risk parameters, with the most important being:

- Probability of default, PD, is used to measure quality. Customers are classified based on the probability of default.
- Exposure at default, EAD, is an estimated figure which includes amounts drawn under credit limits or loans as well as a percentage share of committed, undrawn credit lines.
- Loss given default, LGD, indicates how much the Group expects to lose if the customer fails to meet his obligations, taking the collateral provided by the customer and other relevant factors into consideration.

DNB's models for risk classification of customers are subject to continual improvement and testing. The models are adapted to different industries and segments and are regularly upgraded to ensure that the variables used in the models have high explanatory power at all times based on key risk drivers for the individual parameters included in the models. If an external rating has been given, such rating may be taken into consideration when classifying individual commitments. The classification of institutional and country risk is based on classifications by external rating agencies.

COLLATERAL AND OTHER RISK-MITIGATING MEASURES

In addition to extensive processes for credit assessment and monitoring of the loans, 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.

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. 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.

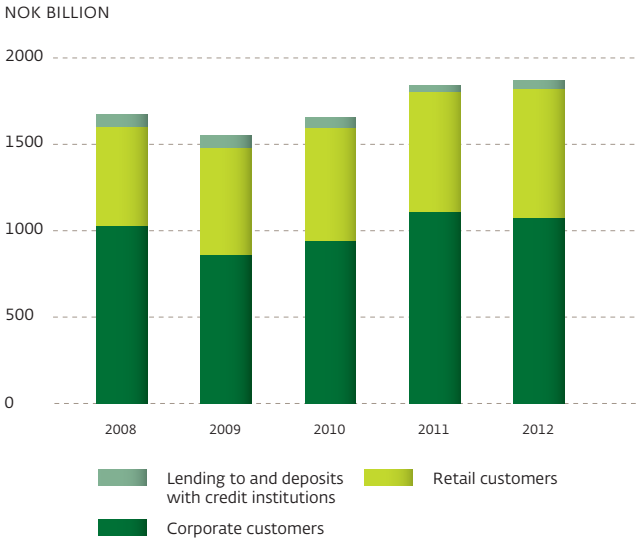
In order to reduce risk concentrations, limits have also been established for exposure to individual segments.

Loans 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.

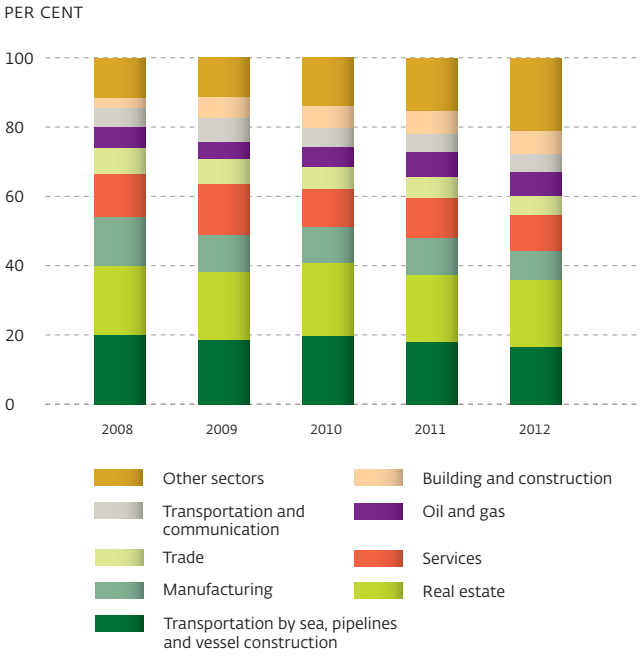
OVERVIEW OF CREDIT EXPOSURES

The tables below show the Group's total credit exposure according to sector. The breakdown into principal sectors is based on standardised sector and industry categories set up by Statistics Norway. More detailed information can be found in the Pillar 3 attachment.

COMMITMENTS FOR PRINCIPAL CUSTOMER GROUPS

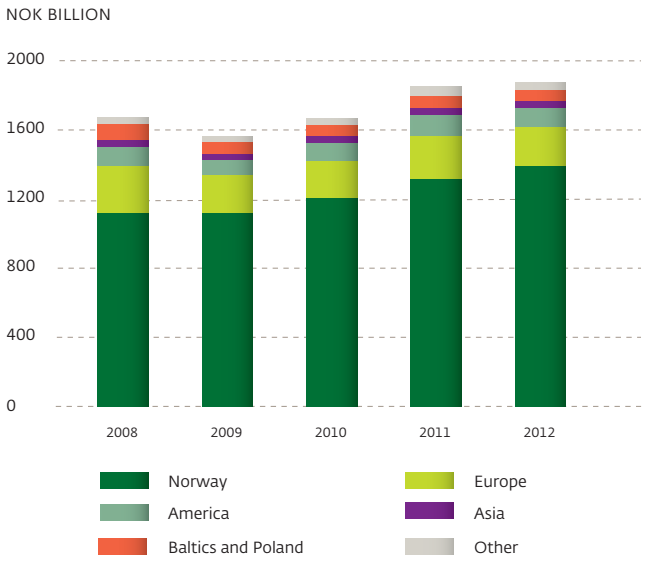


COMMITMENTS FOR CORPORATE CUSTOMERS BY SECTOR



The table below shows the Group's total credit exposure according to geographical location. The breakdown into geographical locations is based on the customer's address. More detailed information can be found in the Pillar 3 attachment.

COMMITMENTS ACCORDING TO GEOGRAPHICAL LOCATION



TOTAL COMMITMENTS ACCORDING TO RESIDUAL MATURITY 2012 DNB GORUP

Time to maturity *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	31 Dec. 2012 Total
Lending to and deposits with credit institutions	16 649	11 181	2 247	7 069			37 146
Net lending to customers	151 903	82 100	60 710	238 902	766 628	(2 321)	1 297 922
Unutilised credit lines under 1 year							309 704
Unutilised credit lines over 1 year							185 462
Guarantees							93 743

TOTAL COMMITMENTS ACCORDING TO RESIDUAL MATURITY 2011 DNB GORUP

Time to maturity *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	31 Dec. 2011 Total
Lending to and deposits with credit institutions	14 741	5 645	5 896	2 393	125		28 800
Net lending to customers	213 708	109 709	78 904	165 562	714 930	(2 119)	1 280 694
Unutilised credit lines under 1 year							275 428
Unutilised credit lines over 1 year							246 309
Guarantees							96 565

NON-PERFORMING LOANS AND IMPAIRMENT

On each balance sheet date, the Group will consider whether there are objective indications that the financial assets have decreased in value. Objective indications of a decrease in value of loans 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. The renegotiation of loan terms to ease the borrower's position is regarded as objective indications of a decrease in value.

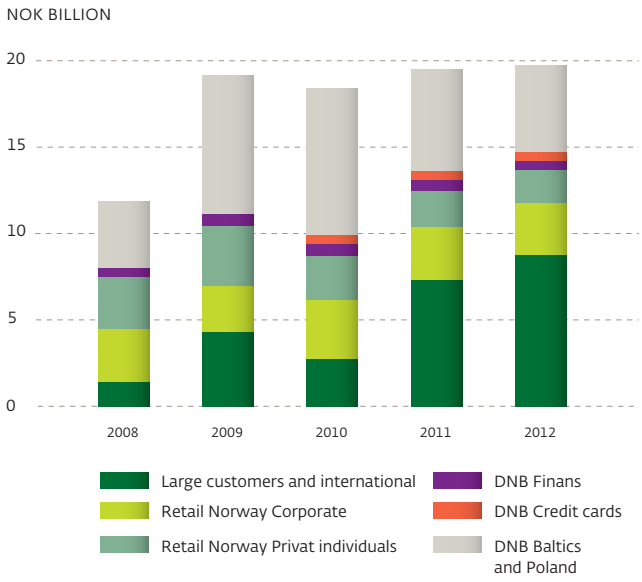
Impairment of other financial assets is recognised in the income statement according to the nature of the asset.

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. Estimates of future cash flows are based on empirical data and discretionary assessments of future macroeconomic developments and developments in problem commitments, based on the situation on the balance sheet date. The estimates are the result of a process, which involves the business areas and central credit units and represents management's best estimate. When considering 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.

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 in the balance sheet. Changes in the assessed value of loans during the period are recorded under "Impairment of loans and guarantees".

NET NON-PERFORMING AND DOUBTFUL LOANS AND GUARANTEES BY BUSINESS AREA



Loans and other commitments where payment terms are not complied with are classified as non-performing, unless the situation is considered temporary. Loans are classified as non-performing no later than 90 days past the formal due date. Guarantees are considered to be defaulted once a claim has been made against the bank. Loans, guarantees etc. classified as high risk, without being in default, are subject to special monitoring and loss risk assessment.

Loans which have not been individually evaluated for impairment, are evaluated collectively in groups. Loans which have been individually evaluated, but not written down, are also evaluated in groups. The evaluation is based on objective evidence of a decrease in value that has occurred on the balance sheet date and can be related to the group.

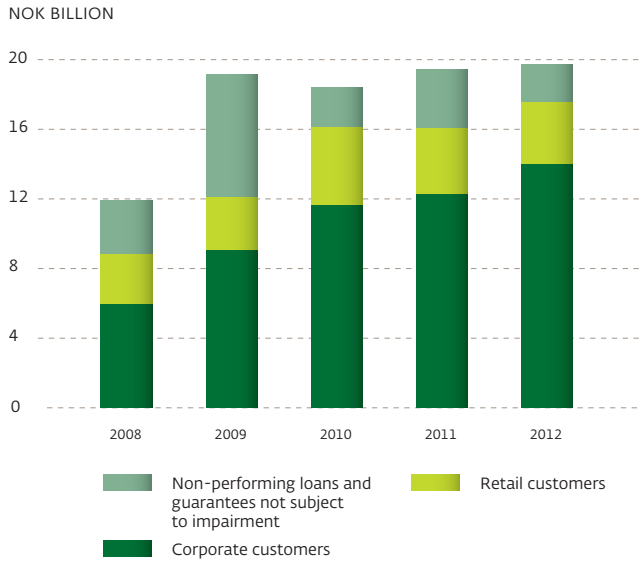
Loans are grouped on the basis of similar risk and value characteristics in accordance with the division of customers into main sectors or industries and risk categories. The need for impairment is estimated per customer group based on estimates of the general economic situation and loss experience for the respective customer groups. 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, and developments in housing prices and in shipping freight rates. The economic indicators that are used show a high level of correlation with past impairment.

