DNB

DNB Group

RISK AND CAPITAL MANAGEMENT

Disclosure according to Pillar 3

2013

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. Other relevant information can also be found in the 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.

Important events in 2013

- Political agreement was reached in the EU on new capital adequacy regulations for credit institutions and investment firms, CRR and CRD IV.
- DNB lost a civil case in the Norwegian Supreme Court concerning two debt-financed structured products and was sentenced to pay the plaintiff compensation. In consequence of this, DNB made provisions of NOK 450 million to cover possible compensation payments to other customers who have made debt-financed investments in certain structured products.
- The portfolio in Poland comprising personal customers and small and medium-sized enterprises was transferred to a Polish bank in line with the sales agreement previously entered into.
- DNB was still the only Nordic bank that qualified for inclusion in the Dow Jones Sustainability Index, DJSI. The DJSI is a global index that measures financial, environmental and social performance and comprises the top 10 per cent companies within each industry sector.
- The Ministry of Finance introduced new regulations on a counter-cyclical capital buffer of between 0 and 2.5 per cent. In December, the initial level of the counter-cyclical buffer was set at 1 per cent as of 30 June 2015.
- The Ministry announced new rules governing the weighting of banks' home mortgages in the capital adequacy calculations.
- The Swedish real estate broking company Svensk Fastighetsförmedling AB was sold in December.

NORWAY'S LEADING FINANCIAL SERVICES GROUP

DNB is Norway's largest financial services group, with total assets of NOK 2 640 billion as at 31 December 2013. The company's largest shareholder is the Norwegian government, represented by the Ministry of Trade, Industry and Fisheries, which owns 34 per cent of the shares. The second largest shareholder is the DNB Savings Bank Foundation, which has a 9.9 per cent shareholding.

The Group offers a full range of financial services, including loans, savings, advisory services, real estate broking, insurance and pension products for personal and corporate customers.

DNB is among the world's leading banks within its international priority areas, especially the energy, shipping and seafood sectors. The bank is represented in 20 countries worldwide and has some 150 branch offices in Norway.

MAJOR DEVELOPMENTS

Overall, the risk situation developed favourably during 2013, even though global economic growth was weak, as anticipated, and the Norwegian economy showed signs of slowing down. However, the future looks brighter. Stock markets showed a positive trend throughout the year, and risk premiums declined in the money and credit markets. The growth prospects for industrial countries have improved, and there is greater confidence in the EU's ability to handle the sovereign debt challenges in the eurozone. This is closely related to the progress that has been made in establishing reliable mechanisms to solve the problems in the EU banking sector.

Norwegian economic growth slowed in 2013. Housing prices fell in the final months of 2013, and the key policy rate was kept stable at 1.5 per cent, while the pre-announced interest rate increases were postponed. The Norwegian krone rate was record-high at the start of 2013, but gradually depreciated by a total of 11 per cent against a competition-weighted average of other currencies during the year. The Norwegian krone depreciated by 14 per cent against the euro. Together with a more expansionary fiscal policy and continued low interest rates, the lower krone rate may help counteract the economic slowdown in Norway.

DNB's risk appetite framework was taken into use as of 1 January 2013 and will ensure that risk is integrated with the Group's governance processes in a transparent manner. The framework should provide a holistic and balanced view of the risk in the business and consists of 15 statements that set targets for the risk level.

In 2013, Finanstilsynet (the Norwegian Financial Supervisory Authority) instructed DNB to prepare a recovery plan based on a recommendation from the European Banking Authority (EBA), cf. the EU's Recovery and Resolution Directive (RRD). The plan shall ensure restoration of the Group following situations of severe stress without any involvement by or support from the authorities. The recovery plan will be an integral part of the Group's risk and capital management framework and will be activated only if pre-defined indicators are breached.

In 2013, the Group revised its group guidelines for capitalisation based on the new regulatory requirements. By year-end 2016, the Group shall have a common equity Tier 1 capital ratio of 13.5-14.0 per cent and a capital ratio of 17.0-18.0 per cent.

The EU has implemented Basel III through the Capital Requirements Regulation, CRR, which will also apply to Norwegian banks through the EEA agreement. The anticipated effects of the regulation on the Group's common equity Tier 1 capital ratio as at 31 December 2013 and based on DNB's interpretation thereof are illustrated in the Pillar 3 report.

The short-term liquidity requirement, Liquidity Coverage Ratio (LCR), was stable at more than 100 per cent in 2013. At year-end 2013, the total LCR was 106.9 per cent, with 108.6 and 186.9 per cent, respectively, for the euro and the USD.

Capital adequacy developments

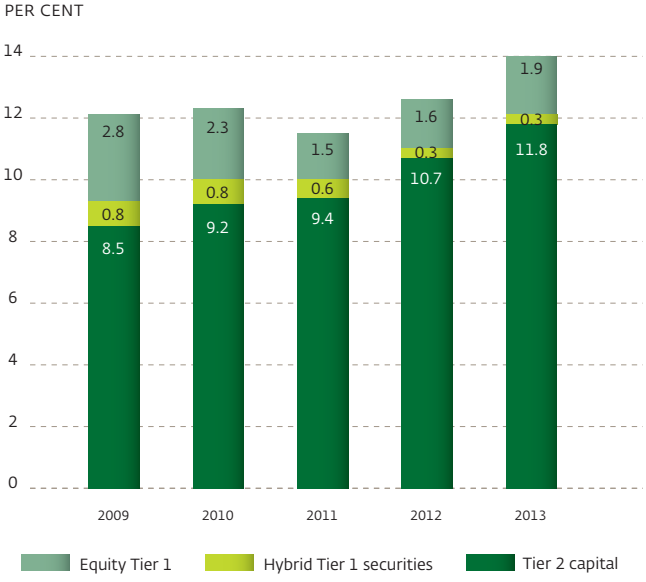
At year-end 2013, the DNB Group had a common equity Tier 1 capital ratio, given full Basel III implementation, of 13.6 per cent, compared with 12.1 a year earlier. See chapter "Capital management". The Norwegian authorities still assess Norwegian banks according to the Basel II transitional rules, according to which the Tier 1 capital ratio was 11.8 per cent and the capital adequacy ratio 14.0 per cent. At year-end 2012, the corresponding ratios were 10.7 and 12.6 per cent, respectively.

The DNB Group calculates its leverage ratio in accordance with the Basel Committee's updated guidelines from January 2014. At the end of 2013 leverage ratio was 5.3 per cent, above the minimum requirement of 3 per cent.

Developments in risk-adjusted capital

Net risk-adjusted capital declined by NOK 3.3 billion from year-end 2012, to NOK 76 billion at end-December 2013. The method applied to calculate risk-adjusted capital is described in a separate chapter on risk measurement and risk-adjusted capital. The table below shows risk-adjusted capital per risk category at year-end 2012 and 2013.

DEVELOPMENT IN CAPITAL ADEQUACY, BASEL II INCLUDING TRANSITIONAL RULES



RISK-ADJUSTED CAPITAL			DNB GROUP
Billion NOK	31.12.2013	31.12.2012	Change
Credit risk	57.2	59.1	(1.9)
Market risk	8.2	7.9	0.3
Market risk in life insurance	10.2	13.5	(3.2)
Insurance risk	1.9	1.7	0.2
Operational risk	10.7	9.8	0.9
Business risk	4.8	4.6	0.2
Total risk-adjusted capital before diversification	93.2	96.7	(3.6)
Diversification*	(17,2)	(17,5)	0,3
Total risk-adjusted capital after diversification	76,0	79,3	(3,3)
Diversification in per cent of gross risk-adjusted capital	18.5%	18.1%	0.4%

** 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.*

Credit quality, measured by internal models, improved somewhat during the year. Despite an increase in credit volume measured as exposure at default, the risk-adjusted capital was recuced by NOK 1.9 billion. The main reason for the decrease was a reduction in the shipping exposures. There was stable, sound credit quality in most areas.

Market risk in life insurance declined from year-end 2012. Equity and bond investments were reduced towards the end of the year, and equities represented just under 6 per cent of total investments at end-December 2013. The sale of commercial properties in 2013 helped reduce market risk. Parallel to this, increasing capital buffers were built up during the year.

There were no significant changes in market risk limits in 2013. Mark-to-market adjustments of swap contracts entered into in connection with the Group's long-term financing of loans, basis swaps, are not included in the measurement of the risk-adjusted capital requirement for market risk.

Risk-adjusted capital for operational risk is based on the standardised approach in the capital adequacy calculations.

RISK MANAGEMENT AND LIMIT STRUCTURE IN DNB

RISK MANAGEMENT AND CONTROL IN DNB

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

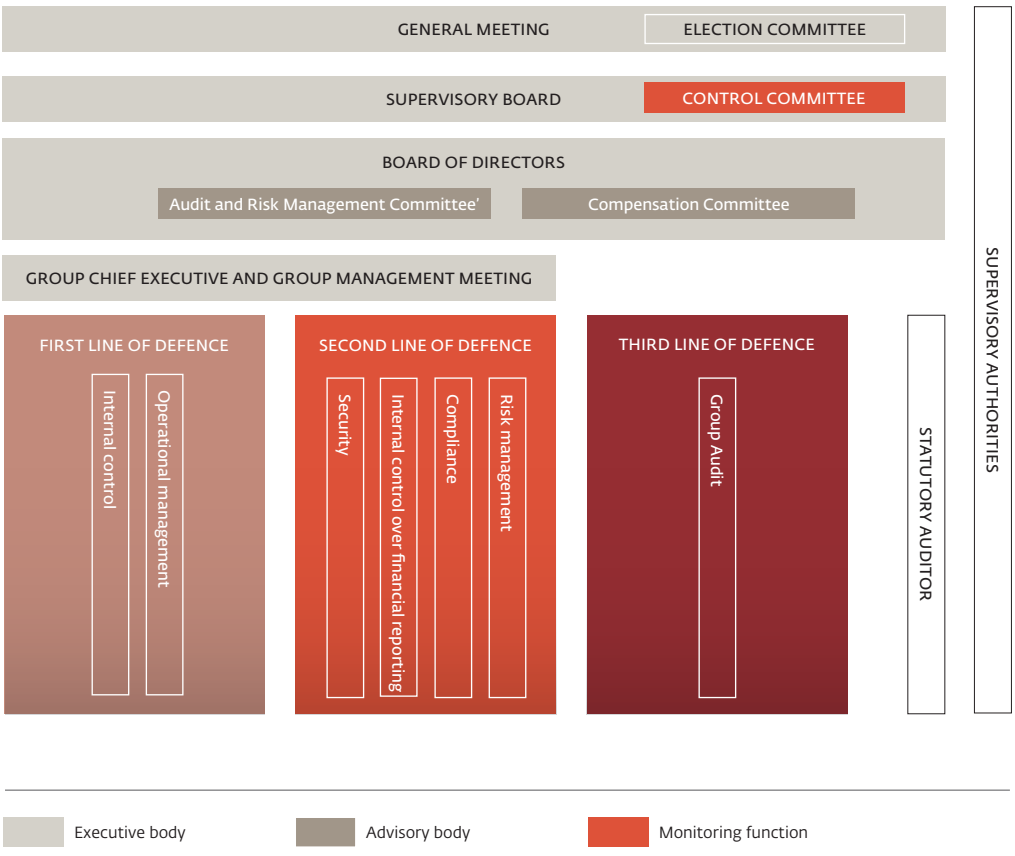
- The first line of defence is the operational management's governance and internal control, including processes and activities to reach defined goals relating to operational efficiency, reliable financial reporting and compliance with laws and regulations.
- The second line of defence are independent functions which monitor and follow up the operational management's governance and internal control. The second line of defence is responsible for setting the premises for risk management, coordination across organisational units and risk reporting.
- The third line of defence is Group Audit, which reviews and evaluates group management's overall governance and internal control. Group Audit is independent of the Group's executive management and reports to the Board of Directors of DNB ASA.

Risk management is a strategic tool which should ensure attaining the Group its business targets. This means that risk management is recognised as a management tool which in itself can contribute to the Group's value creation.

The primary aim of risk management in DNB is to achieve an optimal balance between the Group's risk of losses and its earnings potential in a long-term perspective. Risk management implies that profitability is considered relative to risk, while ensuring that the Group is secured against unintentional risk.

Healthy risk management is based on a strong risk culture, which is characterised by a high level of awareness concerning risk and risk management in the organisation. A common risk management framework provides the basis for developing a sound culture and for effective management of the Group.

ILLUSTRATION OF GOVERNING BODIES IN THE DNB GROUP



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. Capital allocation is risk based and return on equity is included in product pricing, performance measurement and monitoring of business areas.

Relevant risk measures

- *Risk appetite.* Risk appetite is the risk that DNB is willing to accept to reach its targets. With effect from 2013, DNB introduced a risk appetite framework that will ensure holistic and balanced risk management in the Group.
- *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. 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 risk level target is determined on the basis of risk appetite targets. DNB aims 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 APPETITE

DNB's risk appetite framework was taken into use as of 1 January 2013 and will ensure that risk is integrated with the Group's governance processes in a transparent manner. The framework should provide a holistic and balanced view of the risk in the business and consists of 15 statements that set targets for the risk level. To support the framework, a set of governance principles and operational procedures and responsibilities within the DNB Group have been defined. The targeted risk profile will also be reflected in other parts of the risk management framework, including the establishment of authorisations and limits for operative management. The Board of Directors of DNB ASA sets long-term targets for the Group's risk profile through the risk appetite framework. The framework should be reviewed at

least once a year. The Board of Directors also regularly reviews the risk level, limit structure and reporting for relevant risk categories.

Measurement and monitoring
The risk appetite framework consists of statements covering the risk types considered to be the most significant for the DNB Group, and which added up give a good view of the total risk. The table shows the chosen risk types and risk metrics.

RISK TYPE	METRIC
Profitability and earnings	Earnings at risk
	Risk-adjusted profit
Capital adequacy	Commen equity Tier 1
	Solvency capital ratio (SCR)
	Rating ambition
Market risk	Market risk
Credit risk	Balanced portfolio
	Credit quality
	Credit growth
Liquidity risk	Liquidity coverage ratio (LCR)
	Net stable funding ratio (NSFR)
	Deposits to loans
Operational risk	Operational risk
	IT risk
Reputation risk	Reputation risk

The risk appetite framework is operationalised in the business areas and support units by establishing risk indicators and related targets in the governance system. The use of risk indicators tailored to the various units in the Group will help ensure that risk remains within the desired level. Risk indicators are in the form of either limits for quantifiable risk or qualitative assessments of the risk level. They need not be based on the same measurement parameters as the ones used at group level, though they must support the same risk types and show the same trend. Continual monitoring of these target figures will ensure that the risks that are considered to be the most significant are also subject to monitoring and discussion in operative units in the organisation.

Governance principles
As part of the risk appetite framework, set of governance principles and operational procedures and responsibilities within the DNB Group have been defined. These are vital to ensure that risk appetite contributes to risk management being 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.

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. 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.

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
In DNB, risk is divided into six main categories which are subject to special measurement and management: credit risk, market risk, operational risk, insurance risk, liquidity risk and business risk.

Credit risk (or counterparty risk) is the risk of financial losses due to failure on the part of the Group's customers (counterparties) to meet their payment obligations towards DNB. Credit risk refers to all claims against customers/counterparties, principally loans, but also obligations related to other approved credits, guarantees, fixed-income securities, undrawn credits and interbank deposits, as well as counterparty risk incurred in connection with trading in currency and interest rate derivatives. In addition, there are significant elements of counterparty risk in the settlement risk which arises in connection with payment transfers and the settlement of contracts.

Credit risk also includes concentration risk, including risk associated with large exposures to one and the same customer, concentration within a geographic area or industry or exposures to homogeneous customer groups. Residual risk is the risk that the collateral provided for a credit exposure fails to meet expectations.

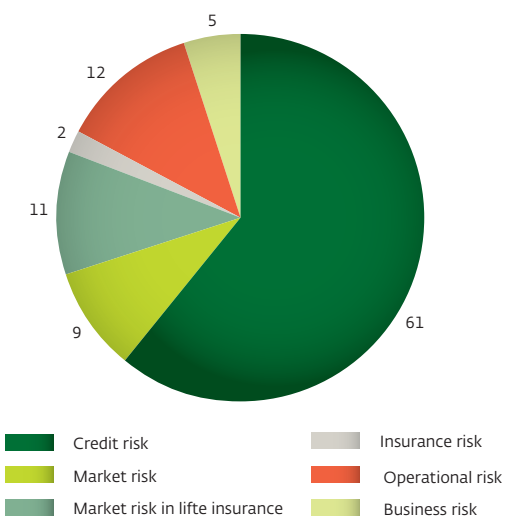
Market risk is the risk of losses due to unhedged positions in the foreign exchange, interest rate, commodity and equity markets. The risk arises in consequence of fluctuations in profits due to changes in market prices or exchange rates. Market risk includes both risk that arises through ordinary trading activities and risk that arises as part of banking activities. In addition, the Group is exposed to market risk through DNB Livsforsikring ASA. 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 is incurred by DNB Livsforsikring ASA and DNB Skadeforsikring ASA and is related to changes in future insurance obligations. Within life insurance, such risk reflects changes in life expectancy and disability rates. Within non-life insurance, insurance risk is related to the frequency and size of future claims payments.

Operational risk is the risk of losses due to deficiencies or errors in internal processes and systems, human errors or external events. Operational risk also includes compliance risk, which is the risk of losses caused by violation of laws and regulation or similar obligations, as well as legal risk, which often arises in connection with the documentation and interpretation of contracts and different legal practices in locations where the Group has operations.

GROSS RISK-ADJUSTED CAPITAL
BY RISK CATEGORY AT YEAR-END 2013

PER CENT



Business risk relates to fluctuations in profits due to changes in external factors such as the market situation, government regulations or the loss of income due to a weakened reputation. Reputational risk is often a consequence of other risk categories. The Group's business risk is primarily handled through the strategy process and ongoing efforts to safeguard and improve the Group's reputation. When determining and following up the Group's risk appetite, reputational risk is defined as a separate risk dimension.

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. Liquidity is vital to financial operations, through this risk category will often be conditional in the respect that it will not materialise until other events give rise to concern regarding the Group's ability to meet its obligations.

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

Other risk. In addition to the above-mentioned risk categories, the Group is exposed to strategic risk, which can be defined as the risk of a decline in profits if the Group fails to exploit existing strategic opportunities. The Group's strategic risk is not measured or reported individually, but is discussed as part of the annual strategy process.

RETURN ON CAPITAL

DNB's long-term financial target, is to achieve a return on equity (ROE) above 12 per cent in 2016. A competitive return on equity is required to ensure that DNB retains its attractiveness in the market. The target is challenging to reach. as increasing capital requirements give growing capital base which has to accrue interest.

In internal reporting and the management of operations at different organisational levels, returns are measured relative to the capital allocated to the various units. Capital allocated to operations and to the Group's business areas 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.

DNB uses the following concepts when measuring risk-adjusted profitability:

- **Economic profit** is defined as return on equity (ROE) less the market's required rate of return on capital allocated to operations.The required return is differentiated depending on the type of operations, based on observations of risk premiums in the market. The required return is built up as a requirement after taxes, using an adjusted Capital Asset Pricing Model (CAPM). Economic profit and return on capital are measured relative to both recorded and normalised profits.

- **RORAC**, **R**eturn **O**n **R**isk-**A**djusted **C**apital is defined as recorded profits after impairment and 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 and in pricing decisions.

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 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 2013, the bank performed stress tests of the portfolios in DNB Boligkreditt and DNB Næringskreditt.

In 2011, DNB took part in stress tests initiated by the European Banking Authority (EBA) and the Norwegian supervisory authorities. The banking group had an adequate level of capital in these scenarios, although DNB Bank ASA had to receive a capital injection from the holding company to reach the new capital requirements set by the EBA. A new stress test worked out by the EBA will be performed in the third quarter of 2014.

The EBA has issued recommendations which DNB uses as guidance for how the stress tests should be implemented in the organisation.

Stress tests conducted by the authorities

Norges Bank conducted stress tests of Norwegian banks' resilience in its Financial Stability Report 2013. The stress tests simulate the impact of a pronounced downturn in the real economy, with a marked decrease in oil prices, increased money market premiums and a reduction in house prices, on developments in banks' capital adequacy. The stress tests were conducted for three groups of banks: DNB Bank ASA, Nordea Bank Norge ASA and an aggregate of the four largest savings banks other than DNB. The stress tests were conducted at the banking group level based on publicly available accounting data. Loan losses by individual banks were not analysed, beyond taking account of the distribution of lending to the household and non-financial enterprises sectors. In the stress tests, DNB's loan losses increase to 1.7 per cent of total lending in 2015.

Norges Bank analyses two alternatives: one in which banks keep lending rates high and one in which they are not able to increase spreads. Wider interest rate spreads improve profits before losses, resulting in a smaller reduction in banks' profits than implied by the losses as such. In the wider interest rate spread scenario, capital adequacy will remain stable for the largest banks, and for DNB Bank ASA, the common equity Tier 1 capital ratio will increase from 10.5 per cent in 2012 to 10.8 per cent in 2016. In the scenario without an increase in spreads, the common equity Tier 1 capital adequacy ratio will decline to 9.6 per cent.

Internal stress test scenarios

In connection with the process to prepare the financial plan, a stress test scenario is worked out. The scenario is subject to approval by the Asset & Liability Committee (ALCO). 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.

RECOVERY PLAN

In 2013, Finanstilsynet (the Norwegian Financial Supervisory Authority) instructed DNB to prepare a recovery plan based on a recommendation from the European Banking Authority. Such

plan is the requirement according to the EU draft "Recovery and Resolution Directive". The plan shall ensure restoration of the Group following situations of severe stress without any involvement by or support from the authorities. The recovery plan will be an integral part of the Group's risk and capital management framework and will be activated only if pre-defined indicators are breached. Indicator breaches will trigger a thorough assessment of the situation and the possible implementation of measures. If recovery is not feasible, the Group will enter the resolution phase. The authorities will then be responsible for developing a resolution plan for this phase.

The recovery plan includes the following descriptions:

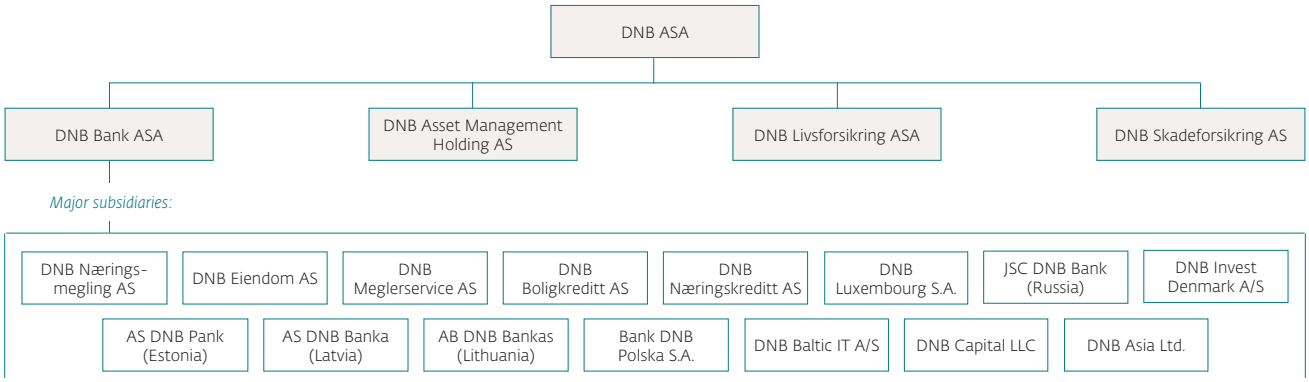
- Strategic analysis of the DNB Group and critical functions performed by DNB
- Operational and legal interconnectedness to external parties and within the Group
- Governance processes in recovery planning and recovery plan implementation
- Crisis scenarios that may trigger a recovery situation
- Recovery measures that may improve the Group's capital adequacy and liquidity situation
- Preparatory measures to ensure the effectiveness of the recovery measures
- Communication plan in crisis situations

CAPITAL MANAGEMENT

LEGAL STRUCTURE AND CONSOLIDATION RULES

I konsernregnskapet for DNB ASA inngår DNB Bank ASA, DNB Livsforsikring ASA, DNB Asset Management Holding AS og DNB Skadeforsikring AS. Alle datterselskapene er 100 prosent eid.

DNB GROUP – LEGAL STRUCTURE AS AT 31 DECEMBER 2013



DNB prepares consolidated accounts in accordance with IFRS, International 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.

INVESTMENTS IN ASSOCIATED COMPANIES (31 DECEMBER 2013)

Amounts in NOK million	Ownership share (%)	Assets	Risk-weighted [1] volume
Eksportfinans AS	40	100 793	6 549
Amports Inc.	29	851	191
Relacom Management AB	31	4 446	435
Other associated companies	-	638	165

1) DNB's share

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 has implemented the regulations in its new capital requirements directive, CRD IV, and capital requirements regulation, CRR. The new regulations entered into force as from 1 January 2014. Important parts of the Basel III regulations were transposed into Norwegian legislation as of 1 January 2013. As part of the Group's Internal Capital Adequacy Assessment Process, ICAAP, the Board of Directors is in dialogue with Finanstilsynet (the Financial Supervisory Authority of Norway) regarding the capitalisation of the Group. In 2013, the Group revised its group guidelines for capitalisation based on the new regulatory requirements. By year-end 2016, the Group shall have

a common equity Tier 1 capital ratio of 13.5-14.0 per cent and a capital ratio of 17.0-18.0 per cent. An escalation plan has been prepared, whereby the Group targets a common equity Tier 1 capital ratio of minimum 11.5-12.0 per cent at year-end 2014 and 12.5-13.0 per cent at year-end 2015. The Group's risk-weighted volume will probably be affected by a number of upcoming regulatory changes, including how the so-called Basel I floor is applied and the authorities' overriding of the bank's internal models for calculating credit risk. The capitalisation targets relate to the Group's prevailing risk-weighted volume at any time.

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

In addition to the regulatory assessment and allocation of capital to the Group's legal units, an allocation of capital to the operative business areas is made for governance purposes. With effect from 2013, the Group's entire equity will be allocated to the business areas. The allocation reflects both regulatory requirements and the calculation of risk-adjusted capital requirements.

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.

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 2012 ICAAP process was that based on the prevailing risk level and external factors, DNB's sub-groups and subsidiaries were adequately capitalised as at 31 December 2012 in accordance with prevailing regulations. After assessing the Group's new capitalisation guidelines, Finanstilsynet stated that there was continued uncertainty concerning the regulatory requirement for systemic risk and the handling of capital requirements for insurance operations.