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

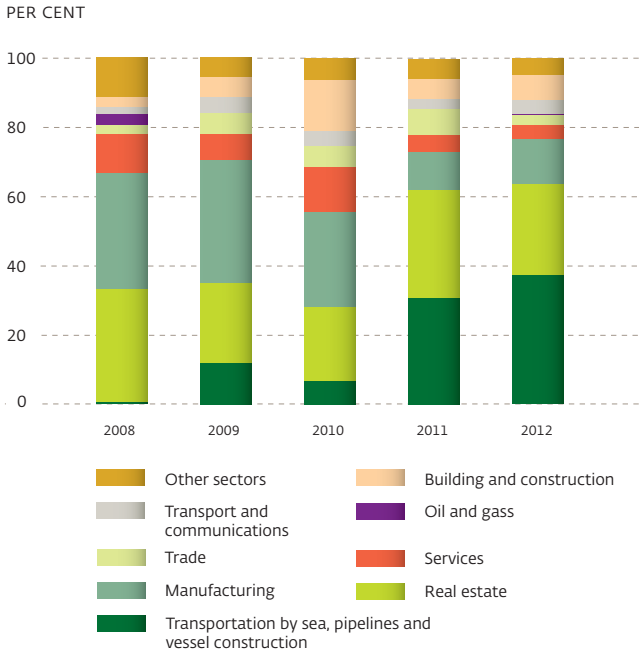
Net non-performing and doubtful loans and guarantees totalled NOK 19.7 billion at end-December 2012, a slight increase from NOK 19.5 billion at year-end 2011. Relative to total loans, the level of net non-performing and doubtful loans and guarantees was unchanged at 1.5 per cent.

The tables below show the Group's loan categories on and off the balance sheet and according to sector and geographical location. The breakdown into sectors is based on standardised sector and industry categories set up by Statistics Norway, while the breakdown into geographical locations is based on the customer's address. More detailed information can be found in the Pillar 3 attachment.

NET NON-PERFORMING AND DOUBTFUL LOANS AND GUARANTEES BY PRINCIPAL CUSTOMER GROUPS



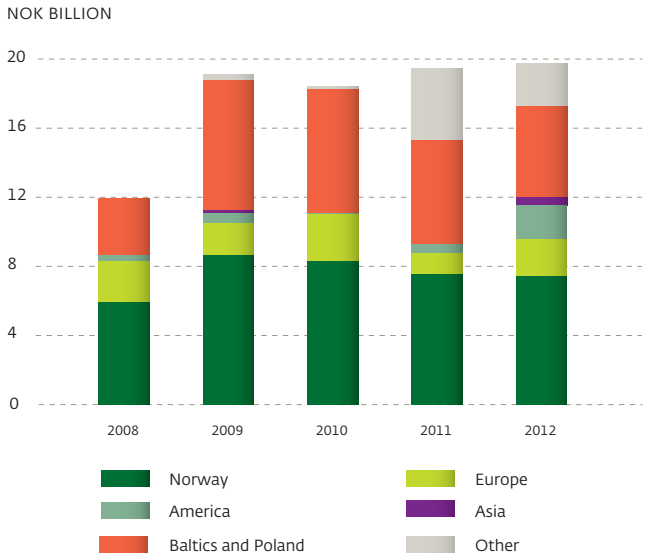
NET NON-PERFORMING AND DOUBTFUL LOANS AND GUARANTEES CORPORATE CUSTOMERS BY SECTORS



In the personal customer markets, the portfolios in the Baltics and Poland represent 41 per cent of net non-performing and impaired loans and guarantees.

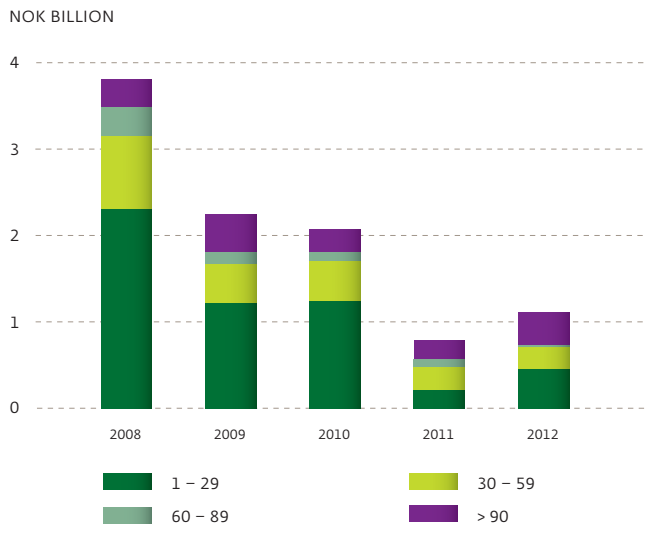
The table below shows net non-performing and impaired loans and guarantees according to geographical location. The breakdown into geographical locations is based on the customer's address. More detailed information can be found in the Pillar 3 attachment.

NET NON-PERFORMING AND DOUBTFUL COMMITMENTS ACCORDING TO GEOGRAPHICAL LOCATION



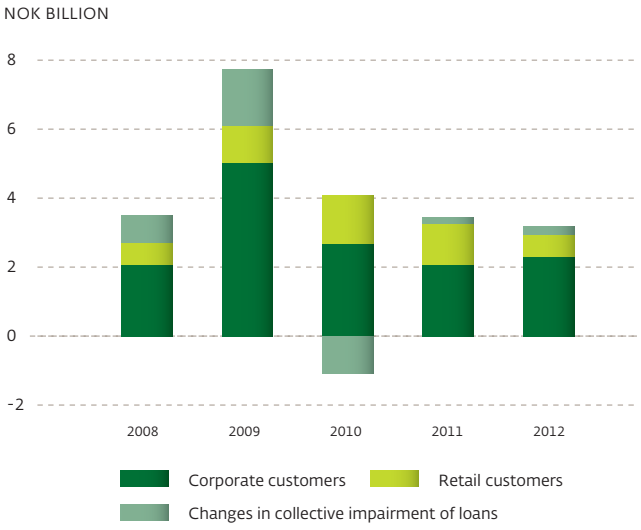
The table shows past due, performing loans. More detailed information can be found in the Pillar 3 attachment.

PAST DUE LOANS NOT SUBJECT TO WRITE-DOWNS, NUMBER OF DAYS

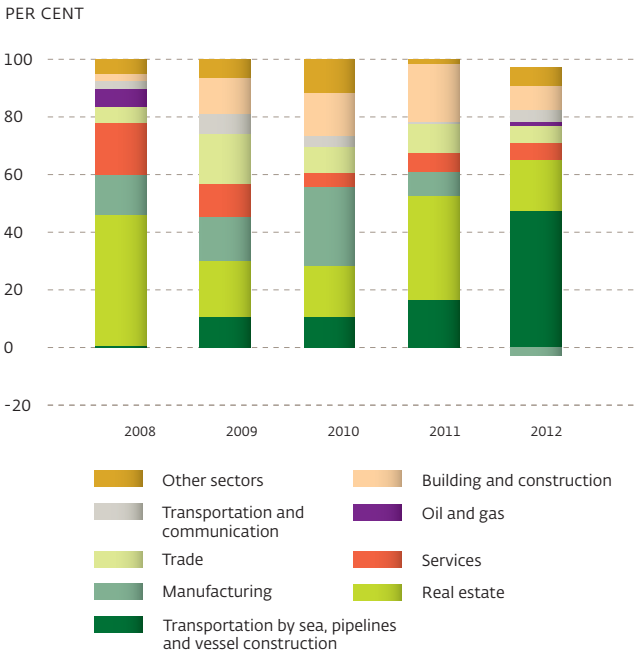


The table below shows impairment of loans and guarantees according to sector. The breakdown into principal sectors is based on standardised sector and industry categories set up by Statistics Norway.

NET IMPAIRMENT BY PRINCIPAL CUSTOMER GROUPS



NET IMPAIRMENT CORPORATE CUSTOMERS BY SECTOR



The table below shows impairment of loans and guarantees in the balance sheet and income statement of the DNB Group and impairment in the income statement for principal sectors.

BALANCE

DNB GROUP

	2012				2011			
Amounts in NOK million	Loans to credit institutions	Loans to customers	Guarantees	Total	Loans to credit institutions	Loans to customers	Guarantees	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

INCOME STATEMENT

DNB GROUP

	2012			2011		
Amounts in NOK million	Loans [1)]	Guarantees	Total	Loans [1)]	Guarantees	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 write-downs on loans at fair value.*

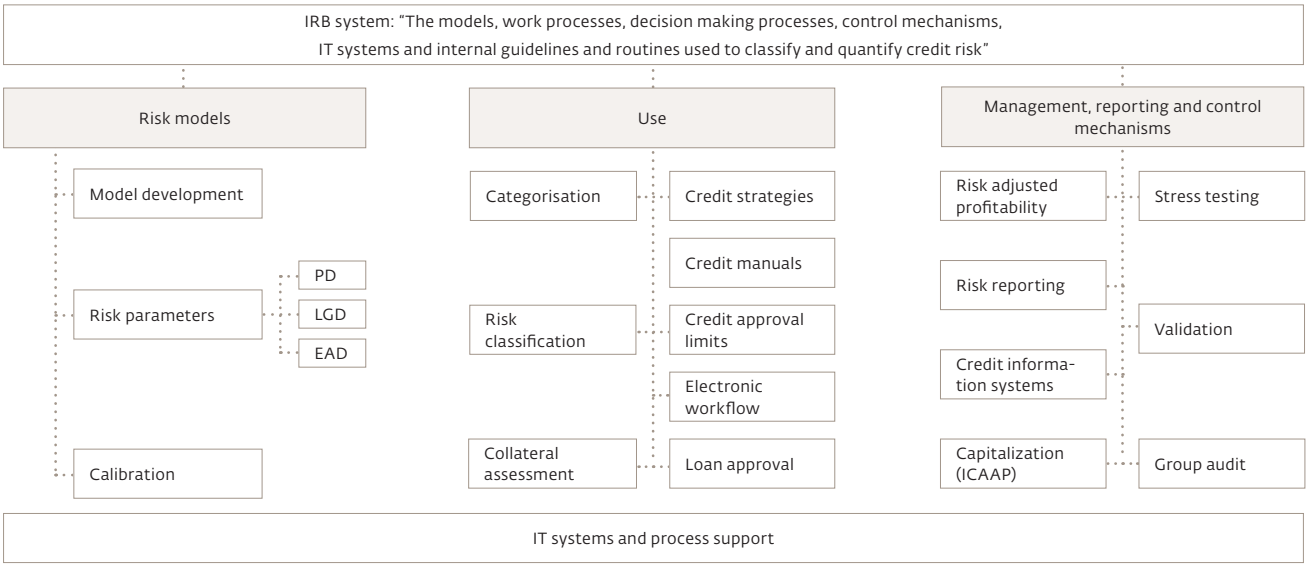
IRB SYSTEM

The estimated capital requirements for the portfolios reported according to the IRB approach are shown in tables on pages 19 and 20.

The principle diagram below shows the extensive nature of the IRB regime. The aim is to ensure that the capital adequacy requirements for banks are adequately fulfilled. To succeed, quality and transparency must be secured throughout the value chain up until the Board of Directors' stipulation of a satisfactory level of capitalisation for operations. This value chain comprises both quantitative risk measurement systems, high-quality administrative processes generating data for the quantitative risk estimates and requirements to ensure that the organisation integrates and uses this data at all relevant organisational levels. The Group's Board of Directors assesses the capital adequacy requirement on the basis of risk measurements and an overall evaluation of external parameters and business and strategic targets. All elements in the value chain must be validated with respect to whether the authorities' requirements and internal quality requirements have been met. The validation will thus both verify the adequacy of the system and reveal improvement needs.

Use of the Group's own calculations of risk parameters in capital adequacy reporting is part of the IRB system, 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. The IRB system thus affects a major part of the Group's operations, also across business areas and support and staff units. Extensive efforts have been made over a number of years to establish the IRB system. In addition, the bank has long and extensive experience from the use of risk models and systems and maintains sound credit control. The introduction of the IRB system has contributed to better credit risk management through improved follow-up systems.

Validation is a key element in assuring the quality of DNB's IRB system and can be divided into quantitative and qualitative validation. The quantitative validation tests the risk models, while the qualitative validation tests the design of the IRB system and whether the system is used as intended. Group Audit prepares an annual IRB compliance report specifying whether the IRB requirements are met. The report is considered by the bank's Board of Directors. In addition, Group Audit audits the IRB system on a regular basis during the year.



Classification and quantification

The bank divides its portfolio into ten risk classes based on the probability of default for each commitment. All credit clients are risk classified before any credit decision is made. In addition, all credit exposures should be classified at least once a year. Credits that are considered to be doubtful are given risk class 11, while exposures that are overdue more than 90 days are classified as risk class 12. In both cases, the exposures are categorised as non-performing and assigned a probability of default of 100 per cent.

Relationship between risk classes and probability of default

DNB'S RISK CLASSIFICATION [1)]

	Probability of default (per cent)		External rating	
Risk class	From PD	To PD	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	40.00	B3, Caa/C	B-, CCC/C

1) Based on DNBs risk classification system, 1 is the lowest and 10 the highest.

For the Basel II capital calculation, the lowest permissible PD is 0.03 per cent for each risk class, excluding commitments with governments.

MODELS USED FOR PORTFOLIOS WITH IRB APPROVAL AS OF DECEMBER 2012

Commitment category	Customer segment	Risk models		
Residential mortgage exposure	Residential mortgage financing	PD RM Application	EAD RM	LGD RM
		PD RM Behavior		
Other Retail	Other retail exposure within DNB Finans	PD Application/Behavior	EAD-DNB Finans	LGD-DNB Finans
	Qualifying Revolving Retail Exposure	PD Application	EAD QRRE	LGD QRRE
		PD Behavior		
Corporates	Limited companies with turnover < 1000 MNOK. Property companies with a balance sheet < 200 MNOK	PD SME	EAD SME/GP/SP	LGD SME/GP/SP
	General Parnterships with commitment < 50 MNOK	PD GP		
	Sole Proprietorship with commitment < 20 MNOK	PD SP		
	Limited companies with turnover < 1000 MNOK. Property companies with with a balance sheet < 200 MNOK. Exposure in DNB Finans	PD SME	EAD SME/SP	LGD SME/SP
	Sole Proprietorship with commitment < 5 MNOK. Exposure in DNB Finans	PD SP		
	Large Corporates with a turnover > 1000 MNOK	PD GC	EAD LC	LGD GC
	Shipping General Corporates (SPV's excl.)	PD SGC		LGD SGC
	Leveraged Buyouts (LBO)	PD LBO		LGD LBO

DNB's IRB models are calibrated to cover all stages of the business cycle. For most segments and product groups, losses for the period 1991-2012 have thus been registered. The most serious banking crisis in Norway in modern history took place during the 1988-1993 period. Thus, DNB has registered default frequencies and the level of losses for parts of this period (1991-1993) to enable weighting of the effect of such crisis periods in the calibration of long-term default frequencies and losses during an economic downturn. In the calibration of DNB's PD models, the default frequency during this period is weighted 10 per cent based on the expectation that such crises occur every sixtieth year and last for six years. The calibration of the LGD models to economic downturns are based primarily on loss levels during this period. For some segments and product groups, adjustments have been made for significant changes in the Group's credit strategy and range of products.

Validation

In accordance with Section 48-1 (3) of the capital adequacy regulations and DNB's validation guidelines, a validation report should be presented to the Board of Directors at least once a year as a basis for assessing whether the Group's credit risk is adequately classified and quantified.

The quantitative validation includes tests of the models' ranking power/discriminatory power, ability to determine the correct level (calibration) of risk parameters and the stability of the risk parameters.

With respect to ranking power, the PD model's ability to differentiate between "bad" customers (customers with a high probability of default) and "good" customers (customers with a low probability of default) is tested, along with its ability to make the correct ranking. A measure of explanatory power called ROC[2)] is used for the PD models, expressed in per cent.

DNB's minimum explanatory power requirement is 70 per cent in the retail market and 75 per cent for corporate customers. In comparison, a random model would have a ROC of 50 per cent, while a perfect model would have had a ROC of 100 per cent.

With respect to loss given default (LGD), DNB has implemented methods to test the models' ability to distinguish between non-performing customers with a high LGD and non-performing customers with a low or no LGD in order to give them the correct ranking.

With respect to calibration, tests are implemented to assess whether probability of default (PD), exposure at default (EAD) and loss given default (LGD) are at the right levels. The criterion is that predicted values are consistent with observed outcomes or that the deviations are anticipated and/or acceptable based on the relevant stage of the business cycle.

In order to assess the calibration of the PD models, a binomial test is used. This test is carried out for each risk class and compares the observed default frequency with the probability expected under a binominal distribution for a given PD. The test answers the following question: "If our predicted PD for the risk class is correct, what is the probability that the number of observed cases of default will materialise?" Since the predicted default frequency should express observations during a full economic cycle, the tests are based on all available observation periods for the individual model/portfolio. However, the results should be treated with care, as PD should reflect the expected average default frequency during a full economic cycle. In practice, the model is thus expected to show a too high PD relative to observed values in good times and vice versa during less favourable periods.

In order to assess the calibration of the LGD models, a

2) Receiver Operating Characteristic (ROC) is a methodology which is frequently used to test explanatory power. The most relevant measures are the ROC curve and the area under the ROC curve. A ROC curve can be drawn by scoring and ranking good customers from the lowest to the highest score along the x-axis as a share between 0 and 1 of all good customers. For each good customer, the share of bad customers which are excluded, i.e. ranked lower than the good customer, is plotted on the y-axis. The ROC curve thus answers the following question: "how high share of good customers must be excluded in order to exclude a given share of the bad customers?"

comparison is made between the predicted and the observed LGD (both number-weighted and volume-weighted) in intervals to assess the difference between the average predicted and the average observed LGD. Based on validation results for a number of years, the average observed LGD should ideally be well below the upper limit for the intervals and not exceed this limit during an economic downturn, as LGD should reflect the loss ratio during a downturn.

The predicted EAD should also reflect an economic downturn if this is more conservative than the average exposure during a business cycle

In order to identify systematic variations in the observed default frequency and the observed loss given default, a macroeconomic model has been developed to be used as support when assessing the level of observed default in light of the economic situation.

In the qualitative validation, both the design of the IRB system and the IRB process are tested. When validating the design of the IRB system, the assumptions underlying the IRB models are reviewed, including the development of the classification method, data quality and the stability of the classification system. Furthermore, checks are carried out to make sure that the IRB system is used as intended. Testing of how the risk models are used in decision-making processes and external reporting is thus an important part of the qualitative validation.

Definition of non-performing loans

A loan should be defined as non-performing if a claim is more than 90 days overdue, the overdue amount exceeds NOK 2 000 and the event of default is not due to delays or incidental factors on the part of the counterparty. A loan should also be classified as non-performing if the bank:

- due to a weakening of the counterparty's creditworthiness records impairment losses representing a not insignificant amount.
- due to a weakening of the counterparty's creditworthiness sells a claim at a reduced price and the reduction represents a not insignificant amount.
- agrees on changes in terms due to the counterparty's payment problems, and this must be considered to reduce the value of the cash flow by a not insignificant amount
- expects that debt settlement or bankruptcy proceedings will be opened against the counterparty or that the counterparty will be placed under administration
- does not expect the obligations to be met for other reasons.

The above definitions apply in both the retail and corporate markets. However, the 90-day rule applies for segments where no individual assessments are made.

Guarantees are considered to be defaulted once a claim has been made against the bank.

CREDIT RISK EXPOSURES, KEY FIGURES AND MODEL PERFORMANCE FOR THE IRB PORTFOLIOS

Risk parameters versus actual outcome

Numbers for 2012 will be available from second quarter 2013.

PD MODELS

Amounts in per cent	2008		2009		2010		2011	
	Predicted	Observed	Predicted	Observed	Predicted	Observed	Predicted	Observed
Small and medium-sized limited corporations	1.83	2.06	1.84	2.52	2.22	2.49	1.99	2.36
One-man businesses	2.33	1.88	2.21	1.56	3.62	1.89	2.87	1.93
General partnerships	2.60	1.34	1.84	1.76	2.41	1.85	1.59	1.64
Other retail - Residential mortgage financing	0.80	0.34	0.77	0.46	0.65	0.36	0.62	0.27
Other retail – Revolving credit					2.24	1.70	2.16	1.34
Other retail – Exposures within DNB Finans					2.74	1.74	2.57	1.86
Large corporates					1.92	0.94	1.59	0.42

EAD MODELS

Amounts in per cent	EAD-measures	2008	2009	2010	2011
Small and medium-sized limited corporations	Observed/predicted EAD	89.3	82.0	77.6	78.1
	Acceptance ratio			47.4	67.2
One-man businesses	Observed/predicted EAD	89.3	82.0	77.6	78.1
	Acceptance ratio			36.6	58.3
General partnerships	Observed/predicted EAD	89.3	82.0	77.6	78.1
Other retail - Residential mortgage financing	Observed/predicted EAD		97.8	96.9	96.2
	Acceptance ratio	93.4	94.7	93.1	94.5
Other retail – Revolving credit	Observed/predicted EAD			95.5	95.7
Other retail – Exposures within DNB Finans	Acceptance ratio			44.1	59.3

LGD MODELS

	2009		2010		2011	
Amounts in per cent	Predicted	Observed	Predicted	Observed	Predicted	Observed
Small and medium-sized limited corporations	30.4	19.7	31.8	20.6	31.2	20.9
One-man businesses	23.0	9.1	24.7	9.6	24.0	16.4
General partnerships	23.3	8.1	32.4	26.3	24.9	10.1
Other retail - Residential mortgage financing			16.4	8.6	15.1	9.6
Other retail – Revolving credit			39.0	33.5	46.4	31.8
Other retail – Exposures within DNB Finans			25.2	17.9	27.8	28.7
Large corporates			29.5	8.8	27.7	8.9

Actual value adjustments

The table shows a comparison between expected losses in the healthy portfolio at the beginning of the year and new impairment losses recorded during the year for approved IRB portfolios.

ACTUAL VALUE ADJUSTMENTS

	Total		Retail mortgage loans		Other retail		Corporates		Corporates, SL	
Amounts in NOK million	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012
Expected loss(EL), year-start	2 909	3 064	405	504	470	458	2 028	2 089	7	12
Expected loss(EL), year-start,% of performing portfolio	0.25%	0.24%	0.08%	0.09%	0.71%	0.63%	0.35%	0.31%	0.31%	0.16%
Write-downs, year-end	2 021	1 780	131	126	224	252	1 666	1 403	-	-
Write-downs, year-end,% of year-start performing portfolio	0.18%	0.14%	0.03%	0.02%	0.34%	0.34%	0.29%	0.21%	-	-

Total exposure for approved IRB portfolios

The table below shows exposure at default (EAD) for the retail market and corporate portfolios according to risk category. In addition, loss ratios and conversion factors are shown, calculated according to internal models. The LGD ratio is a calculation of expected losses at default. The conversion factor (CF) indicates how much of the credit risk represents unpaid amounts on, for example, undrawn credit lines, loans and guarantees. This factor is used to estimate the expected utilisation of a given limit at the time of default.