The table shows the minimum total capital requirement according to the capital adequacy regulations compared with risk-adjusted capital. Comparisons are made as at 31 December 2013 and per risk category. The main differences between the risk measurement in DNBs internal models and the regulatory framework are explained below. DNB quantifies insurance risk and business risk in addition to the risk covered in Pilar 1 of the regulatory framework. Overall, the total figure after diversification shows that according to the internal models, risk is measured to be lower than the corresponding regulatory measurement of unexpected losses, interpreted as 8 per cent of risk-weighted assets.

COMPARISON OF CAPITAL REQUIREMENT AND INTERNAL MEASUREMENTS (31 DECEMBER 2013)

31 December 2013, NOK million	DNB model, 99.97% percentile (risk adjusted capital)	DNB model, 99.9% percentile	Regulatory requirement (8 % of RWA)	Difference DNB model and capital requirement (at 99.9)	Difference in per cent
Credit risk	57 238	44 702	*64 158*	*(19 456)*	*(30)*
Market risk	8 242	7 469	*2 352*	5 117	*218*
Market risk in life insurance	10 243	8 207	*6 982*	1 225	*18*
Insurance risk	1 900	1 576		1 576	
Operational risk	10 733	8 404	*6 408*	1 996	*31*
Business risk	4 819	3 922		3 922	
Total capital requirement/RAC	93 175	74 280	*79 840*	(5 560)	*(7)*
Diversification effects	(17 214)	(14 633)		*(14 633)*	
Total capital/ RAC after diversification	75 961	59 647	*79 840*	*(20 193)*	*(25)*
Transition rule			*7 289*	*(7 289)*	
Capital requirement with transiton rule		59 647	*87 129*	*(27 482)*	*(32)*

For credit risk, there is still a relatively large difference between the minimum capital adequacy requirement and the internal model. This is due to the fact that risk-weighted assets for a significant part of the Group's credit exposure are measured based on the standardised approach, which in general gives higher risk weights. In the total risk model (RAC model), internal rating tools and calculations are used for all portfolios, regardless of the IRB approval process.

For market risk, underlying risk measurements are considerably more conservative according to the internal models than based on the regulatory requirements. The main reason for this difference is that equity investments in the banking portfolio under Basel II are treated as ordinary credits and assigned a 100 per cent risk weight, corresponding to a minimum capital requirement of 8 per cent. In calculations of risk-adjusted capital, the RAC capital is around 50 per cent for the same type of investment.

Calculations of risk-adjusted capital for market risk in life insurance reflect the asset mix, the size of buffer capital and the guaranteed rate of return. The model also reflects dynamic asset management to control risk. Risk-weighted assets only reflect the company's assets. Risk measurements based on these two methods are so fundamentally different that similarities between the risk levels cannot be referred to similarities between the models. DNBs model generally measures the risk as higher than the capital requirement.

With a few exceptions and adjustments, operational risk measurements are based on external capital requirements, at 8 per cent of risk-weighted assets. A different model is applied for Asset Management, where risk-adjusted capital is calculated at 0.1 per cent of assets under management. The model used for DNB Livsforsikring is based on the proposed solvency requirement in the draft Solvency II regulations. Due to these factors, risk-adjusted capital is higher than the regulatory minimum requirements.

Solvency II

Changes in Solvency II were implemented through the Omnibus II [1] directive in November 2013 (formal approval expected in the first half of 2014). Thus, the Solvency II implementation date will be 1 January 2016.

The Omnibus II directive includes both permanent measures and transitional schemes, primarily related to long-term guaranteed products. The directive provides a considerable degree of national discretion, and the final implementation for Norwegian life insurance companies has not yet been determined. Finanstilsynet aims to make an assessment in the spring of 2014.

The Solvency II regulations will replace the current solvency margin requirement (Solvency I). Just like Basel II, the regulations are based on a three-pillar structure. In addition to the quantitative requirements under Pillar 1, qualitative requirements (Pillar 2) and requirements for public disclosure (Pillar 3) must be met. The Solvency II regulations are risk-sensitive and give a better reflection of actual risk in life insurance companies. DNB Livsforsikring has participated in the quantitative impact studies organised by the European Insurance and Occupational Pensions Authority (EIOPA), including the most recent study in 2013: «Long-term Guarantees Assessment» (LTGA).

CAPITAL ADEQUACY

At year-end 2013, the DNB Group had a common equity Tier 1 capital ratio of 11.8 per cent and a capital adequacy ratio of 14.0 per cent, compared with 10.7 per cent and 12.6 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.

After year-end adjustments and dividend payments, the holding company DNB ASA will have a liquidity reserve of approximately NOK 3.9 billion.

The DNB Bank Group had a common equity Tier 1 capital ratio of 11.4 per cent and a capital adequacy ratio of 13.9 per cent at year-end 2013, compared with 10.5 and 12.4 per cent, respectively, a year earlier.

DNB Livsforsikring had a capital adequacy ratio of 18.8 per cent and a solvency margin of 207.4 per cent at year-end 2013, which is well above the regulatory requirements of 8 per cent and 100 per cent, respectively. Total annual profits after tax were NOK 1.9 billion, of which NOK 0.5 billion was retained in the company. Finanstilsynet has given the company permission to use NOK 5.7 billion of policyholders' share of profits to strengthen technical insurance provisions. The estimated remaining required increase in reserves which can be financed during the 2014- 2018 period, is NOK 7.6 billion. As from 2016, 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. The new regulations will require a strengthening of the company's primary capital. Over the past few years, DNB Livsforsikring has prepared for the new regulations by adapting the company's risk, strengthening buffer capital, reducing costs and increasing prices, parallel to making changes in the product mix. See chapter about insurance risk.

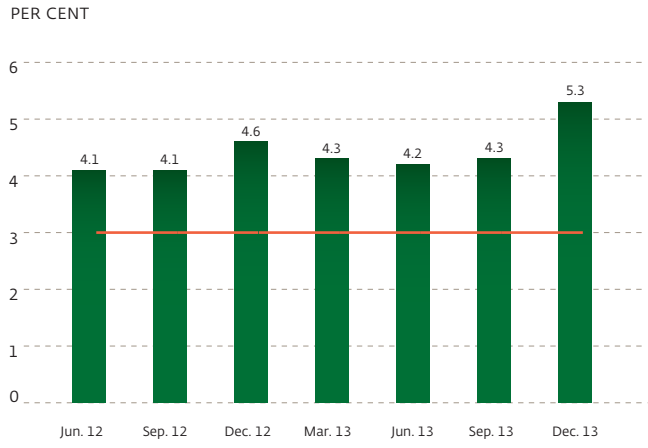
At year-end 2013, DNB Boligkreditt AS had a common equity Tier 1 capital ratio of 11.2 per cent and a capital adequacy ratio of 13.3 per cent.

Leverage ratio

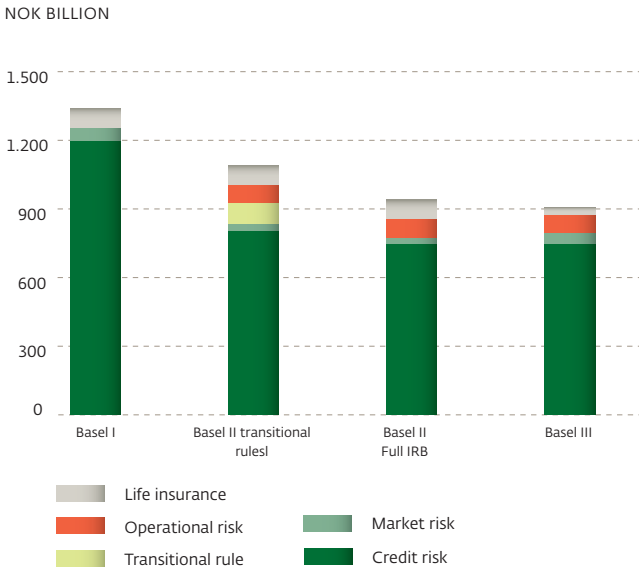
The DNB Group calculates its leverage ratio in accordance with the Basel Committee's updated guidelines from January

1) The Omnibus II directive incudes proposed changes in the Solvency II directive, including the postponement of the start and implementation dates for the Solvency II directive and authorisations to the Commission for determining transitional rules in a number of key areas

DEVELOPMENT LEVERAGE RATIO (%), BASEL III, AGAINST MINIMUM REQUIREMENT OF 3 PER CENT



RISK-WEIGHTED ASSETS CALCULATED UNDER DIFFERENT REGULATORY RULES



2014. The Basel Committee will consider whether it would be expedient to have a minimum requirement of 3 per cent during the period from 1 January 2013 to 1 January 2017. The diagram shows that DNB meets this potential minimum requirement with a good margin.

The diagram illustrates risk-weighted assets for DNB calculated with Basel I, transitional rule, full Basel II and Basel III rules respectively. The estimate shows a total reduction of 30 per cent from Basel I to the Basel III calculation.

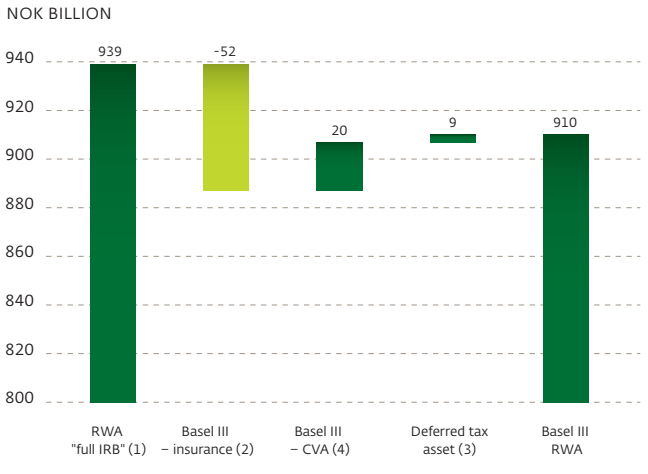
Pro forma common equity Tier 1 capital ratio based on full implementation of Basel III

The EU has implemented Basel III through the Capital Requirements Regulation, CRR, which will also apply to Norwegian banks through the EEA agreement. The anticipated effects of the regulation on the Group's common equity Tier 1 capital ratio as at 31 December 2013 and based on DNB's interpretation thereof are illustrated below. Reference is made to the relevant Articles in the CRR.

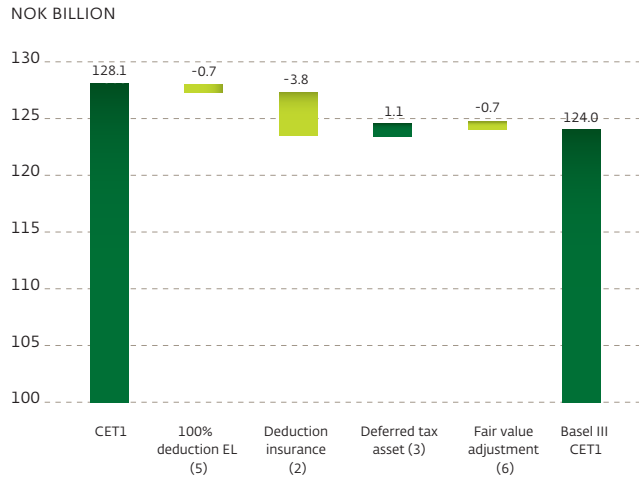
1. The Group's risk-weighted exposure volume based on "full IRB", shows risk-weighted volume assuming that DNB had been given permission to use the IRB approach for the remaining portfolios in accordance with applications submitted by the Group (NOK 939.1 billion at the end of 2013). If permission is granted, the conditions thereof may result in a higher risk-weighted volume than indicated above.

2. DNB has extensive insurance operations, and the implementation of CRR and Solvency II is expected to result in a different treatment of these operations in the Group's capital adequacy calculations. Under prevailing rules, equity and risk-weighted volume relating to insurance operations are consolidated, while a deduction model is stipulated in the CRR, cf. Articles 36 and 48. This implies a deduction for equity investments in insurance operations in excess of 10 per cent

RISK-WEIGHTED ASSETS, BASEL III



CET1, BASEL III



of the Group's common equity Tier 1 capital (deductions from common equity tier 1 are NOK 3.8 billion). A risk weight of 250 per cent shall be applied to the amounts that are not deducted (reduction in risk-weighted assets is equal to NOK 52.2 billion).

3. Under prevailing rules, deferred tax assets shall be deducted from common equity Tier 1 capital. According to CRR, Article 48, no deduction shall be made for deferred tax assets that arise from temporary differences and represent less than 10 per cent of the Group's common equity Tier 1 capital. Instead, the deferred tax assets shall be risk weighted at 250 per cent. (Increases in common equity tier 1 and risk-weighted assets are respectively NOK 1.1 and 2.8 billion.)

4. In connection with Basel III, risk-weighted exposure amounts and capital requirements are introduced for mark-to-market adjustments for counterparty risk for derivative contracts entered into with other financial institutions, Credit Valuation Adjustment, cf. CRR, Article 382. (Estimated to NOK 20 billion at the end of 2013.)

5. According to the CRR, Articles 36 and 159, the difference between expected loss amounts and accumulated impairment shall be deducted from common equity Tier 1 capital. Under prevailing rules, 50 per cent shall be deducted from common equity Tier 1 capital and 50 per cent from primary capital (NOK 5.7 billion).

6. In Article 34, the CRR introduces a deduction from common equity Tier 1 capital to reflect a more prudent assessment of assets measured at fair value in the balance sheet (NOK 0.7 billion).