TOTAL EXPOSURE FOR APPROVED IRB PORTFOLIOS

	Retail, mortgage loans					Other retail				
	Unutilesed credit lines	Credit conversion factor	EAD	Loss given default	Risk weigth	Unutilesed credit lines	Credit conversion factor	EAD	Loss given default	Risk weigthed volume
Grade 1										
Grade 2	21 250	100%	215 839	13%	5%	46 622	71%	41 945	33%	13%
Grade 3	11 583	100%	156 110	13%	9%	6 891	76%	11 015	34%	21%
Grade 4	3 755	100%	63 822	14%	13%	3 075	79%	6 010	35%	30%
Grade 5	4 893	100%	82 117	14%	18%	2 606	77%	5 447	34%	37%
Grade 6	2 047	100%	39 762	14%	25%	1 885	78%	4 186	36%	47%
Grade 7	601	100%	15 543	15%	36%	1 575	79%	3 135	36%	52%
Grade 8	209	100%	6 433	15%	47%	1 414	83%	3 448	36%	55%
Grade 9	57	100%	1 756	15%	58%	353	85%	1 433	35%	57%
Grade 10	12	100%	498	16%	79%	987	85%	3 854	39%	86%
Grade 11	1	100%	86	21%	110%	16	77%	108	45%	124%
Grade 12	18	100%	1 902	21%	138%	318	86%	1 480	38%	120%

TOTAL EXPOSURE FOR APPROVED IRB PORTFOLIOS

	Corporate					Specialised Lending (SL)				
	Unutilesed credit lines	Credit conversion factor	EAD	Loss given default	Risk weigth	Unutilesed credit lines	Credit conversion factor	EAD	Loss given default	Risk weigthed volume
Grade 1	55 776	55%	48 150	29%	14%	0	-	1 616	49%	28%
Grade 2	80 970	59%	88 803	30%	28%					
Grade 3	60 601	63%	110 935	25%	34%	2	0%	808	28%	48%
Grade 4	45 197	60%	106 847	26%	47%					
Grade 5	37 090	67%	106 618	27%	59%	131	60%	1 176	46%	101%
Grade 6	29 387	69%	103 825	27%	67%	16	100%	655	19%	57%
Grade 7	10 780	75%	42 943	26%	72%					
Grade 8	5 199	68%	29 563	28%	85%					
Grade 9	2 107	66%	10 750	29%	103%					
Grade 10	1 710	72%	8 506	30%	130%					
Grade 11										
Grade 12	618	49%	16 297	22%	234%					

The table below shows risk weights for the IRB portfolio per industry. The breakdown is based on standardised sector and industry categories set up by Statistics Norway .

IRB PORTFOLIO BY INDUSTRY SEGMENT, DECEMBER 2012 PERFORMING PORTFOLIO

	EAD, NOK billion	RWA, NOK billion	Risk weight in per cent	PD in per cent	LGD in per cent	Maturity
Mortgage loans	581.9	68.0	11.7	0.63	13.3	-
Other retail	80.4	21.1	26.2	1.53	33.9	-
Transportation by sea, pipelines and vessel construction	140.4	98.6	70.2	1.59	29.2	3.1
Real estate	116.6	49.9	42.8	1.09	22.1	3.6
Manufacturing	67.3	32.1	47.7	1.12	29.1	2.2
Services	82.0	43.3	52.9	1.36	26.8	2.8
Trade	41.5	23.1	55.5	1.75	29.5	2.2
Oil and gas	49.8	18.3	36.7	0.52	27.6	2.6
Transportation and communication	36.9	15.7	42.6	1.11	26.0	2.7
Building and construction	47.7	21.9	45.9	1.38	27.1	2.2
Power and water supply	45.4	13.0	28.7	0.43	30.6	2.5
Seafood	18.3	8.6	46.9	0.85	25.2	2.9
Hotels and restaurants	5.4	2.7	50.3	1.63	23.9	3.3
Agriculture and Forestry	9.0	4.2	47.4	1.58	24.3	3.5
Other segments / Unclassified	0.8	0.4	54.7	1.92	27.9	2.2
Total Portfolio	**1 323.5**	**421.0**	**31.8**	**0.98**	**21.4**	**-**
Total Corporate Portfolio	661.2	331.9	50.2	1.21	27.1	2.8
Total Retail Portfolio	662.4	89.0	13.4	0.74	15.8	-

IRB PORTFOLIO BY INDUSTRY SEGMENT, DECEMBER 2012 NON-PERFORMING AND DOUBTFUL PORTFOLIO

	EAD, NOK billion	RWA, NOK billion	Risk weight in per cent	IRB model LGD in per cent	Write-downs in per cent
Mortgage loans	2.0	2.7	137.1	20.3	13.7
Other retail	1.6	1.9	121.5	37.4	31.8
Transportation by sea, pipelines and vessel construction	8.0	23.3	290.4	37.3	16.8
Real estate	2.5	3.9	159.7	34.5	28.8
Manufacturing	1.8	3.7	203.8	30.7	19.6
Services	0.8	1.6	211.1	39.1	40.0
Trade	0.5	0.7	136.8	36.5	50.8
Oil and gas	0.1	0.2	301.2	32.7	52.8
Transportation and communication	0.8	1.8	213.5	28.7	19.0
Building and construction	1.2	2.3	196.4	33.3	27.6
Power and water supply	0.0	0.0	189.9	31.3	49.6
Seafood	0.1	0.1	160.1	37.2	30.9
Hotels and restaurants	0.1	0.1	60.2	38.1	53.4
Agriculture and Forestry	0.2	0.3	156.8	29.8	25.7
Other segments / Unclassified	0.0	0.0	94.1	60.2	86.0
Total Portfolio	0.3	0.1	51.6	24.4	47.6
Total Corporate Portfolio	**19.9**	**42.8**	**215.6**	**33.8**	**22.8**
Total Retail Portfolio	16.3	38.2	234.3	35.1	23.0
Sum personmarkedet	3.6	4.7	130.2	27.9	21.7

CREDIT RISK – STANDARDISED APPROACH

Estimated risk-weighted volume and capital requirements for the portfolios reported according to the standardised approach are shown in tables on pages 19 and 20.

As an IRB bank, DNB reports all portfolios which are not qualified to be reported according to the IRB approach according to the standardised approach, though the portfolios are grouped in IRB categories. In addition, loans which qualify for being reported according to the IRB approach, but where there is not adequate available data, are reported according to this approach. Portfolios reported according to the standardised approach comprise governments, central banks and institutions. In addition, the corporate and retail portfolios of several of the Group's subsidiaries are reported according to the standardised approach. DNB's securitisation investments are reported according to the IRB approach, while Eksportfinans' portfolio is reported according to the standardised approach.

External ratings are used for foreign government risk and public administration outside Norway as well as international banks and credit institutions included in the commitment categories governments and institutions. As a main principle, a country's rating is used, based on the average of ratings from Moody's, Standard & Poor's and Fitch. If there is no rating from one of the rating agencies, the average rating from the two other agencies should be used. If there is no rating from two of the rating agencies, the rating the third agency should be used. If none of the above-mentioned rating agencies have issued a rating for the country in question, a rating from The Economist Intelligence Unit, or alternatively Euromoney or Institutional Investor is used.

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 major banks. This means that the market value of all derivatives entered into between DNB and the counterparty is settled either daily or weekly, which implies that counterparty risk is largely eliminated. If the collateral is impaired (i.e. weaker rating) the minimum amount for the exchange of money will be reduced. Moreover, products such as equity forward contracts, securities issues and currency trading for private individuals are monitored and margined on a daily basis.

The table below shows fair values before and after netting and collateral. Nominal amounts are expressed in terms of EAD.

COUNTERPARTY RISK, FINANCIAL DERIVATIVES

	Nominal amount		Credit equivalent		Weighted amount	
Amounts in NOK million	31 Dec. 2012	31 Dec. 2011	31 Dec. 2012	31 Dec. 2011	31 Dec. 2012	31 Dec. 2011
Gross amount before netting	6 365 382	6 640 645	188 453	189 705	78 135	71 984
Net amount after netting	476 928	608 481	94 998	98 909	49 440	48 622

The table below shows the nominal values of derivatives used for hedging.

CREDIT DERIVATIVES USED FOR HEDGING

	Bought	Sold	Bought	Sold
Amounts in NOK million	31 Dec. 2012	31 Dec. 2012	31 Dec. 2011	31 Dec. 2011
CDS - Credit Default Swaps	73	56	115	103
CLN - Credit Linked Notes	56	0	65	0
Total credit derivatives	129	56	180	103

No credit derivatives for hedging were purchased or sold during 2012. The holdings of such instruments were reduced as the contracts fell due.

INVESTMENT IN SECURITISATION

The topic is discussed in Chapter 10, Liquidity risk.

MARKET RISK

DNB offers a wide range of financial services and products which entail market risk. In order to promote the bank's customer-oriented business strategy, a certain market risk level is required. The management of and efforts to limit such risk are an important part of overall risk management in DNB. The bank's market risk limit is part of the total risk limit for the Group, which has been set by the Board of Directors.

DEVELOPMENTS IN MARKET RISK IN 2012

Overall, there was a positive trend in the global financial markets in 2012. A final solution to the sovereign debt challenges in Europe and the rest of the Western world has not yet been found, though there is no longer an imminent danger that the global financial system will collapse.

There has been a general reduction in stock market volatility, which was at a historically normal level at year-end 2012. The stock markets in Europe, the US, Norway and the world's emerging economies experienced an upturn of approximately 15 per cent, while there was a 23 per cent increase in Japan and Hong Kong in the course of the year.

The Norwegian swap rate curve, measured by the 10-year swap rate, declined by 0.45 percentage points in the course of the year, to 3.12 per cent. The reduction reflects the clarification of the situation in Europe and greater confidence in the financial services sector, parallel to a decline in key policy rates. The spread between the 3-month Treasury bill yield and the 3-month NIBOR rate declined by 1.25 percentage points during 2012, to 0.34 percentage points.

The basis swap spread between Norwegian kroner and US dollars is a measure of the cost and risk of hedging Norwegian kroner exchanged for US dollars. In the course of 2012, the 5-year basis swap spread, US dollars/Norwegian kroner, rose from minus 36 basis points to minus 14 basis points, which indicates lower relative demand for USD, and higher demand for NOK, and reflects the fact that the inherent risk in the Norwegian banking sector has been reduced compared with the US banking sector.

There was an increase in risk-adjusted capital for market risk, primarily due to changes in assumptions reflecting movements in market prices during the financial crisis. Basis swap risk in trading activities is included in risk-adjusted capital calculations. This risk fluctuated significantly throughout the year. There were no major changes in market risk limits in 2012.

GENERAL INFORMATION ABOUT 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 exposure in the foreign exchange, interest rate, commodity and equity markets. The risk level reflects market price volatility and exposures.

Market risk in DNB arises through either trading activities or banking activities.

- All trading activities are undertaken by DNB Markets. DNB Markets takes market risk mainly by quoting prices for and holding financial instruments and, to a limited extent, through proprietary trading. The risk associated with trading activities constitutes a small share of the Group's total market risk.
- Market risk from banking activities arises in connection with the bank's financing activities and asset and liability management, as well as strategic equity investments. Asset and liability management includes ordinary deposit and lending activities, whereby different fixed-interest periods for assets and liabilities are a source of market risk in the Group. The bank's funding in foreign currencies and related currency hedging contract are also a source of market risk. The prolonged European banking and debt crisis has resulted in a lasting high level of volatility in the basis swap spread market, which in turns results in significant short-term fluctuations in the Group's income statement. The risk arising from banking activities constitutes a major part of DNB's market risk exposure.

MANAGEMENT AND MEASUREMENT OF MARKET RISK

All of DNB's market risk activities must be in compliance with the group guidelines for market risk and the group limit for market risk. The risk appetite limit for market risk is determined by the Board of Directors of DNB ASA and is further delegated to the individual business areas. The Board of Directors also determines annual sensitivity limits for each risk category. The sensitivity limits are part of the operationalisation of the group market risk limit. The group guidelines for market risk define common principles and procedures for taking market risk. The market risk framework ensures that all market risk in the Group is monitored in a consistent and holistic manner.

Market risk limits for individual risk categories are determined each year by the Board of Directors of DNB ASA in the form of sensitivity limits. The sensitivity limits cannot exceed DNB's group limit for market risk. The limits are further delegated to the business areas and to the units which assume risk. At all levels, the market risk limits are delegated to individuals. The limits are followed up on a daily basis, and if any limit is exceeded, it must be reported immediately to the person who has delegated the limit and to an independent unit which follows up risk.

Market risk exposures are reported in the Group's quarterly risk report. The report is presented to the Board of Directors of DNB ASA. In addition, risk exposure is reported on a daily basis to the

management teams of the individual business areas and to the independent market risk organisation headed by the Group's chief risk officer, CRO.

The management and follow-up of market risk is the responsibility of the Group's CRO. Units in the business areas which are responsible for following up risk, report independently of the respective business area's management teams to the Group's risk management unit.

Responsibility for all trading activities in the DNB Bank Group rests with DNB Markets. The Treasury function in the DNB Bank Group handles interest rate risk on the banking book. Interest rate and currency risk in the banking group is centralised, as all units in the banking group must hedge their positions through the Treasury. DNB's operations in the Baltics, Poland and Russia have their own risk limits. This ensures the quality and transparency of position-taking both locally and in the Group as a whole. Primary responsibility for following up, further developing and reporting all types of investments in and purchases of equity instruments rests with Group Investments, which is organised under Group Finance. The unit is part of the bank's contingency team handling non-performing loans as it is also responsible for credit exposures where the bank takes ownership positions.

Various market risk measures have different risk-mitigating qualities. In order to ensure optimal control, DNB uses a broad range of risk measures to follow up market risk: sensitivities, Value at Risk, stress testing and the total risk model for calculating risk-adjusted capital.

Sensitivity targets are used to report and follow up exposures against limit for each risk category and in some case at risk factor level, i.e. intervals on interest rate curves.

VaR is used to follow up market risk in banking activities and trading activities. The model is based on a 99 per cent confidence level over a one-day time horizon. This means that expected future losses will exceed the estimated VaR figure on one out of every hundred days.

Stress testing is used to identify exposures and losses which could arise, under extreme, but also probable, market conditions. One of the key features of stress testing is that estimated losses can be tied to reliable future economic scenarios.

Risk-adjusted capital for market risk is calculated by simulating potential losses on the basis of expected maximum exposure within trading activities, liquidation periods for positions and correlations between the portfolios. The simulations are made in the total risk model. Correlations are based on a stressed scenario. The liquidation period ranges from 250 trading days for equity instruments in the banking book to two trading days for positions in the most commonly traded currencies. Calculations of risk-adjusted capital distinguish between trading and banking activities.

MARKET RISK IN TRADING ACTIVITIES

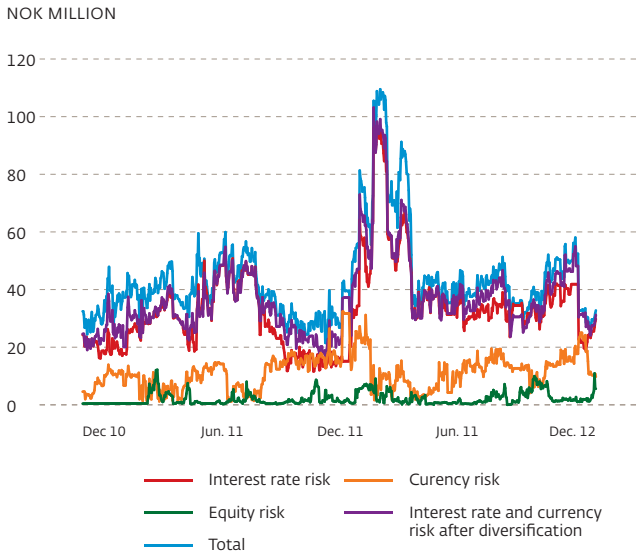
Trading activities include trading in financial instruments, aiming to achieve a profit by capitalising on fluctuations in interest rates and exchange rates, typically in a short-term perspective. The market value principle is used as the accounting principle for trading activities, which are subject to capital adequacy requirements for interest rate/market risk.

LIMITS TRADING ACTIVITIES 2012

Risk category	Type of limit	Limit	Description
Currency risk	Million kroner	5000	Market value limit
Interest rate risk	Basis point value (Million kroner)	5.6	Sensitivity limit
Equity risk	Million kroner	2500	Market value limit
Commodities risk	Million kroner	300	Market value limit

The table shows the various types of market risk and related limits for 2012. In addition, there are limits for interest rate, currency and equity derivatives, basis swaps and intervals on yield curves.

VALUE-AT-RISK FOR TRADING ACTIVITIES, ONE DAY HOLDING PERIOD, CONFIDENCE LEVEL 99 PER CENT



Value at Risk is used in the daily monitoring of market risk in DNB Markets. The diagram below shows aggregated VaR and VaR per risk category for trading activities in 2012.

During this period, the risk level for currency and interest rate risk in trading activities in DNB Markets in terms of "Value at Risk" ranged between NOK 24 million and NOK 54 million. The annual average was NOK 36 million. The greatest exposure is to Norwegian fixed-income instruments.

Basis risk is the risk that changes in the value of a hedge is not correlated with the changes in value of the underlying position being hedged. Basis risk of significance to DNB is followed up

through separate market risk limits. The most pronounced basis risk in DNB arises in connection with currency hedging of future cash flows in foreign currency, so-called basis swap spread risk. Future cash flows in various currencies are priced differently in the basis swap spread market. The price differential is the basis for the basis swap spread risk and has two effects:

- Changes in basis spreads result in changes in the valuation of the hedges (swaps) which are not reflected in the valuation of the underlying positions.
- Foreign currency loans which are not recorded at market value and which are currency-hedged are subject to basis swap spread risk as well as changes in other risk factors used to determine the value of the hedge (interest rate changes).

Basis swaps are used in both trading and banking activities in DNB Markets.

In the banking portfolio, basis swaps are used by DNB Treasury and DNB Boligkreditt to hedge funding in foreign currency converted to Norwegian kroner. According to IFRS, basis swaps should be carried at fair value, while the loans should be recorded at book value. The use of different valuation principles for funding and for hedging instruments results in volatility in the Group's profits. Basis swap trading in the banking portfolio is not included, as such swaps are used only for currency hedging of funding in foreign currency and thus only for risk mitigation. Nor is risk-adjusted capital calculated for basis risk in banking activities.

In the trading portfolio, basis swap risk arises in connection with both transactions with the banking portfolio and trading with external customers.These contracts are carried at fair value and are exposed to basis risk due to changes in spreads. Limits for basis swap exposure, determined by the Board of Directors of DNB ASA, places restrictions on the trading portfolio. Risk-adjusted capital is calculated for basis risk in trading activities.

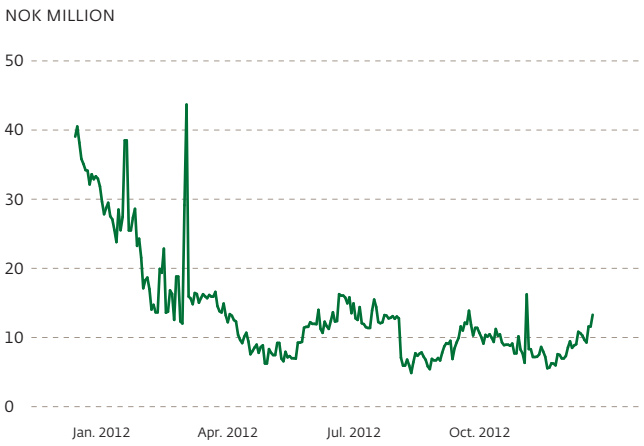
MARKET RISK IN BANKING ACTIVITIES

Interest rate and currency risk

Interest rate risk outside the trading portfolio arises through traditional banking activities such as customer lending and deposits, stemming from differences in fi xed-rate periods for assets and liabilities, including fixed-rate loans and fixed-rate deposits. Interest rate risk from loans and deposits is based on contractual maturities. Interest rate risk outside the trading portfolio includes NOK denominated securities in the Treasury's portfolio and the bank's debt denominated in NOK. Derivatives and interest rate swaps, future rate agreements and futures are used to hedge interest rate risk.

Value at Risk is used in the daily follow-up of market risk (interest rate and currency risk) in DNB Treasury.

AGGREGATED VALUE-AT-RISK FOR BANKING ACTIVITIES, ONE DAY HOLDING PERIOD, CONFIDENCE LEVEL 99 PER CENT



INTEREST RATE RISK OUTSIDE THE TRADING PORTFOLIO

Change in value per 1 basispoint change in interest rate (million kroner)	31 Dec. 2012	31 Dec. 2011
NOK	3.285	2.432
SEK	-	0.085
EUR	0.200	0.030

Equity risk

Equity risk outside the trading portfolio, as shown in the group accounts, can be divided into equity risk in consolidated subsidiaries and direct equity exposures. Direct equity exposures are handled by the Group Investments division. The portfolio of Group Investments can be divided into four categories:

1. *Strategic investments:* The portfolio comprises investments which are defined as strategic for the Group.
2. *Financial investments:* Financial investments comprise direct and PE fund investments. Apart from the generation of financial returns, the purpose of financial investments is to create new business opportunities for DNB. The investments are subject to limits which are determined by the Board of Directors on an annual basis.
3. *Credit portfolio:* The credit portfolio comprises holdings in companies which have defaulted on their obligations to the bank. The purpose of the portfolio is to secure or recover the value of credit exposures through ownership and subsequent sale.
4. *Property portfolio:* The property portfolio comprises properties and property projects taken over by DNB in consequence of default. The purpose of the portfolio is to secure or recover the value of repossessed properties through ownership and subsequent sale.

Limits for the investment category financial investments are determined by the bank's Board of Directors each year. Due to their characteristics, there are no limits for the other categories.

Exposure to limits and market risk is measured based on the investments' market value plus any future committed amounts. With respect to derivatives, risk exposure is measured as the equivalent exposure in the underlying instruments. Guarantees for share issues and secondary investments in the equity markets are included in full in the limit utilisation. Shares in subsidiaries and associated companies are not included, as they are consolidated in full or in part in the accounts.