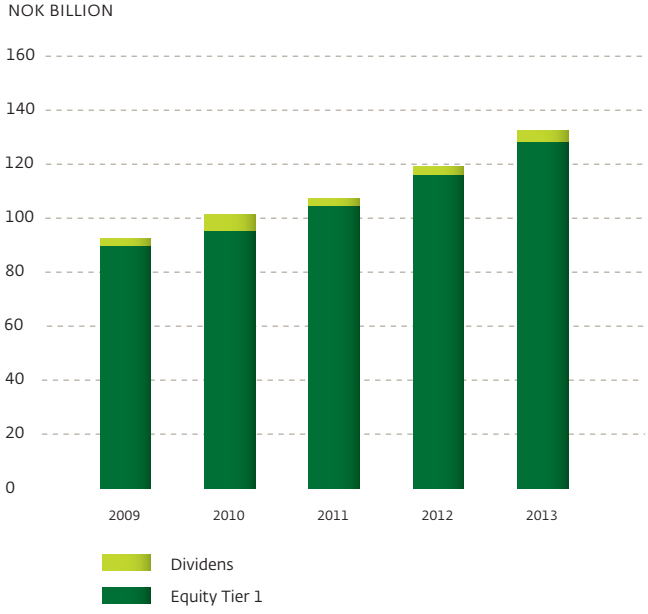
Primary capital and minimum capital requirement

The diagrams show developments in the common equity Tier 1 capital ratio and dividends in the DNB Group.

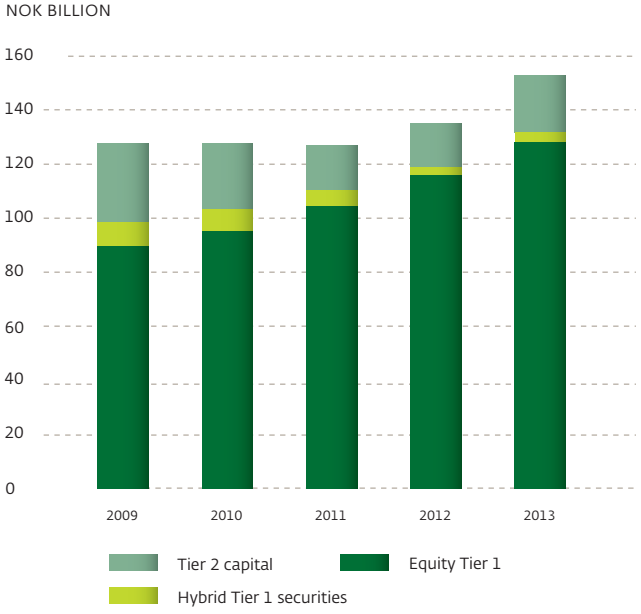
The widening spreads contributed to the necessary build-up of capital to meet stricter capital requirements. DNB's common equity Tier 1 capital has been increased by NOK 12.4 billion over the past twelve months.Tier2 capital increased by NOK 4.9 billion in 2013. DNB is well capitalised, but will build additional capital organically in order to meet the authorities' requirements.

When considering the dividend proposal for 2013, the Board of Directors has taken the regulatory capital adequacy requirements for the coming years into account. The Board of Directors has thus proposed a dividend for 2013 of NOK 2.70 per share. The proposed dividend gives a dividend yield of 2.49 per cent based on a share price of NOK 108.50 as at 31 December 2013. The proposed dividend implies that DNB ASA will distribute a total of NOK 4 398 million in dividends for 2013. The payout ratio represents approximately 25 per cent of earnings per share. A dividend of NOK 2.10 per share was paid for 2012.

EQUITY TIER 1 AND DIVIDENS FOR DNB GROUP



PRIMARY CAPITAL DNB GROUP



SUBORDINATED LOAN CAPITAL AND PERPETUAL SUBORDINATED LOAN CAPITAL SECURITIES

DNB GROUP

Amounts in NOK million	31 Dec. 2013	31 Dec. 2012
Term subordinated loan capital, nominal amount	17 822	12 848
Perpetual subordinated loan capital, nominal amount	4 011	3 804
Perpetual subordinated loan capital securities, nominal amount [1]	3 515	3 162
Adjustments	929	1 275
Total subordinated loan capital and perpetual subordinated loan capital securities	**26 276**	**21 090**

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

CHANGES IN SUBORDINATED LOAN CAPITAL AND PERPETUAL SUBORDINATED LOAN CAPITAL SECURITIES

DNB GROUP

Amounts in NOK million	Balance sheet 31 Dec. 2013	Issued 2013	Matured/ redeemed 2013	Exchange rate movements 2013	Other adjustments 2013	Balance sheet 31 Dec. 2012
Term subordinated loan capital, nominal amount	17 822	7 528	3 709	1 155		12 848
Perpetual subordinated loan capital, nominal amount	4 011			206		3 804
Perpetual subordinated loan capital securities, nominal amount [1]	3 515			353		3 162
Adjustments	929				(346)	1 275
Total subordinated loan capital and perpetual subordinated loan capital securities	**26 276**	**7 528**	**3 709**	**1 714**	**(346)**	**21 090**

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

COMPOSITION OF SUBORDINATED LOAN CAPITAL AND PERPETUAL SUBORDINATED LOAN CAPITAL SECURITIES

DNB GROUP

Year raised		Carrying amount in foreign currrency	Interest rate	Maturity	Call date	Carrying amount in NOK
Term subordinated loan capital						
2008	GBP	400	7.25 % p.a.	2020	2015	4 017
2012	EUR	750	4.75 % p.a.	2022	2017	6 278
2013	NOK	1 250	3-month NIBOR + 1.70%	2023	2018	1 250
2013	EUR	750	3.00 % p.a.	2023	2018	6 278
Total, nominal amount						**17 822**
Perpetual subordinated loan capital						
1985	USD	215	3-month LIBOR + 0.25%			1 306
1986	USD	200	6-month LIBOR + 0.13%			1 215
1986	USD	150	6-month LIBOR + 0.15%			911
1999	JPY	10 000	4.51% p.a.		2029	579
Total, nominal amount						**4 011**
Perpetual subordinated loan capital securities [1]						
2007	GBP	350	6.01% p.a.		2017	3 515
Total, nominal amount						**3 515**

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

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 2013.

PRIMARY CAPITAL

Amounts in NOK million	DNB Bank ASA		DNB Bank Group		DNB Group	
	31 Dec. 2013	31 Dec. 2012	31 Dec. 2013	31 Dec. 2012	31 Dec. 2013	31 Dec. 2012
Share capital	18 314	18 314	18 314	18 314	16 278	16 269
Other equity	96 276	87 160	108 093	98 280	125 949	111 767
Non-eligible capital	-	-	-	-	(1 013)	0
Total equity	114 591	105 474	126 407	116 594	141 214	128 035
Deductions						
Pension funds above pension commitments	0	(8)	(4)	(19)	(25)	(94)
Goodwill	(2 956)	(2 907)	(3 654)	(3 543)	(5 482)	(5 223)
Deferred tax assets	(4 145)	(565)	(1 093)	(1 055)	(1 111)	(1 066)
Other intangible assets	(955)	(1 092)	(1 425)	(1 822)	(1 643)	(2 017)
Dividends payable etc.	0	0	(5 000)	(6 000)	(4 398)	(3 420)
Unrealised gains on fixed assets	0	0	(30)	(30)	(30)	(30)
50 per cent of investments in other financial institutions	(2)	(392)	(2)	(538)	(2)	0
50 per cent of expected losses exceeding actual losses, IRB portfolios	(610)	(415)	(712)	(626)	(712)	(626)
Adjustments for unrealised losses/(gains) on debt recorded at fair value	240	181	281	84	281	84
Minimum requirement reassurance allocation	-	-	-	-	(21)	(17)
Common Equity Tier 1 capital	106 162	100 276	114 770	103 047	128 072	115 627
Perpetual subordinated loan capital securities [1)]	3 515	3 162	3 515	3 162	3 515	3 162
Tier 1 capital	109 677	103 439	118 285	106 209	131 587	118 790
Perpetual subordinated loan capital	4 011	3 804	4 011	3 804	4 011	3 804
Term subordinated loan capital [2)]	17 822	12 848	17 850	13 081	17 850	13 081
Deductions						
50 per cent of investments in other financial institutions	(2)	(392)	(2)	(538)	(2)	0
50 per cent of expected losses exceeding actual losses, IRB portfolios	(610)	(415)	(712)	(626)	(712)	(626)
Additions						
45 per cent of unrealised gains on fixed assets	0	0	18	18	18	18
Tier 2 capital	21 221	15 846	21 165	15 740	21 165	16 278
Total eligible primary capital [3)]	130 .898	119 285	139 450	121 949	152 752	135 068
Risk-weighted volume, transitional rules	933 433	874 840	1 004 716	984 137	1 089 114	1 075 672
Minimum capital requirement	74 675	69 987	80.377	78.731	87 129	86 054
Common Equity Tier 1 capital ratio, transitional rules (%)	11.4	11.5	11.4	10.5	11.8	10.7
Tier 1 capital ratio, transitional rules (%)	11.7	11.8	11.8	10.8	12.1	11.0
Capital ratio, transitional rules (%)	14.0	13.6	13.9	12.4	14.0	12.6

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 2013, calculations of capital adequacy for the banking group and the DNB Group included a total of NOK 28 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

DNB GROUP

Amounts in NOK million	31 Dec. 2013	30 Sept. 2013	30 June 2013	31 March 2013	31 Dec 2012.	30 Sept. 2012	30 June 2012	31 March 2012	31 Dec. 2012
Share capital	16 278	16 288	16 288	16 270	16 269	16 288	16 261	16 275	16 260
Other equity	125 949	108 327	108 528	111 356	111 767	98 329	98 230	101 483	101 555
Non-eligible capital	(1 013)	(900)	(900)	(900)	-	-	-	-	-
50 per cent of profits for the year to date	-	5 931	3 490	1 591	-	4 924	3 170	880	-
Total equity	141 214	129 646	127 405	128 317	128 035	119 541	117 661	118 638	117 815
Deductions	(13 142)	(9 658)	(9 135)	(12 703)	(12 408)	(10 047)	(9 935)	(13 550)	(13 624)
Common equity Tier 1 capital	128 072	119 989	118 270	115 614	115 627	109 494	107 726	105 088	104 191
Perpetual subordinated loan capital securities [1]	3 515	3 395	3 236	3 089	3 162	5 997	6 090	6 033	6 159
Tier 1 capital	131 587	123 384	121 505	118 702	118 790	115 491	113 816	111 121	110 350
Tier 2 capital [2]	21 165	20 050	14 342	14 129	16 278	17 746	18 229	21 603	16 566
Total eligible primary capital [3]	**152 752**	**143 434**	**135 848**	**132 831**	**135 068**	**133 237**	**132 045**	**132 724**	**126 916**
Risk-weighted volume, basis for transitional rule, Basel I	1 252 294	1 252 575	1 258 267	1 250 961	1 226 117	1 242 502	1 269 008	1 275 327	1 269 037
80 per cent of RWA, transitional rule	1 001 835	1 002 060	1 006 614	1 000 769	980 894	994 002	1 015 206	1 020 262	1 015 230
Net risk-weighted volume Insurance	87 279	89 630	91 879	93 557	94 538	98 353	101 176	103 987	96 345
Risk-weighted volume, transitional rules	1 089 114	1 091 690	1 098 493	1 094 325	1 075 672	1 092 354	1 116 382	1 124 249	1 111 574
Minimum capital requirement, transitional rules	87 129	87 335	87 879	87 546	86 054	87 388	89 311	89 940	88 926
Common Equity Tier 1 capital ratio, transitional rules (%)	11,8	11,0	10,8	10,6	10,7	10,0	9,6	9,3	9,4
Tier 1 capital ratio, transitional rules (%)	12,1	11,3	11,1	10,8	11,0	10,6	10,2	9,9	9,9
Capital ratio, transitional rules (%)	14,0	13,1	12,4	12,1	12,6	12,2	11,8	11,8	11,4
Risk-weighted volume, Basel II	997 999	1 018 466	1 044 188	1 032 169	1 024 645	1 029 025	1 054 388	1 044 412	1 061 772
Minimum capital requirement, Basel II	79 840	81 477	83 535	82 573	81 972	82 322	84 351	83 553	84 942
Common Equity Tier 1 capital ratio, Basel II (%)	12,8	11,8	11,3	11,2	11,3	10,6	10,2	10,1	9,8
Tier 1 capital ratio, Basel II (%)	13,2	12,1	11,6	11,5	11,6	11,2	10,8	10,6	10,4
Capital ratio, Basel II (%)	15,3	14,1	13,0	12,9	13,2	12,9	12,5	12,7	12,0
Risk-weighted volume, full IRB	939 057	956 118	981 452	967 123	959 319	956 724	963 337	965 796	973 948
Minimum capital requirement, full IRB	75 125	76 489	78 516	77 370	76 746	76 538	77 067	77 264	77 916
Common Equity Tier 1 capital ratio, full IRB (%)	13.6	12.5	12.1	12.0	12.1	11.4	11.2	10.9	10.7
Tier 1 capital ratio, full IRB (%)	14.0	12.9	12.4	12.3	12.4	12.1	11.8	11.5	11.3
Capital ratio, full IRB (%)	16.3	15.0	13.8	13.7	14.1	13.9	13.7	13.7	13.0
Common Equity Tier 1 capital ratio, Basel III (%)	13.6	12.5	12.1	12.1	12.1	10.8	10.6	-	-
Leverage ratio, Basel III (%)	5.3	4.3	4.2	4.3	4.6	4.1	4.1	-	-

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 2013, calculations of capital adequacy for the banking group and the DNB Group included a total of NOK 28 million in subordinated loan capital in associated companies.