EQUITY-POSITIONS, SHAREHOLDINGS NOT IN THE TRADING PORTFOLIO

DNB GROUP

Amounts in NOK million	31 Dec. 2012	31 Dec. 2011
Financial institutions	3	2
Norwegian companies [1)]	622	851
Companies based abroad	1 910	1 774
Mutual funds [2)]	637	872
Shareholdings DNB Bank og Investment (designated as at fair value)	3 172	3 501
Net gains on shareholdings, designated as at fair value (DNB Bank and Asset Management)	241	(11)
Shareholdings, DNB Livsforsikring [3)]	37 816	40 607
Shareholdings total	40 987	44 108
1) Of which: Exchange traded	*40*	39
2) Of which.: Investments in Private Equity	*421*	*409*
3) Aggregated shareholdings consolidated from DNB Livsforsikring (inkluding collective portfolios)		

MEASUREMENT

According to IFRS 7, financial instruments measured at fair value are required to be classified in a three-level hierarchy by reference to the inputs used in the valuation: quoted prices from active markets, observable market data and inputs not based on observable market data.

MARKET RISK IN DNB LIVSFORSIKRING

Risk management in DNB Livsforsikring is part of the company's strategy, which has been approved by the Board of Directors. The risk situation in DNB Livsforsikring is reviewed relative to the Group's overall risk profile. With effect from 2013, a risk appetite framework has been established for the Group. The framework places restrictions on market risk within life insurance. Market risk in life insurance is the chief risk category in DNB Livsforsikring.

DEVELOPMENTS IN MARKET RISK IN LIFE INSURANCE IN 2012

In the wake of the financial crisis, Norwegian interest rates have shown a falling trend. In the course of 2012, the Norwegian 10-year swap rate declined by 0.45 percentage points to 3.12 per cent. The falling interest rate level represents a challenge for the life insurance industry, which is committed to paying its policyholders a guaranteed rate of return. A lower differential between the guaranteed rate of return and the interest rate level also contributes to an increase in the expected capital requirements under Solvency II.

GENERAL INFORMATION ABOUT MARKET RISK IN LIFE INSURANCE

Market risk in life insurance is the risk that the return on financial assets recorded in the balance sheet[3)] will not be sufficient to meet the obligations specified in insurance policies. In addition, management of the corporate portfolio also entails market risk. 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. The annual profit distribution limits the possibility to invest in assets with long investment perception and high The annual profit distribution limits the possibilities to invest in assets with long investment horizons and high expected returns, as DNB Livsforsikring risks having to make up for inadequate returns during years when returns are low.

MANAGEMENT AND MEASUREMENT OF MARKET RISK IN LIFE INSURANCE

The The risk situation in DNB Livsforsikring is reviewed relative to the Group's overall risk profile. With effect from 2013, a risk appetite framework has been established for the Group. The framework places restrictions on market risk within life insurance.

The follow-up and management of market risk is the responsibility of the CRO in DNB Livsforsikring, who reports directly to the head of DNB Livsforsikring and the Group's CRO and is independent of DNB Livsforsikring's financial management and business areas. An independent risk management department is responsible for assessing the company's total risk. Compliance with limits and guidelines is reported on a monthly basis.

The independent risk management department prepares a quarterly risk report to the company's management and Board of Directors. The risk report includes stress tests and sensitivity tests to enable continual monitoring of the company's total risk. Compliance with limits and guidelines is reported on a monthly basis.

A share of the total market risk limit specified in the risk appetite framework is delegated to DNB Livsforsikring. This limit is operationalised in the form of sensitivity limits, some of which are determined at group level, while others are determined by the individual business areas. In order to comply with the need for minimum diversification, limits have been set for each asset class. The limits also restrict concentration risk relative to individual issuers and counterparties. Separate limits have been established for derivatives within asset management.

The EU has combined all central directives covering life insurance, non-life insurance, reinsurance and insurance groups in one and the same directive. Due to delays in the process, the new rules are not expected to enter into force until 2015 at the earliest.

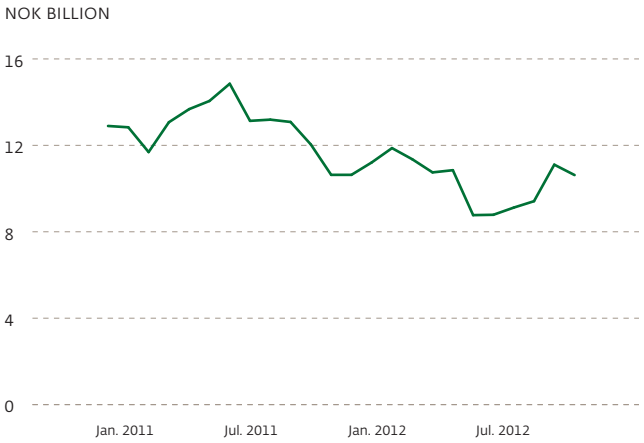
The most significant changes in the rules for insurance companies concern new solvency rules which will replace the current solvency margin requirement. The regulations are based on the same structure as Basel II, with three pillars. This means that in addition to minimum capital requirements, Solvency II will also include qualitative requirements regarding operational and risk management, the internal capital adequacy assessment process and more stringent external reporting requirements. The new requirements will be more risk-sensitive and ensure better insight into insurance companies' actual risk profiles.

DNB Livsforsikring has participated in the quantitative studies implemented for the European insurance industry and will participate in a consequence study regarding long-term guarantees in spring 2013. DNB Livsforsikring has implemented a Solvency II programme to ensure that the company will meet the requirements on the implementation date.

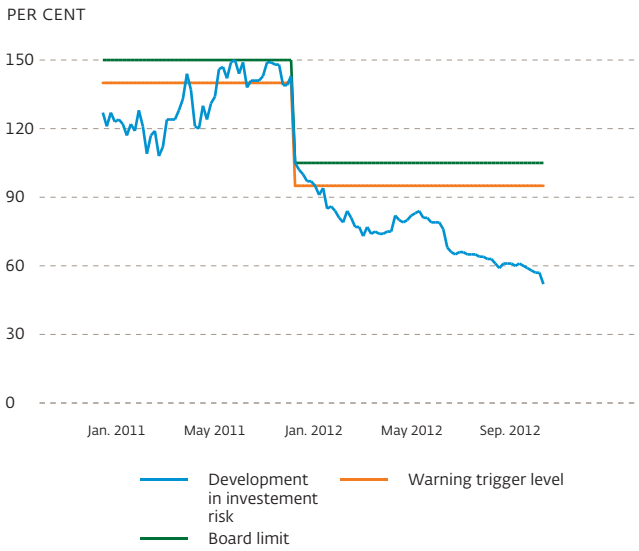
Market risk in DNB Livsforsikring is measured by using the internal model for risk-adjusted capital. This model is used to determine limits for market risk in DNB Livsforsikring and for following up market risk in life insurance.

5) *I.e. recorded return*

RISK-ADJUSTED CAPITAL



DEVELOPMENT IN INVESTEMENT RISK



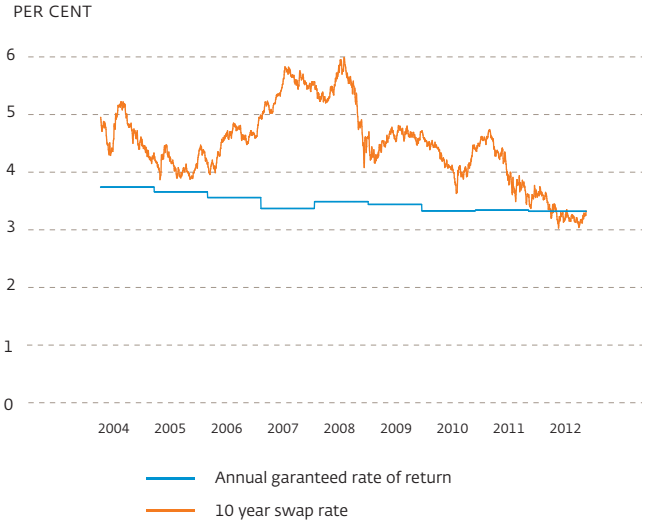
Market risk in DNB Livsforsikring has been reduced in order to prepare for the introduction of Solvency II, which is expected to result in higher capital requirements.

In the calculations of risk-adjusted capital, developments in the value of the insurance company's financial assets are simulated. In the simulations, a distinction is made between policyholders' funds and company funds, whereby the company's capital is managed separately at the owner's expense and risk. Value developments are simulated on a daily basis for all portfolios, taking account of the level of correlation between the sub-portfolios. The values are tested against limits which indicate when DNB will have to record losses. These limits are affected by the securities adjustment reserve, interim profits, additional allocations and the guaranteed rate of return. The calculations also include the effect of a possible rebalancing of the portfolio, i.e. dynamic adaptation of risk.

The risk limit for asset management shows VaR in per cent of buffer capital in excess of the current minimum regulatory capital requirement. A limit has been set for the use of buffer capital for market risk in the common portfolio. A risk limit for asset management of 100 per cent implies that DNB Livsforsikring is expected to breach regulatory capital requirements in one out of 20 years due to market risk in the common portfolio.

The risk limit for asset management had been significantly reduced by year-end 2011 and was further reduced during 2012. This is a consequence of uncertainty regarding the introduction of Solvecy II and higher capital adequacy requirements.

DEVELOPMENT IN ANNUAL GUARANTEED RATE OF RETUR AND 10-YEAR SWAP RATE



In the wake of the financial crisis, Norwegian interest rates have shown a falling trend. The falling interest rate level represents a challenge for the life insurance industry, which is committed to paying its policyholders a guaranteed rate of return. A lower differential between the guaranteed rate of return and the interest rate level also contributes to an increase in the expected capital requirements under Solvency II.

INSURANCE RISK

Insurance risk in DNB comprises insurance risk in DNB Livsforsikring and risk in DNB Skadeforsikring.

DEVELOPMENTS IN INSURANCE RISK IN 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.

DNB Skadeforsikring generated healthy profits in 2012 and achieved a combined ratio of 87.2 per cent, calculated on a gross basis. The cost saving measures initiated by the company have yielded results, and the claims ratio was better than expected. All key products now generate sound profits. The company's reinsurance programme includes 50 per cent quota reinsurance on contents and home insurance. This gives a lower increase in insurance risk than the portfolio growth would indicate. The insurance programme gave a total reduction in risk-adjusted capital of just over NOK 0.1 billion. In addition to reducing insurance risk, the reinsurance programme ensures lower volatility in quarterly profit performance.

GENERAL INFORMATION ABOUT INSURANCE RISK

Insurance risk in life insurance is the risk related to changes in future insurance payments due to changes in life expectancy and disability rates.

Risk in DNB Skadeforsikring includes insurance, market, credit, operational and business risk. Insurance risk is the risk of losses if insurance premiums fail to cover future claims payments. The non-life insurance company is exposed to market and credit risk in investment operations, and reassurance agreements encompass credit risk. However, based on the current business model for DNB Skadeforsikring, these risk categories are of little significance compared with pure insurance risk.

MANAGEMENT AND MEASUREMENT OF INSURANCE RISK

DNB Livsforsikring has developed a special strategy for managing insurance risk which specifies the scope and type of reinsurance contracts to be entered into and establishes a limit for total insurance risk. The risk results are periodically monitored, and in the longer term, developments will be reflected in prices, products and market strategies. DNB Skadeforsikring's Board of Directors has established a strategy and principal guidelines for market and insurance risk, including the premises for the company's reinsurance hedging. Through the reassurance programme, the total risk is geared to the capital base. The reassurance programme also contributes to profit equalisation by hedging catastrophe risk. Credit and market risk is managed through the investment plan, which is considered by the company's Asset and Liability Committee and Board of Directors once a year. Insurance risk in DNB Skadeforsikring is continually monitored by tracking profitability on all products. In addition, the claims reserve is reviewed on a quarterly basis.

Risk-adjusted capital for insurance risk in life insurance is measured as the potential need to strengthen insurance provisions due to changes in life expectancy, mortality and disability. Risk-adjusted capital for non-life insurance risk is measured on the basis of Finanstilsynet's stress test for calculating total risk and is also calibrated against DNB's confidence level.

OPERATIONAL RISK

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Operational risk is a consequence of DNB's operations.

DEVELOPMENTS IN OPERATIONAL RISK IN 2012

A total of 807 operational events were registered in 2012, compared with 650 events in 2012. Thus, there was a 24 per cent increase in registered events entailing operational risk from 2011. This could be partly attributable to greater focus on the need to maintain a good overview, management and control of such events. The net loss was approximately NOK 190 million, some 40 per cent below the loss registered in 2011. The level of losses is considered to be low, which supports the Group's aim to have a low operational risk level. No individual events entailing a loss in excess of NOK 100 million were registered in 2012. There has been a marked increase in the number of Trojan attacks and hacking attempts against the Group's Internet banks.

The annual status report on management and control of operational and business risk which was sent to the Group's governing bodies in October, shows that the risk situation in DNB is generally well under control and that governance and operations are of sound quality.

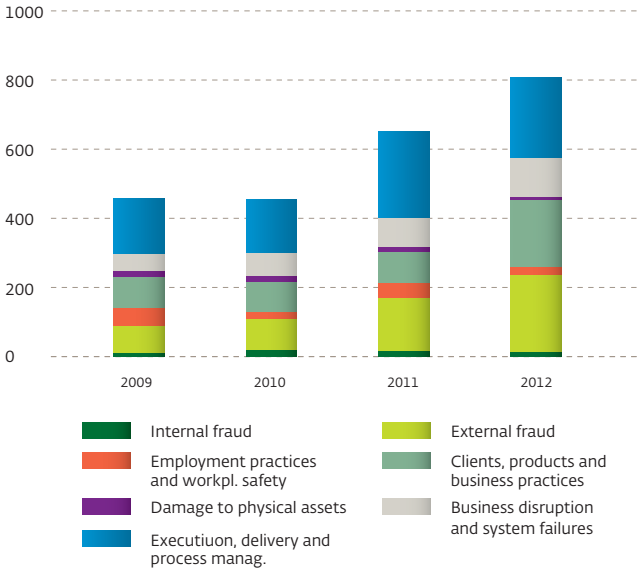
MANAGEMENT AND MEASUREMENT OF OPERATIONAL RISK

The Board of Directors has laid down a policy for the management of operational risk in the Group. Operational risk should be low, and risk management should ensure that the risk of unwanted losses is reduced.

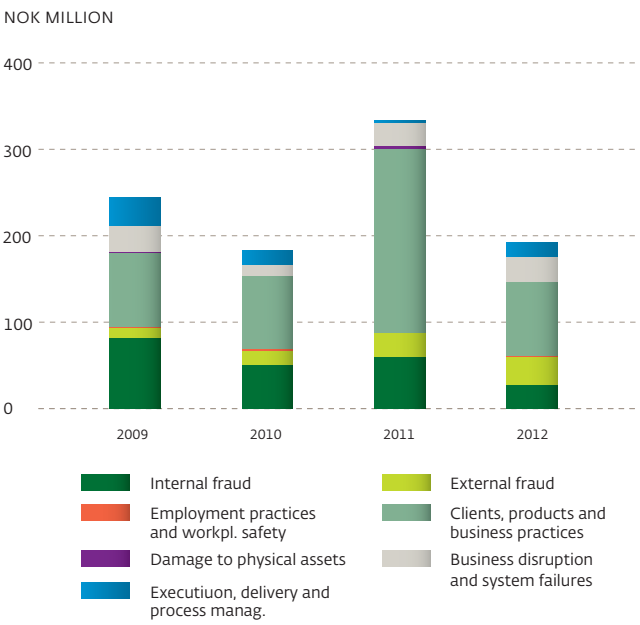
All managers are responsible for knowing and managing operational risk within their own area of responsibility. This is to be ensured through risk assessments of everyday operations, of all major changes in operations as well as of particularly critical functions. When a need for improvement measures is identified, special follow-ups are initiated. In order to limit the consequences of serious events, operational disruptions etc., comprehensive contingency and business continuity plans have been drawn up.

In all business areas, special groups have been established to support management in managing operational risk. Responsibilities include assessing and reporting identified risks and helping to prevent operational losses. To ensure independence relative to business operations, these persons are organised in the business areas' respective staff units. Their work also includes making sure that operations are in compliance with relevant

NUMBER OF OPERATIONAL LOSSES



LOSSES



laws and regulations. All reporting is a two-way process, both through the line organisation and through the Group's central risk unit. Operational risk management and compliance at group level is organised in a separate unit within Group Risk Management.

The Group's insurance coverage is an element in operational risk management. Insurance contracts are entered into to limit the financial consequences of undesirable events which occur in spite of established security routines and other risk-mitigating measures. The insurance programme also covers legal liabilities the Group may face related to its operations, The insurance programme is cost-effective and primarily aims to cover serious loss events in line with the Group's insurance policy.

Operational loss events in the Group which result in losses of more than NOK 50 000 and near-events with a loss potential of more than NOK 100 000 are registered, reported and followed up on an ongoing basis in the Group's event database. Undesirable events which cause, or could have caused, financial losses for the Group, represent valuable information and learning about necessary improvement needs. As from 2011 the Group is a member in an external database, Operational Risk Exchange, which will ensure access to external events which will strengthen the work on operational risk management.

The Board of Directors is kept updated on the status of operational risk through the Group's periodic risk report. In addition, the Board of Directors is kept updated on the Group's operational risk in the annual status report on ongoing management and control of operational and business risk. The status report includes a presentation of key group-wide risks, relevant improvement measures and a detailed qualitative assessment based on the Group's ambitions within key areas for risk management and quality assurance. With effect from 2013, operational risk management will be an element in the Group's risk appetite framework.

Risk-adjusted capital for operational risk is calculated based on external capital requirements, where income and the type of business operations are the drivers for capital volumes. DNB is qualified for using the standardised approach for operational risk.

BUSINESS RISK

Business risk is the risk of losses due to external factors such as the market situation or government regulations. Such risk includes loss of income due to a weakened reputation.

Business risk is manifested in an unexpected decline in profits. Such a decline can be caused by competitive conditions resulting in lower volumes and pressure on prices, competitors introducing new products, government regulations or negative media coverage. Losses arise if the Group fails to adapt its cost base to such changes.

Negative media coverage may be a consequence of other risk factors, but is handled as business risk in DNB. A damaged reputation can have an adverse impact on all business areas, independent of where in the Group or in the rest of the financial industry the original incident occurred.

DEVELOPMENTS IN BUSINESS RISK IN 2012

The Group's quantified business risk showed a relatively stable trend in 2012, increasing slightly due to rising business volumes and income. According to relevant indicators, the Group's reputation remained strong and stable, and the scores at year-end 2012 were on a level with the year-earlier results.

A number of international regulations have been proposed and will have a fundamental impact on the regulatory framework for banks and other financial institutions. In consequence of the EEA agreement, the Norwegian authorities have been awaiting the final EU legislation concerning the implementation of the so-called Basel III and Solvency II regulations. The EU failed to reach final decisions regarding these regulations in 2012. Thus, there is great regulatory uncertainty, and important clarifications regarding the national scope of action are pending. The implementation of Basel III appears to be postponed until 2014 and Solvency II until 2015.

During 2012, however, it became clear that there will be no harmonised Nordic implementation of Basel III, including capital and liquidity requirements for banks. There is a greater risk that the regulatory framework for Norwegian banks will result in competitive disadvantages in the Norwegian market in comparison with branches and subsidiaries of international financial services groups

In 2012, the Guarantee Schemes Act was amended, whereby members will be required to pay a levy to the Norwegian Banks' Guarantee Fund independent of the Fund's size. According to the previous rules, levy payments could be reduced or were not collected when the Fund's capital base exceeded a certain minimum level.

MANAGEMENT AND MEASUREMENT OF BUSINESS RISK

Sound strategic planning is instrumental in reducing business risk. The Group's active commitment to corporate social responsibility and the code of ethics for employees also have a positive impact on business risk.

Reputational risk is managed through policies and business activities, including compliance. Reputational risk is followed up by monitoring media coverage, while the competitive situation is followed up by analysing market trends and developments in market shares.

The Group has developed a model for calculating business risk per business area. The model is based on past fluctuations in income and costs and is structured so that if all other factors are kept constant, high income volatility raises the risk level and thus risk-adjusted capital. Vice versa, a highly flexible cost structure will reduce risk-adjusted capital.

LIQUIDITY RISK

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.

DEVELOPMENTS IN LIQUIDITY RISK IN 2012

The banking group stayed well within the short and long-term liquidity limits during 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. The markets are generally less selective than before, and an increasing number of banks are regarded as financially strong and have good access to capital.

There was a 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, and a limited number of transactions were completed before the end of the year. The DNB Group completed most of its annual long-term funding activities during the first half of 2012.

RISK PROFILE

In line with the bank's other operations, liquidity risk should be low and promote the bank's financial strength and ability to withstand various events and developments. This implies that the bank should seek to have a balance sheet structure that reflects the liquidity profile of an international bank with an AA level long-term credit rating.

MANAGEMENT AND MEASUREMENT OF LIQUIDITY RISK

The Board of Directors regularly reviews the bank's liquidity risk and determines limits and guidelines. The Board reviews the limits each year, or more frequently if required.

The bank's liquidity management is organised based on a clear authorisation and reporting structure. In accordance with the regulations on prudent liquidity management, the bank makes a distinction between premise-setting and performing units. The premise-setting units are generally organised in the group staff unit and report to the CFO, while the performing units are organised in Markets and report to the head of Markets.

Group Risk Management has assigned responsibility for determining principles and limits for liquidity management to the Asset and Liability Management unit and responsibility for long-term funding to the IR/Long-term Funding unit. The Treasury function is responsible for modifying the Group's total short-term liquidity risk and for ensuring that liquidity requirements are within the short-term limits established by the Board of Directors. The unit also has operative responsibility for long-term bond debt in Norwegian kroner. The Asset and Liability Committee, ALCO, is the advisory body for DNB's CFO with respect to principles and methods for liquidity risk measurement.