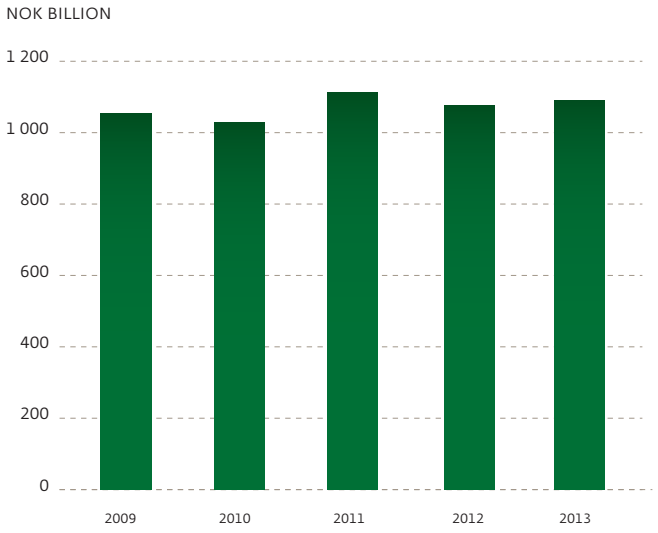
3) Primary capital and nominal amounts used in calculating risk-weighted volume deviate from figures in the consolidated accounts since a different consolidation method is used. Associated companies are consolidated according to the pro-rata method in the capital adequacy calculations while the equity method is used in the accounts.

RISK-WEIGHTED VOLUME

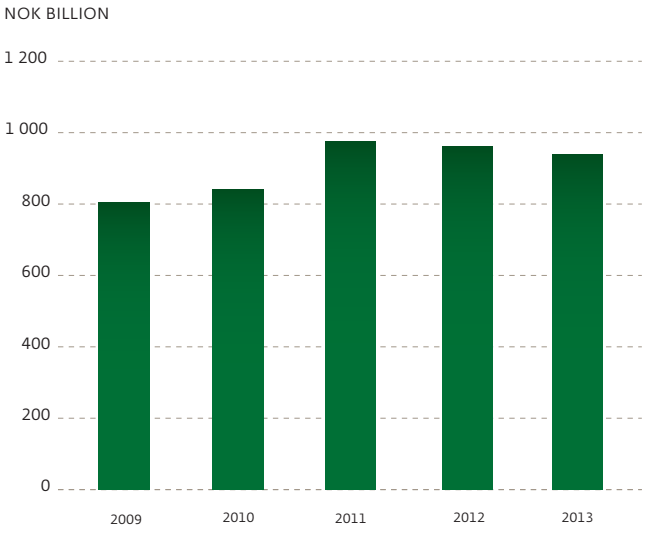
Use of the IRB approach

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.

RISK WEIGHTED ASSETS, BASEL II UNDER TRANSITIONAL RULES



RISK WEIGHTED ASSETS DNB GROUP, FULL IRB



The table below shows the portfolios this applies to:

REPORTING METHODS FOR CREDIT RISK IN CAPITAL ADEQUACY CALCULATIONS

Portfolios	31 Dec. 2013	31 Dec. 2014 [1]
Retail:		
- mortgage loans, DNB Bank and DNB Boligkreditt	IRB [2]	IRB [2]
- qualifying revolving retail exposures, DNB Bank [3]	IRB [2]	IRB [2]
- loans in DNB Finans Norway	IRB [2]	IRB [2]
Corporates:		
- small and medium-sized corporates, DNB Bank	Advanced IRB	Advanced IRB
- large corporate clients (scorecard models), DNB Bank	Advanced IRB	Advanced IRB
- large corporate clients (simulation models), DNB Bank and DNB Næringskreditt	Standardised	Advanced IRB
- leasing, DNB Bank	Advanced IRB	Advanced IRB
- corporate clients, DNB Næringskreditt	Advanced IRB	Advanced IRB
Securitisation positions:		
- international bond portfolio, DNB Markets	IRB [1]	IRB [1]
Institutions:		
- banks and financial institutions, DNB Bank	Standardised	Advanced IRB
Exceptions:		
- approved exceptions: government and municipalities, equity positions	Standardised	Standardised
- temporary exceptions: DNB Baltics and Poland, DNB Luxembourg, JSC DNB Bank and various other small portfolios	Standardised	Standardised

1) According to the introduction plan. The implementation depends on approval from the FSA.
2) For Retail and Securitisation is the only IRB approach.
3) Reported according to the IRB category Retail, other 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. A large part of the corporate portfolio 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

capital adequacy calculations. The Group has also applied for permission to use the advanced IRB approach for loans to banks. Credit exposure (both mortgage loans and corporate loans) in the former Nordlandsbanken will be gradually transferred to the parent bank's systems. IRB models will be used, and volumes will be reported according to the IRB approach.

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.

Specification of risk-weighted volume and capital requirements for DNB Bank ASA, the DNB Bank Group and the DNB Group as at 31 December 2013.

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

Amounts in NOK million	Nominal exposure 31 Dec. 2013	EAD [1] 31 Dec. 2013	Average risk weights in per cent 31 Dec. 2013	Risk-weighted volume 31 Dec. 2013	Capital requirements 31 Dec. 2013	Capital requirements 31 Dec. 2012
IRB approach						
Corporate	797 887	639 902	51.9	332 006	26 560	29 000
Specialised Lending (SL)	3 865	3 832	50.0	1 915	153	192
Retail - mortgage loans	80 845	80 845	18.1	14 608	1 169	1 336
Retail - other exposures	106 641	87 694	28.3	24 800	1 984	1 839
Securitisation	63 087	63 087	47.2	29 749	2 380	1 893
Total credit risk, IRB approach	1 052 324	875 359	46.0	403 078	32 246	38 997
Standardised approach						
Central government	130 852	141 409	0.0	7	1	7
Institutions	960 693	806 753	20.2	162 907	13 033	5 222
Corporate	207 362	168 948	96.6	163 184	13 055	15 793
Retail - mortgage loans	10 641	9 704	60.5	5 867	469	737
Retail - other exposures	48 277	17 936	74.6	13 374	1 070	1 080
Equity positions	73 975	73 975	100.3	74 200	5 936	4 310
Other assets	8 901	8 901	100.0	8 901	712	227
Total credit risk, standardised approach	1 440 701	1 227 626	34.9	428 439	34 275	27 377
Total credit risk	2 493 025	2 102 985	39.5	831 518	66 521	66 374
Market risk						
Position risk, debt instruments				32 772	2 622	3 253
Position risk, equity instruments				1 299	104	104
Currency risk				0	0	0
Commodity risk				109	9	5
Total market risk				34 179	2 734	3 362
Operational risk				68 182	5 455	5 051
Deductions				(447)	(36)	(63)
Total risk-weighted volume and capital requirements before transitional rule				933 433	74 675	74 724
Additional capital requirements according to transitional rule [2]				0	0	0
Total risk-weighted volume and capital requirements				933 433	74 675	74 724

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. 2013	EAD [1] 31 Dec. 2013	Average risk weights in per cent 31 Dec. 2013	Risk-weighted volume 31 Dec. 2013	Capital requirements 31 Dec. 2013	Capital requirements 31 Dec. 2012
IRB approach						
Corporate	904 597	732 381	51.8	379 528	30 362	29 417
Specialised Lending (SL)	3 865	3 832	50.0	1 915	153	192
Retail - mortgage loans	619 414	619 414	9.9	61 048	4 884	5 655
Retail - other exposures	106 641	87 694	28.3	24 800	1 984	1 839
Securitisation	63 087	63 087	47.2	29 749	2 380	1 893
Total credit risk, IRB approach	1 697 603	1 506 408	33.0	497 041	39 763	38 997
Standardised approach						
Central government	137 581	160 021	0.0	44	4	10
Institutions	247 382	102 099	24.9	25 456	2 036	2 201
Corporate	292 719	227 767	93.3	212 452	16 996	19 421
Retail - mortgage loans	45 128	42 996	54.3	23 331	1 867	2 189
Retail - other exposures	69 139	35 931	78.3	28 119	2 249	1 872
Equity positions	3 630	3 630	106.2	3 855	308	250
Securitisation	3 048	3 048	18.0	550	44	69
Other assets	12 650	12 650	100.0	12 650	1 012	804
Total credit risk, standardised approach	811 278	588 141	52.1	306 457	24 517	26 816
Total credit risk	2 508 881	2 094 549	38.4	803 498	64 280	65 813
Market risk						
Position risk, debt instruments				27 993	2 239	3 110
Position risk, equity instruments				1 299	104	104
Currency risk				0	0	0
Commodity risk				109	9	5
Total market risk				29 400	2 352	3 219
Operational risk				79 770	6 382	5 740
Deductions				(754)	(60)	(113)
Total risk-weighted volume and capital requirements before transitional rule				911 915	72 953	74 660
Additional capital requirements according to transitional rule [2]				92 801	7 424	4 071
Sum risikovektet volum og kapitalkrav				1 004 716	80 377	78 731

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. 2013	EAD [1] 31 Dec. 2013	Average risk weights in per cent 31 Dec. 2013	Risk-weighted volume 31 Dec. 2013	Capital requirements 31 Dec. 2013	Capital requirements 31 Dec. 2012
IRB approach						
Corporate	904 597	732 381	52	379 528	30 362	29 417
Specialised Lending (SL)	3 865	3 832	50.0	1 915	153	192
Retail - mortgage loans	619 414	619 414	9.9	61 048	4 884	5 655
Retail - other exposures	106 641	87 694	28.3	24 800	1 984	1 839
Securitisation	63 087	63 087	47.2	29 749	2 380	1 893
Total credit risk, IRB approach	1 697 603	1 506 408	33.0	497 041	39 763	38 997
Standardised approach						
Central government	137 581	160 021	0.0	44	4	10
Institutions	234 903	89 619	25.6	22 960	1 837	2 040
Corporate	293 450	228 497	93.3	213 182	17 055	19 227
Specialised Lending (SL)						
Retail - credit card exposures (QRRE)						
Retail - other exposures	69 139	35 931	78.3	28 119	2 249	1 872
Equity positions	3 894	3 894	103.0	4 013	321	262
Securitisation	3 048	3 048	18.0	550	44	69
Other assets	12 735	12 735	100.0	12 735	1 019	758
Total credit risk, standardised approach	799 877	576 741	52.9	304 933	24 395	26 426
Total credit risk	2 497 480	2 083 148	38.5	801 974	64 158	65 423
Market risk						
Position risk, debt instruments				27 993	2 239	3 110
Position risk, equity instruments				1 299	104	104
Currency risk				0	0	0
Commodity risk				109	9	5
Total market risk				29 400	2 352	3 219
Operational risk				80 099	6 408	5 793
Net insurance, after eliminations				87 279	6 982	7 563
Deductions				(754)	(60)	(27)
Total risk-weighted volume and capital requirements before transitional rule				997 999	79 840	81 972
Additional capital requirements according to transitional rule [2]				91 115	7 289	4 082
Total risk-weighted volume and capital requirements				1 089 114	87 129	86 054

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 REQUIREMENT DNB GROUP

DNB GROUP

Amounts in NOK million	31 Dec. 2013	30 Sept. 2013	30 June 2013	31 March 2013	31 Dec. 2012	30 Sept. 2012	30 June 2012	31 March 2012	31 Dec. 2011
IRB approach									
Corporate	30 362	30 666	30 442	29 689	29 417	29 861	30 710	29 773	30 453
Specialised Lending (SL)	153	166	169	176	192	180	306	289	286
Retail - mortgage loans	4 884	5 522	5 473	5 321	5 655	5 629	5 522	5 480	5 515
Retail - other exposures	1 984	1 935	1 907	1 882	1 839	2 000	1 983	1 977	1 891
Securitisation	2 380	1 946	1 911	1 911	1 893	853	775	704	752
Total credit risk, IRB approach	39 763	40 235	39 903	38 979	38 997	38 522	39 296	38 223	38 898
Standardised approach									
Central government	4	6	5	3	10	9	14	5	10
Institutions	1 837	2 263	2 219	2 269	2 040	1 888	1 858	2 108	1 922
Corporate	17 055	17 701	18 925	18 992	19 227	19 399	20 634	20 095	22 278
Retail - mortgage loans	1 867	2 357	2 448	2 413	2 189	1 818	1 861	1 665	1 674
Retail - other exposures	2 249	2 062	2 425	2 039	1 872	2 781	3 046	2 825	2 857
Equity positions	321	279	253	243	262	325	237	239	288
Securitisation	44	44	57	57	69	94	117	109	143
Other assets	1 019	905	911	888	758	1 102	893	993	901
Total credit risk, standardised approach	24 395	25 619	27 242	26 903	26 426	27 417	28 660	28 038	30 074
Total credit risk [1)]	64 158	65 854	67 145	65 882	65 423	65 939	67 957	66 261	68 971
Market risk									
Position risk, debt instruments	2 239	2 609	3 153	3 340	3 110	3 071	2 869	3 539	2 833
Position risk, equity instruments	104	102	102	100	104	98	91	96	95
Commodity risk	9	4	5	6	5	-	-	-	-
Total market risk	2 352	2 716	3 260	3 447	3 219	3 168	2 960	3 635	2 928
Operational risk	6 408	5 793	5 793	5 793	5 793	5 386	5 386	5 386	5 386
Net insurance, after eliminations	6 982	7 170	7 350	7 485	7 563	7 868	8 094	8 319	7 708
Deductions	(60)	(56)	(13)	(33)	(27)	(39)	(45)	(47)	(50)
Total capital requirements according to Basel II	79 840	81 477	83 535	82 573	81 972	82 322	84 351	83 553	84 942
Additional capital requirements according to transitional rules	7 289	5 858	4 344	4 973	4 082	5 066	4 959	6 387	3 984
Total capital requirements according to transitional rules	87 129	87 335	87 879	87 546	86 054	87 388	89 311	89 940	88 926

CREDIT RISK

DEVELOPMENTS IN CREDIT RISK IN 2013

There was stable, sound credit quality in the healthy portfolio in most areas. The situation in the shipping sector remains highly challenging, though 2013 turned out somewhat better than expected. A cautious upturn is anticipated in the shipping markets over the coming years. During the third quarter of 2013, the situation in the dry bulk markets improved, mainly for the largest ships, due to rising imports of iron ore to China. This trend continued in the fourth quarter parallel to an improvement in the tanker market. 2013 was a challenging year in the container market due to sluggish growth in demand from Europe and the US, and the situation will probably remain unchanged in 2014. A number of new ships were delivered in 2013, and the fleet is expected to expand further in 2014 and 2015.

Oil prices remained high and stable towards the end of 2013, though the consensus view is that prices will decline slightly in the longer term due to lower growth in demand and a rise in supplies, including US shale oil. Activity levels remained high in most energy-related sectors towards the end of the year, while developments are more uncertain in sectors that will be affected by a fall in oil prices.

Power prices are low in the Nordic market, which significantly limits the ability of the power companies to pay dividends, as they cannot expect an influx of new equity from their owners, which are municipalities and county municipalities. At year-end 2013, DNB still had a solid portfolio in this segment.

The quality of DNB's Norwegian commercial property portfolio is considered to be satisfactory. There was an increase in the number of vacant office buildings in 2013. In Oslo, Asker and Bærum, the vacancy rate was approximately 8 per cent at year-end 2013, reflecting the brisk construction activity over the past two years. A number of the vacant properties have been renovated and have re-entered the market, thereby raising the vacancy rate.

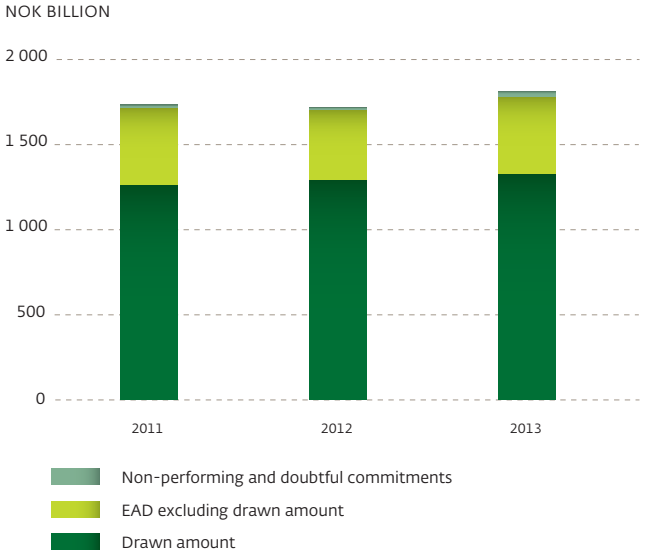
The credit quality of the portfolio, measured in terms of risk capital, has improved in recent years, and credit volume in terms of EAD has shown a modest growth.

GENERAL INFORMATION ABOUT CREDIT RISK

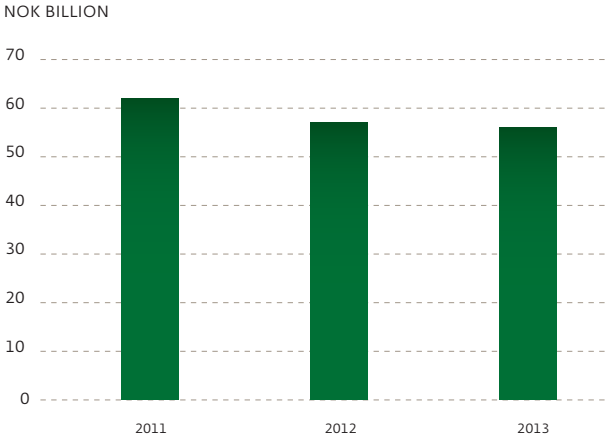
Credit risk is the risk of losses due to failure on the part of the Group's counterparties or customers to meet their payment obligations towards the DNB Group. Credit risk refers to all claims against counterparties or customers, including credit risk in trading operations, country risk and settlement 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.

According to the Group's credit policy, approved by the Boards of Directors of DNB ASA and DNB Bank ASA, the principal objective for credit activity is that the loan portfolio should have a quality

DEVELOPMENT IN EAD



DEVELOPMENT RISK-ADJUSTED CAPITAL



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 DNB's low risk profile target.

CREDIT RISK MANAGEMENT AND MEASUREMENT

The Group's risk policy and the related guidelines for credit activities regulate credit activity in DNB Bank. 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. Group credit strategies are approved by the Board of Directors. According to DNB's guidelines for corporate social responsibility in credit activities, 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.

In 2013, the Group implemented risk appetite as a risk management tool, which entails maximum limits for the bank's exposure to individual industries, thus aiming to reduce risk concentrations, especially in volatile industries. Large concentrations of risk, where major changes in one or a few risk drivers could result in profit fluctuations with serious consequences for DNB's profitability, should as far as possible be avoided. Credit exposure in the shipping and commercial property segments is monitored particularly closely.

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. All overrides must be well founded and be made only in exceptional cases based on a thorough assessment made by a unit outside the business unit. 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.

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, volatility and large exposures.

Classification models and the IRB system

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.

Collateral and other risk-mitigating measures

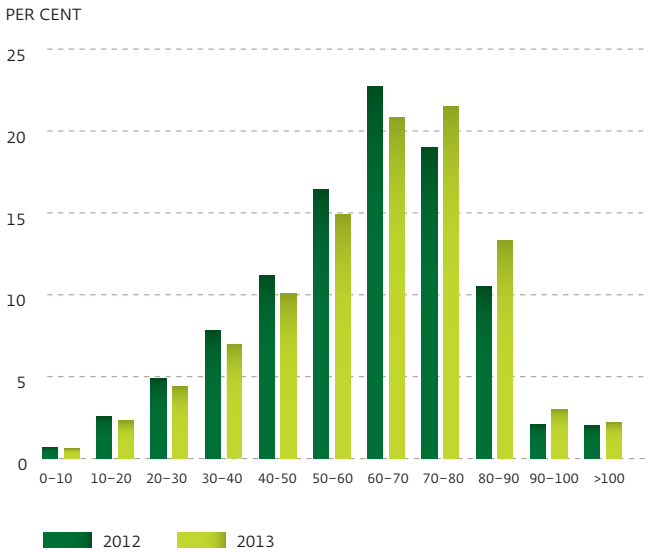
If the customer has not proven a satisfactory debt servicing capacity, credit should normally not be extended even if the collateral is adequate. The credit process is based on an assessment of the customer's debt servicing capacity in the form of ongoing future cash flows. The source of such cash flows 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.

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. When assessing mortgages backed by residential property, the property's market value or external appraisals are used. The large majority of home mortgages are within 85 per cent of the property's appraised value, and external parameters are used to regularly review house values.

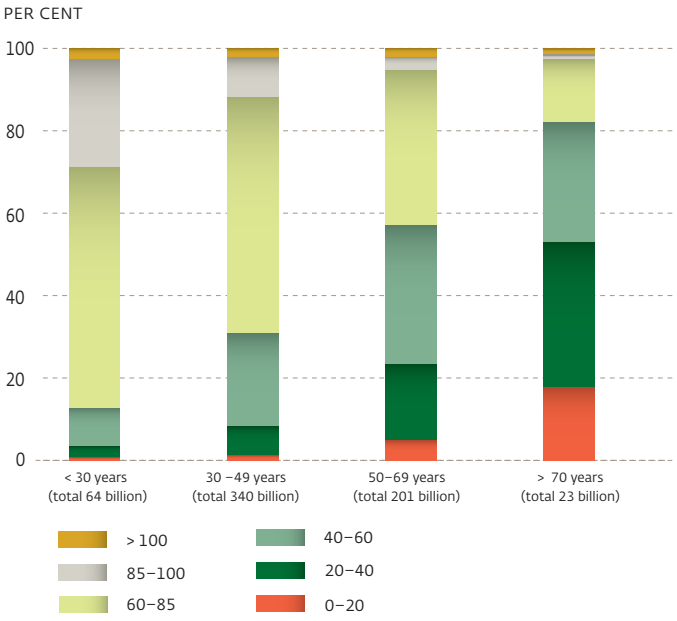
The diagrams show a distribution of loan-to-value ratios on an object basis. Thus, all loans secured by the same collateral are taken into account when calculating the loan-to-value ratio. Short-term bridge loans, loan offers and loans in Nordlandsbanken are not included.

The diagram to the left shows the retail mortgage portfolio measured according to EAD and broken down on different loan-to-value ratios. DNB takes a conservative approach when calculating loan-to-value ratios, and the same loan-to-value ratio is applied to all borrowings secured by the same collateral. There have been no changes in DNB's lending practice over the past few years. The changes in loan-to-value ratios between 2012 and 2013 mainly reflect falling housing prices towards the end of 2013. The EDA-weighted average loan-to-value ratio for

LOAN TO VALUE (EAD), RETAIL MORTGAGES



LOAN TO VALUE BY THE END OF 2013, RETAIL MORTGAGES DISTRIBUTED BY AGE



retail mortgages was 64 per cent at year-end 2013, up from 62 per cent a year earlier.

The diagram showing loan-to-value ratios distributed by age is based on the same loan portfolio classified according to borrowers' age groups. The same conservative approach and distribution as in the left-hand diagram are used. The volumes in parentheses below the age groups represent the Group's total lending volume in terms of EAD.

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 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.

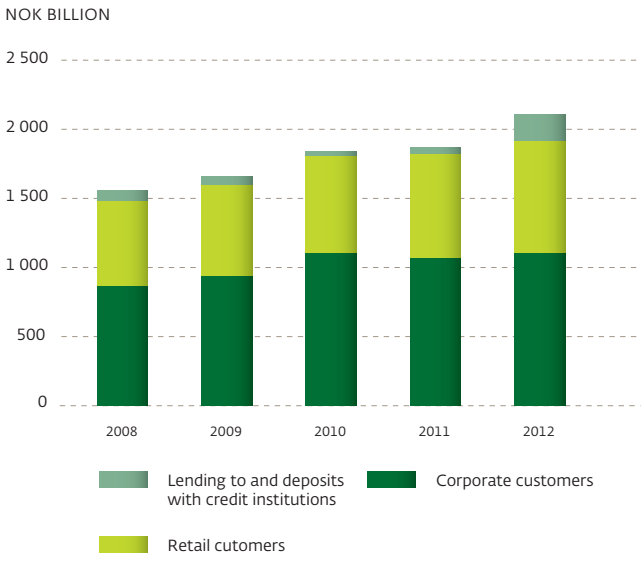
Loans showing a negative development are identified and followed up separately. The risk classification systems referred to above are used for decision support, risk monitoring and reporting.

OVERVIEW OF CREDIT EXPOSURES

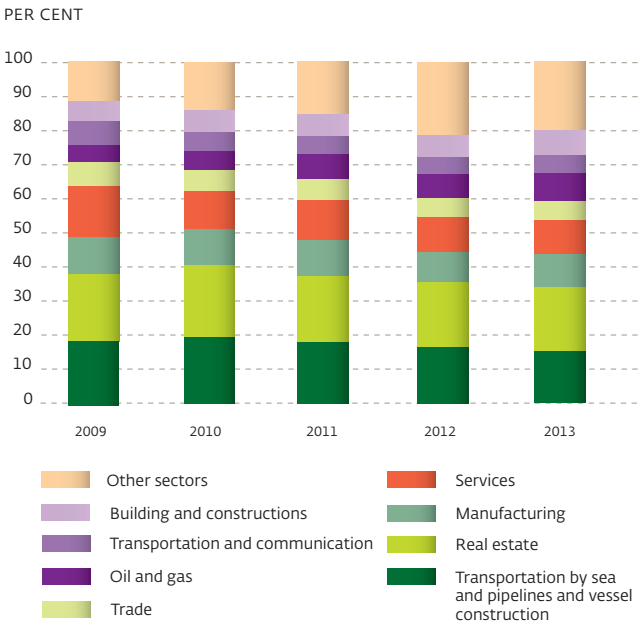
The diagrams below show the Group's total credit exposure according to sector. The breakdown into principal sectors is based on standardised sector and industry categories set up by Statistics Norway. More detailed information can be found in the Pillar 3 attachment.

In this connection, commitments do not correspond to EAD, as undrawn amounts under committed credit lines are not included.