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 through both short-term limits which restrict the net refinancing requirement within one week, one month and three months, along with a long-term management target which specifies the share of lending and other illiquid assets which is to be financed by stable sources such as customer deposits or funding with a residual maturity of minimum 12 months. Liquidity risk limits reduce the bank's dependence on short-term funding from the money and capital markets in Norway and abroad. The limits have been established as funding from such sources is generally more unstable than ordinary deposits.

Liquidity management in DNB implies maintaining a broad deposit and funding base, representing both retail and corporate customers, along with diversified funding of other operations. As an element in this strategy, a number of funding programmes have been established in different markets.

Senior debt is mainly issued through the European Medium Term Note programme of Euro 45 billion. In addition a senior program was established in the Japanese JPY. DNB has a commercial paper programme in USA and Europe of USD 18 billion and Euro 15 billion. In addition, debt programs are established in the covered bonds market, in Europe, the US and in Australia.

An important instrument for long-term funding is the issue of covered bonds. The bonds are issued by the bank's subsidiaries DNB Boligkreditt AS and DNB Næringskreditt AS, and are secured by the companies' home mortgage and commercial mortgage portfolios, respectively. During the financial market turmoil, covered bonds proved to be a more robust and considerably lower priced funding instrument than ordinary bonds. Over the next few years, DNB will thus seek to cover a large share of its long-term funding requirement through the issue of covered bonds.

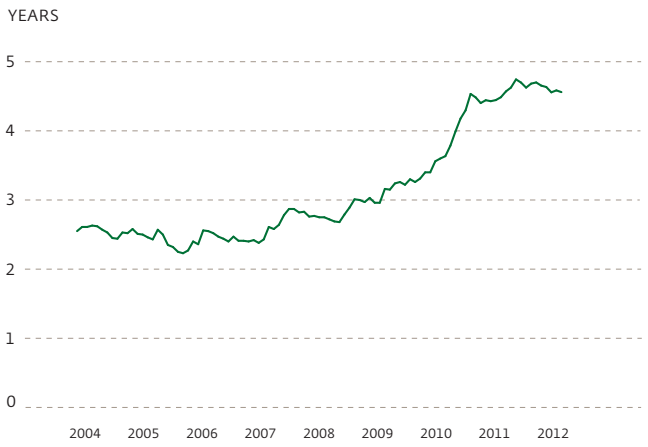
As an element in ongoing liquidity management, DNB Bank needs to have a holding of securities that can be used in various

ways to regulate the Group's liquidity requirements and serve as collateral for operations in the main currencies in which the bank is active. The securities are used, among other things, as collateral for short-term loans in a number of central banks and serve as liquidity buffers to fulfil regulatory requirements. The bank has chosen to meet its need for liquid securities by holding international bonds of superior credit quality.

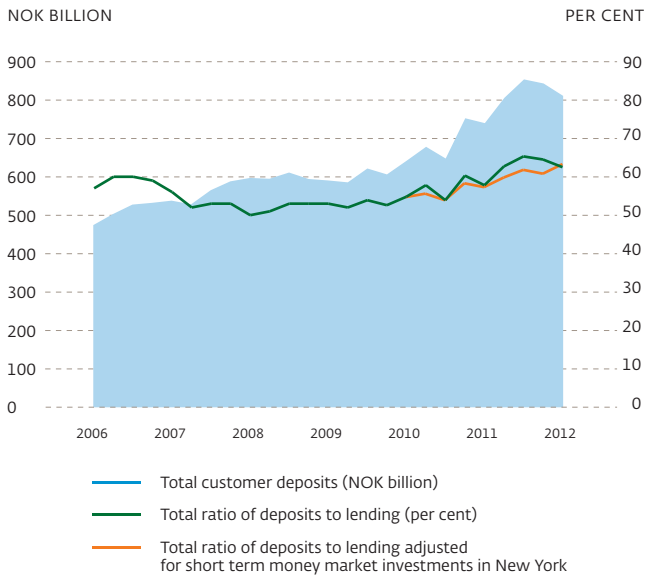
DNB gives priority to maintaining sound business relations with a large number of international investors and banks and to promoting the Group in international capital markets.

With respect to changes in the regulatory framework which affect DNB's liquidity risk, see the annual report and the chapter "Bank regulation".

AVERAGE TERM TO MATURITY FOR THE BOND PORTFOLIO, SENIOR DEBT AND COVERED BONDS



CUSTOMER DEPOSITS AND RATIO OF DEPOSITS TO LENDING



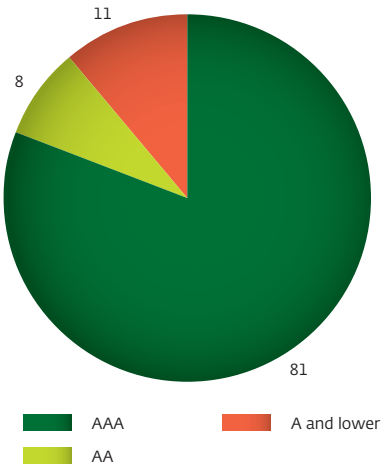
Liquidity risk is managed and measured using various measurement techniques. The techniques include monitoring refinancing needs, balance sheet key ratios, average residual maturity and future funding requirements. DNB also uses stress testing, simulating the liquidity effect of a downgrading of the bank's international credit rating following one or more negative events. The results of such stress testing are included in the banking group's contingency plan for liquidity management during a financial crisis.

With effect from 2012, changes have been approved in the framework structure for liquidity risk to ensure compliance with the structure in the Basel III framework. Short and long-term liquidity risk limits are measured by using the new international standards Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR). LCR shows approved liquid assets in per cent of outgoing cash flows over a 30-day period under stressed conditions, while NSFR shows actual stable funding in per cent of the required amount of stable funding. Observation periods will ensure a gradual adaptation to the minimum requirements within the deadlines, as described by the Basel Committee. The short and long-term limits apply for each main currency and in total.

The bank regularly reviews the premises underlying liquidity management. This includes considering whether assets which are classified as liquid, may be realised or used as collateral in accordance with the underlying premises, and to what extent assumptions regarding stable funding are realistic in a bank-specific crisis or in a deteriorating market.

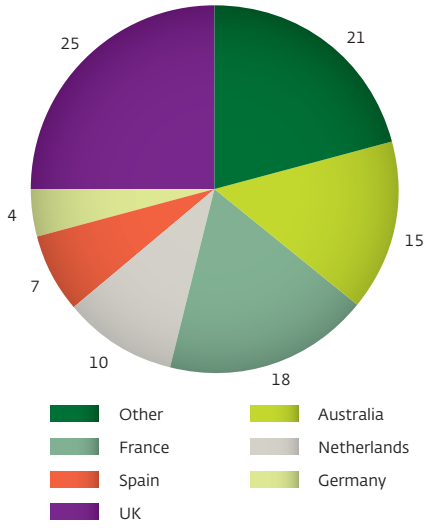
THE INTERNATIONAL PART OF THE LIQUIDITY PORTFOLIO AT YEAR-END 2012 BY RATING

PER CENT



THE INTERNATIONAL PART OF THE LIQUIDITY PORTFOLIO AT YEAR-END 2012 BY COUNTRY

PER CENT



LIQUIDITY PORTFOLIO

The liquidity portfolio, which consists of an international part and a Norwegian part, is used to regulate the Group's need for liquidity and as a basis for collateral for liquidity operations in various currencies. Among other things, the securities are used as collateral for short-term and long-term loans in a number of central banks and serve as liquidity buffers to fulfill regulatory requirements. A major part of the international liquidity portfolio is classified as "hold-to-maturity, is carried at amortised cost and will be subject to impairment if there is objective evidence of a decrease in value. With effect from 2011, however, new investments in securities which have been approved for use in LCR calculations will be recorded as a trading portfolio. At year-end 2012, this international liquidity portfolio totalled 118.6 billion kroner.

The Norwegian liquidity portfolio mainly comprises Norwegian Treasury bills and totalled 100.8 billion kroner at year-end 2012, including covered bonds issued by Boligkreditt.

DNB takes securitisation positions only as an investor. The bank's investments are placed in the above-mentioned hold-to-maturity portfolio. No new investments are included in this portfolio. The portfolio is monitored along with DNB Markets' other securities portfolios, and market risk is measured on an ongoing basis by estimating the effect on the portfolio value of a 1 basis point change in the spread level. In addition, developments in the credit rating of the underlying securities are followed up and reported on an ongoing basis. The portfolios are carried at amortised cost and will be subject to impairment if there is objective evidence of a decrease in value.

MORE ABOUT THE "HOLD-TO-MATURITY" PORTFOLIO

As at 31 December 2012, the portfolio represented 70.8 billion kroner. 70 per cent of the securities in the portfolio had an AAA rating, while 13 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. The average maturity of DNB Markets' liquidity portfolio is three years, and the change in value resulting from an interest rate adjustment of one basis point was 20.5 million kroner at end-December 2012. The structure of the portfolio at year-end 2012 is shown below.

HOLD-TO-MATURITY PORTFOLIO — DNB GROUP

	Per cent 31 Dec. 2012	NOK million 31 Dec. 2012	Per cent 31 Dec. 2011	NOK million 31 Dec. 2011
Consumer credit	0	144	1	1 019
Residential mortgages	58	41 580	60	58 067
Corporate loans	1	690	1	1 247
Government-related	41	29 231	37	35 663
Total international bond portfolio DNB Markets, nominal values	100	71 645	100	95 996
Accrued interest, including amortisation effects		(814)		(934)
Total internatioal bond portfolio DNB Markets, held to maturity	**100**	**70 831**	**100**	**95 062**

All securities are rated by at least one of the rating agencies S&P, Moody's or Fitch. The least favourable rating applies, or the one in the middle if all three agencies have provided a rating.

RATING FOR THE HOLD-TO-MATURITY PORTFOLIO

NOK million	EAD	Risk weight %	RWA
Rating			
AAA	49 307	7	3 659
AA	9 098	8	771
A+	396	11	42
A	1 374	13	175
A-	4 015	21	851
BBB+	1 672	37	620
BBB	1 033	64	657
BBB-	1 562	106	1 656
BB+	858	265	2 273
BB	752	451	3 389
BB-	0	689	0
Lower than BB-	765	1250	9 568
Sum	**70 831**		**23 660**

In capital adequacy calculations, this portfolio is reported as an investment in securitisation. As from the third quarter of 2010, the portfolio has been reported according to the IRB approach. The Group has no other portfolios or commitments which have been hedged against risk through securitisation.

There have been no significant changes in the portfolio and no new securitisation activities since the previous reporting.

EKSPORTFINANS' LIQUIDITY PORTFOLIO

DNB Bank ASA has a 40 per cent ownership interest in Eksportfinans. 40 per cent of the company's risk-weighted volume is consolidated in capital adequacy calculations for the DNB Bank Group and the DNB Group. Eksportfinans' bond portfolio is reported according to the standardised approach. DNB's share of the portfolio comprises the following securities:

EKSPORTFINANS - DNB'S SHARE OF THE PORTFOLIO

NOK million	Treasury bills or equivalent	Trading securities	Other securities	Grand Total
Rating				
AAA	50	661		711
AA+ to AA-		365		365
A+ to A-		812	590	1 402
Lower than A-		895	990	1 886
No international rating			269	269
Grand Total	**50**	**2 733**	**1 849**	**4 632**

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 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.

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.

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."

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