COMMITMENTS SPLIT BY CUSTOMER SEGMENTS

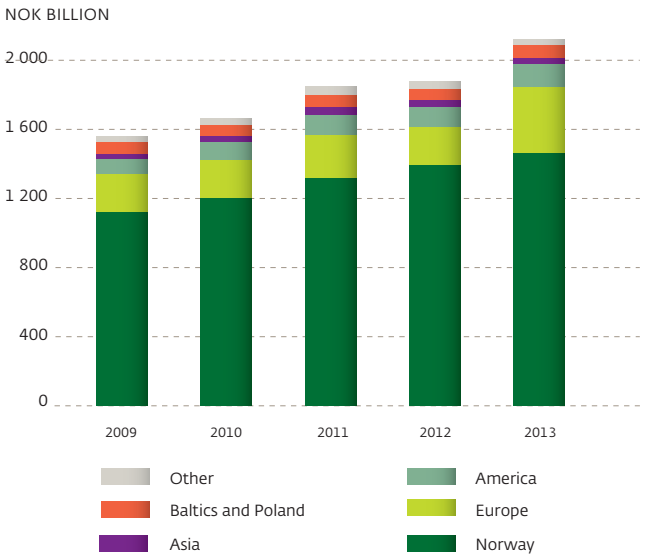


COMMITMENTS SPLIT BY PRINCIPAL SECTORS



The diagram shows the Group's total credit exposure according to geographical location. The breakdown into geographical locations is based on the customer's address. The increase in Europe is due to a rise in repo trading volumes in DNB Markets. More detailed information can be found in the Pillar 3 attachment.

TOTAL CREDIT EXPOSURE SPLIT BY GEOGRAPHICAL LOCATION



The table below shows total credit exposure split by maturity

TIME TO MATURITY

DNB GROUP

31 Dec. 2013

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	Totalt
Lending to and deposits with credit institutions	147 504	27 790	5 606				180 900
Net lending to customers	132 158	73 791	71 527	263 917	801 616	(2 315)	1 340 695
Unutilised credit lines under 1 year							384 750
Unutilised credit lines over 1 year							199 883
Guarantees							99 472

TIME TO MATURITY

DNB GROUP

31 Dec. 2012

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	Totalt
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

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. If objective evidence of a decrease in value of a loan or group of loans can be found, impairment losses are recorded. 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. Individual impairment of loans reduces the value of the loans in the balance sheet.

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. 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.

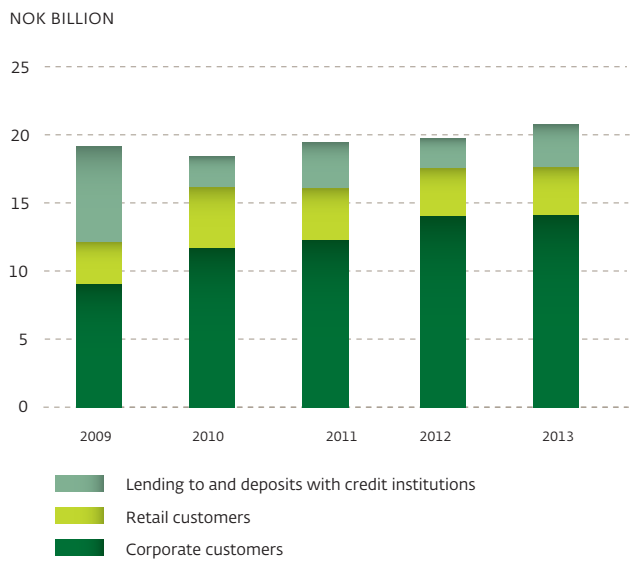
Collective impairment reduces the value of loans and guarantees in the balance sheet, and changes during the period are recorded under "Impairment of loans and guarantees". Like individual impairment, collective impairment is based on discounted cash flows. Cash flows are discounted on the basis of statistics 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 20.7 billion at end-December 2013, a slight increase from NOK 19.7 billion at year-end 2012. Relative to total loans, the level of net non-performing and doubtful loans and guarantees was somewhat lower than at year-end 2012 at 1.4 per cent.

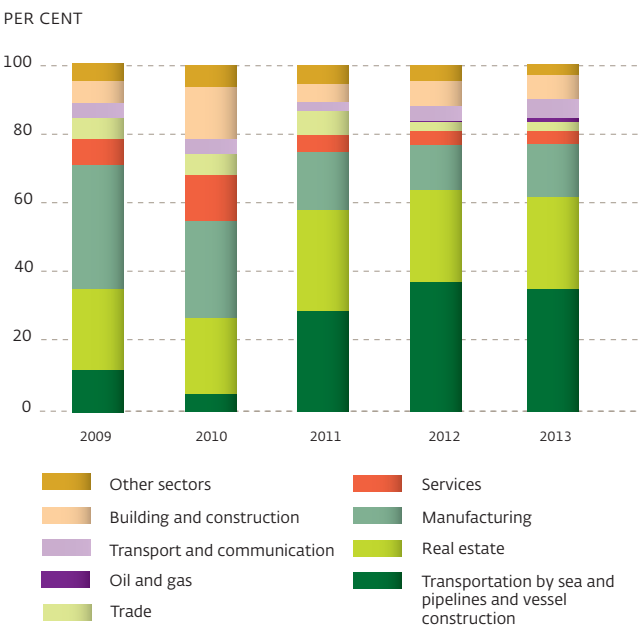
The diagrams show the Group's loan categories on and off the balance sheet and according to sector and geographical location. The breakdown into sectors is based on standardised sector and industry categories, while the breakdown into geographical locations is based on the customer's address. More detailed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

The increase in net non-performing and impaired loans in 2013 is related to a few larger shipping engagements and is closely monitored. The portfolios in the Baltics and Poland represent 30 per cent of net non-performing and impaired loans and guarantees in the personal customer market.

NET NON-PERFORMING AND IMPAIRED COMMITMENTS SPLIT BY CUSTOMER SEGMENTS

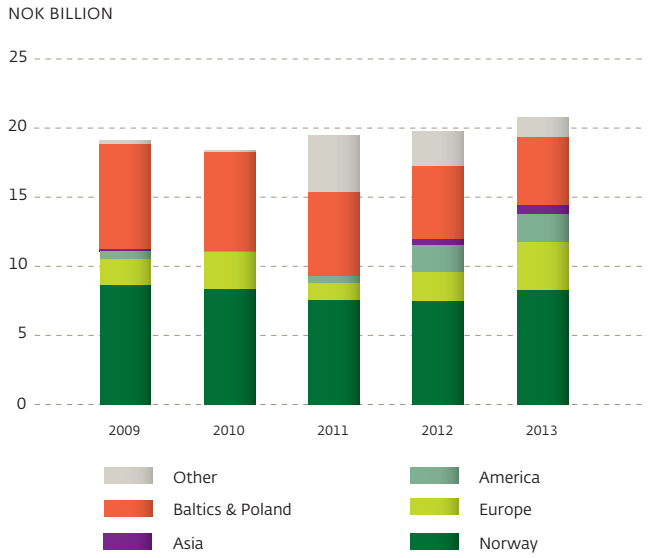


NET NON-PERFORMING AND IMPAIRED COMMITMENTS SPLIT BY PRINCIPAL SECTORS

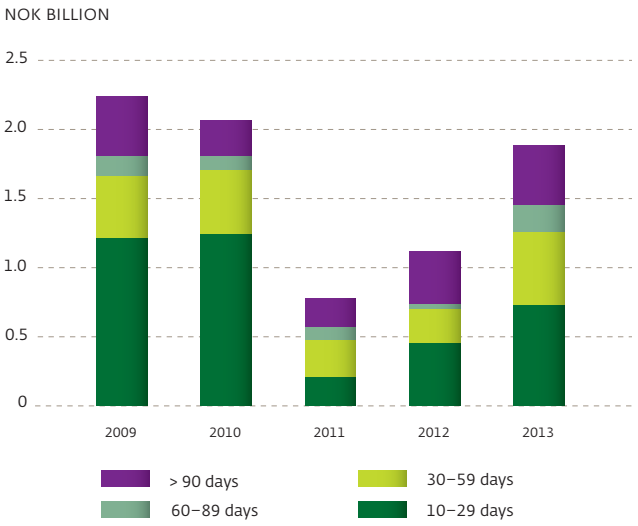


The diagram shows net non-performing and impaired loans and guarantees according to geographical location. The breakdown into geographical locations is based on the customer's address. More detailed information can be found in the Pillar 3 attachment.

NET NON-PERFORMING AND IMPAIRED COMMITMENTS SPILT BY GEOGRAPHY



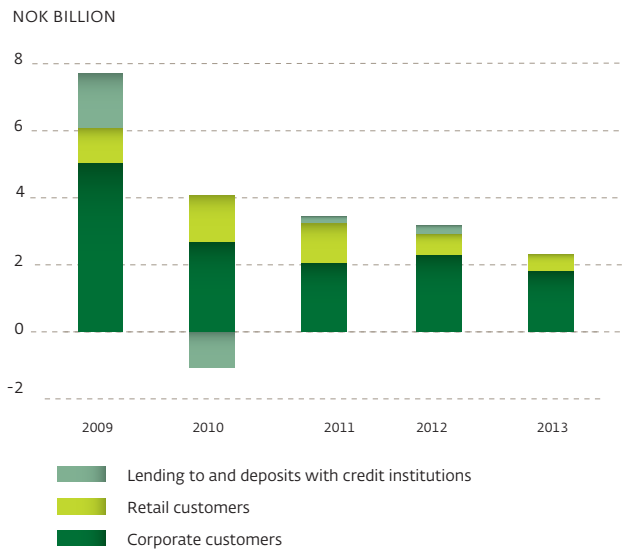
OVERDUE LOANS WITHOUT WRITE-DOWNS, SPLIT BY NUMBER OF DAYS PAST DUE



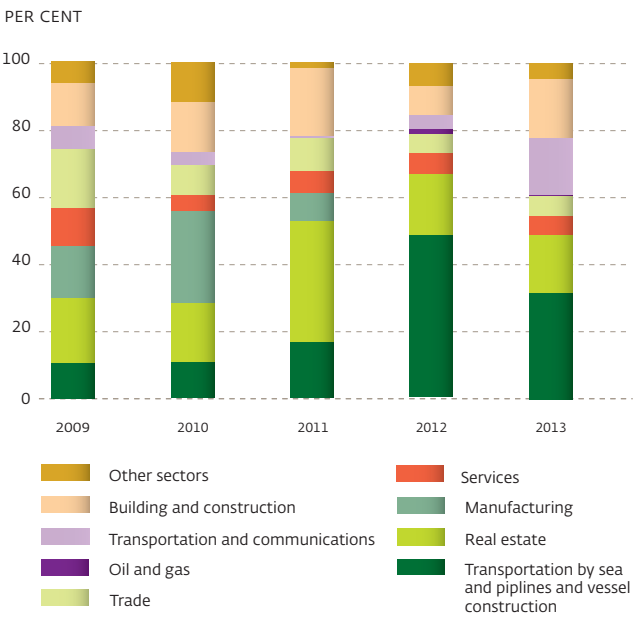
The table shows past due loans without write-downs. More detailed information can be found in the Pillar 3 attachment.

The diagram shows impairment of loans and guarantees according to sector. The breakdown into principal sectors is based on standardised sector and industry categories.

NET IMPAIRMENT SPLIT BY INDIVIDUAL AND COLLECTIVE WRITEDOWNS



NET IMPAIRMENT SPLIT BY PRINCIPAL SECTORS



INCOME STATEMENT

DNB GROUP

	2013				2012			
Amounts in NOK million	New individual impairment	Reassessed individual impairment	Recoveries on loans and guarantees previously written off	Net impairment	New individual impairment	Reassessed individual impairment	Recoveries on loans and guarantees previously written off	Net impairment
Private individuals	1 175	236	408	531	1 072	68	378	626
Transportation by sea and pipelines and vessel construction	916	354	0	562	1 146	1	2	1 142
Real estate	454	142	4	308	631	186	12	434
Manufacturing	248	237	9	2	147	217	2	(71)
Services	166	60	5	101	279	128	3	147
Trade	184	64	12	108	220	76	4	139
Oil and gas	16	14	0	2	35	0	0	35
Transportation and communication	349	38	3	308	121	22	3	96
Building and construction	377	60	5	312	269	58	3	208
Power and water supply	51	1	1	49	99	0	0	98
Seafood	19	1	0	18	9	3	0	6
Hotels and restaurants	17	19	0	(2)	51	16	0	35
Agriculture and forestry	28	30	0	(2)	45	39	1	6
Central and local government	0	0	0	0	0	0	2	(2)
Other sectors	36	7	8	21	20	0	2	18
Total customers	4 037	1 263	457	2 318	4 144	816	412	2 917
Credit institutions	0	0	0	0	0	2	0	(2)
Changes in collective impairment of loans	-	-	-	(133)	-	-	-	265
Impairment of loans and guarantees	**4 037**	**1 263**	**457**	**2 185**	**4 144**	**818**	**412**	**3 179**
Of which individual impairment of guarantees	*200*	*81*	*0*	*119*	*83*	*20*	*0*	*63*

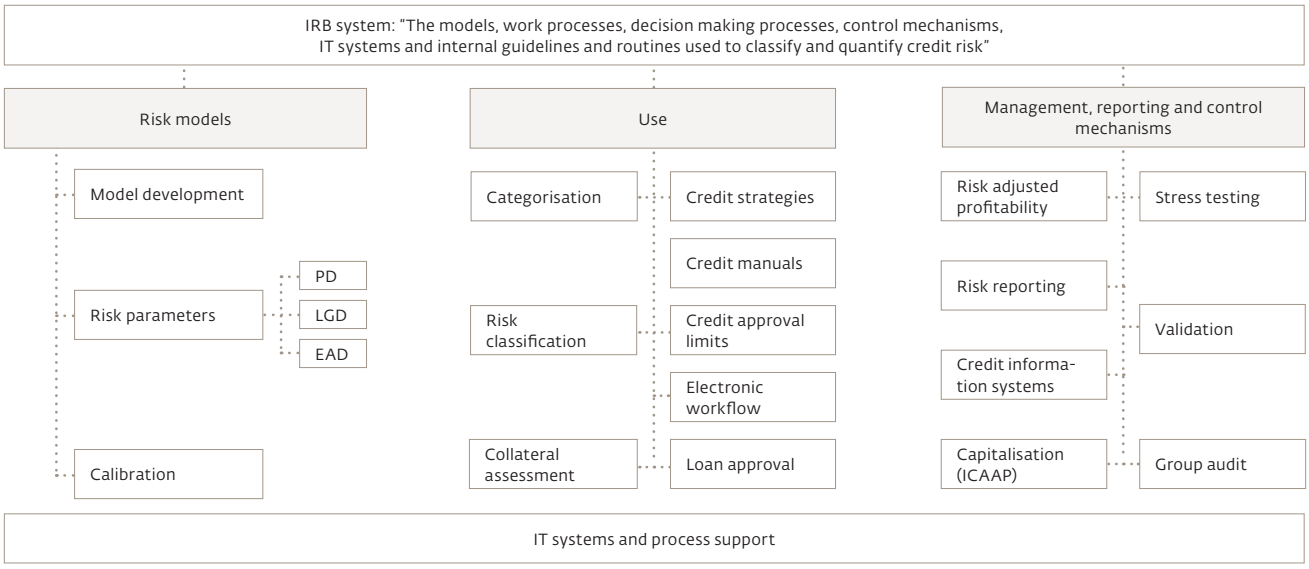
The breakdown into principal customer groups corresponds to the EU's standard industrial classification, NACE Rev.2.

BALANCE SHEET

DNB GROUP

	2013				2012			
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	12 337	139	12 501	25	12 350	78	12 453
New impairment	0	1 340	39	1 380	0	2 400	83	2 483
Increase in impairment [1)]	50	1 480	161	1 691	0	1 317	0	1 317
Reassessed impairment	0	1 182	81	1 263	2	796	20	818
Write-offs covered by previous impairment								
Changes in individual impairment of	0	1 837	0	1 837	0	2 876	2	2 879
accrued interest and amortisation	4	1	-	5	1	(2)	-	(1)
Changes in collective impairment	0	(133)	-	(133)	0	265	-	265
Changes in group structure	0	0	0	0	0	0	0	0
Changes due to exchange rate movement	0	712	27	739	0	(319)	0	(319)
Impairment as at 31 December	79	12 720	284	13 084	25	12 337	139	12 501
Of which: Individual impairment	*75*	*9 695*	*284*	*10 055*	*25*	*9 308*	*139*	*9 472*
Individual impairment of accrued interest and amortisation	*4*	*710*	-	*714*	*1*	*708*	-	*709*
Collective impairment	*0*	*2 315*	-	*2 315*	*0*	*2 321*	-	*2 321*

1) Provisions for swap agreements were reclassified from provisions to impairment of loans as from the second quarter of 2013. The provisions were recognised in profit and loss in 2008.



IRB SYSTEM

The estimated capital requirements for the portfolios reported according to the IRB approach are shown in tables in chapter about capital management.

The principle diagram shows the extensive nature of the IRB regime. The aim is to ensure sound risk management and make sure 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.

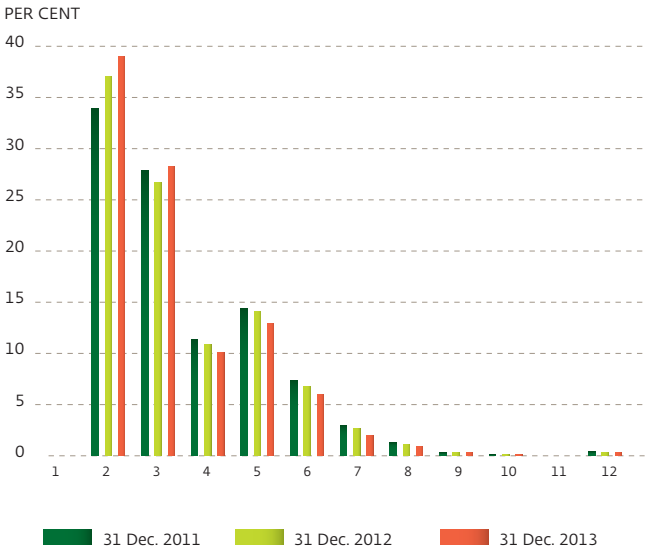
Validation is a key element in assuring the quality of DNB's IRB system and can be divided into quantitative and qualitative validation. The quantitative validation tests the risk models, while the qualitative validation tests the design of the IRB system and whether the system is used as intended. Group 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, quantification and validation

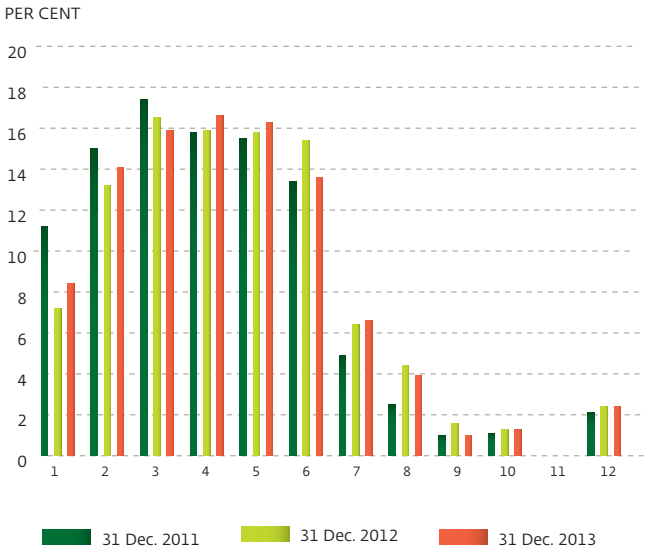
Classification and quantification

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.

RETAIL MORTGAGES IRB PORTFOLIO ACCORDING TO RISK CLASS



CORPORATE IRBA PORTFOLIO ACCORDING TO RISK CLASS



With respect to the asset class Retail residential mortgage, the authorities do not allow the use of risk class 1. Thus, the portfolio in these asset classes is distributed over risk classes 2-12.

Relationship between risk classes and probability of default

DNB'S RISK CLASSIFICATION

	Probability of default (per cent)		External rating	
Risk grade	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 [1)]	8,00	impaired	B3, Caa/C	B÷, CCC/C

1) Risk grade 10 is limited to a maximum PD level of 40%

MODELS USED FOR PORTFOLIOS WITH IRB APPROVAL AS OF 31 DECEMBER 2012

Commitment category	Customer segment	Risk models		
Retail, residential mortgage	New retail customers or retail customers without a valid behavior score, as well as all clients that increase existing debt with NOK 200 thousand or more.	PD RM Application	EAD RM	LGD RM
	All retail customers except customers who have been assessed through Application Score within the last 12 months.	PD RM Behavior		
Retail, other	Other retail exposure in DNB Finans	PD Application/Behavior	EAD-DNB Finans	LGD-DNB Finans
	Qualifying Revolving Retail Exposure	PD Application	EAD QRRE	LGD QRRE
		PD Behavior		
Corporates	Norwegian companies with turnover under NOK 20 million and total assets under NOK 20 million.	PD SME/GP/SP	EAD SME/GP/SP	LGD SME/GP/SP
	Norwegian companies with revenues between NOK 20 million and NOK 1000 million and total assets over NOK 20 million. In addition, all Norwegian limited liability companies with commitment under 20 million irrespective of turnover and balance.	PD ME		
	General Parnterships with commitment < 50 MNOK	PD GP		
	Sole Proprietorship with commitment < 20 MNOK	PD SP		
	Norwegian real estate companies with total assets < 250 MNOK	PD CRE		LGD CRE
	Limited companies in DNB Finans with turnover < 1000 MNOK. Property companies with total assets < 200 MNOK.	PD SME	EAD SME/SP	LGD SME/SP
	Sole Proprietorship in DNB Finans with commitment < 5 MNOK.	PD SP		
	Large Corporates with a turnover > 1000 MNOK	PD GC	EAD LC	LGD GC
	Shipping General Corporates (SPVs excluded)	PD SGC		LGD SGC
	Leveraged Buyouts (LBO)	PD LBO		LGD LBO

When calculating PD, EAD and LGD, the DNB Group uses fixed rules to select credit models. The models are adapted to the different customer segments, as shown in the table. The table shows only models with IRB approval. In addition to the approved models, DNB has other risk models included in IRB applications that are currently under consideration. In addition, DNB has risk classification models for portfolios for which no applications for IRB reporting have been submitted.

DNB's PD models are calibrated to reflect a normalised business cycle. To enable this, figures for the period after the banking crisis have been registered wherever possible. The most serious banking crisis in Norway in modern history took place during the 1988-1993 period, which has been weighted in the calibration of the main PD trend. The EAD and LGD models have been calibrated to reflect the expected exposure and LGD during an economic recession. The calibration of the LGD models to economic downturns is 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

Validation is a key element in the quality assurance of DNB's IRB system. In accordance with 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. 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.

Four different methods are used to assess the calibration of the LGD models. One of the methods is to make a comparison 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 same applies to the predicted EAD.

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.

According to the most recent validation report, two of the models used for risk classification of credit card agreements will be reviewed in 2014 due to their inadequate ranking power. With respect to the renewal procedures for corporates, as well as the procedures for registering customers in the "Specialised lending" category, a need for process improvements was also identified.

Definition of non-performing loans according to the IRB system

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

2) Nedskrivninger som eventuelt foretas ut fra porteføljebetraktninger skal ikke regnes som en misligholdshendelse.

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.

CREDIT RISK MEASURED ACCORDING TO THE IRB APPROACH

Risk parameters versus actual outcome

The first table shows predicted default frequencies at the start of the year compared with observed default frequencies during the year.

There are different conversion factors for the various types of products included in calculations of the predicted EAD. With respect to binding offers, the EAD is calculated based on the anticipated acceptance ratio. Assessments of the conversion factors are based on observed non-performing loans relative to the related predicted EAD 12 months prior to the time of default. For large corporates, there is not enough underlying documentation to make a statistically robust assessment of the predicted EAD. Both the acceptance ratio and ratios of relevance to the various portfolios are shown in the second table.

The third table shows the predicted LGD at the start of the year compared with the actual LGD for events of default that occurred in the course of the year. The predicted values are based on the non-performing portfolio, which normally gives somewhat higher average figures than if the entire portfolio is used. Compared with the report for 2012, the observed LGDs have been updated for previous years, as more information about the final losses has become available.

VALIDATION RESULTS PD MODELS

Asset class	PD models (per cent)	2008		2009		2010		2011		2012	
		Predicted	Observed	Predicted	Observed	Predicted	Observed	Predicted	Observed	Predicted	Observed
Retail mortgages	Other retail - Residential mortgage financing	0.80	0.34	0.77	0.46	0.65	0.36	0.62	0.27	0.65	0.25
Retail other	Other retail – Revolving credit [3]					2.24	1.70	2.16	1.34	1.63	1.11
	Other retail – Exposures within DNB Finans					2.74	1.74	2.57	1.86	2.42	1.62
Corporates	Small and medium-sized enterprises [1]	1.83	2.06	1.84	2.52	2.22	2.49	1.99	2.36	3.11	2.16
	Sole proprietorship [2]	2.33	1.88	2.21	1.56	3.62	1.89	2.87	1.93	3.11	2.29
	General partnerships	2.60	1.34	1.84	1.76	2.41	1.85	1.59	1.64	1.96	2.02
	Large corporates					1.92	0.94	1.59	0.42	1.17	0.76

VALIDATION RESULTS EAD MODELS

Asset class	EAD models (per cent)	2008		2009		2010		2011		2012	
		Observed/ predicted	Acceptance ratio	Observed/ predicted	Acceptance ratio	Observed/ predicted	Acceptance ratio	Observed/ predicted	Acceptance ratio	Observed/ predicted	Acceptance ratio
Retail mortgages	Other retail - Residential mortgage financing		93.4	97.8	94.7	96.9	93.1	96.2	94.5	96.3	95.1
Retail other	Other retail – Revolving credit [3]					95.5		95.7		99.1	
	Other retail – Exposures within DNB Finans						44.1		59.3		61.2
Corporates	Small and medium-sized enterprises [1]	89.3		82.0		77.6	47.4	78.1	67.2	76.7	70.6
	Sole proprietorship [2]	89.3		82.0		77.6	36.6	78.1	58.3	76.7	63.3
	General partnerships	89.3		82.0		77.6		78.1		76.7	

VALIDATION RESULTS LGD MODELS

Asset class	LGD modeller (per cent)	2009		2010		2011		2012	
		Predicted	Observed	Predicted	Observed	Predicted	Observed	Predicted	Observed
Retail mortgages	Other retail - Residential mortgage financing			16.4	10.0	15.1	8.2	17.4	9.0
Retail other	Other retail – Revolving credit [3]	44.5	44.1	46.3	31.1	46.4	29.0	46.1	34.3
	Other retail – Exposures within DNB Finans [4]			25.2	17.9	27.8	28.7	28.0	21.3
Corporates	Small and medium-sized enterprises [1]	30.7	28.4	31.1	21.9	29.8	23.9	35.7	24.7
	Sole proprietorship [2]	24.9	14.5	24.0	11.1	25.7	17.4	23.5	15.9
	General partnerships	24.2	10.8	30.6	7.0	25.7	7.1	24.2	34.6
	Large corporates			29.5	6.0	27.7	12.8	27.3	10.4

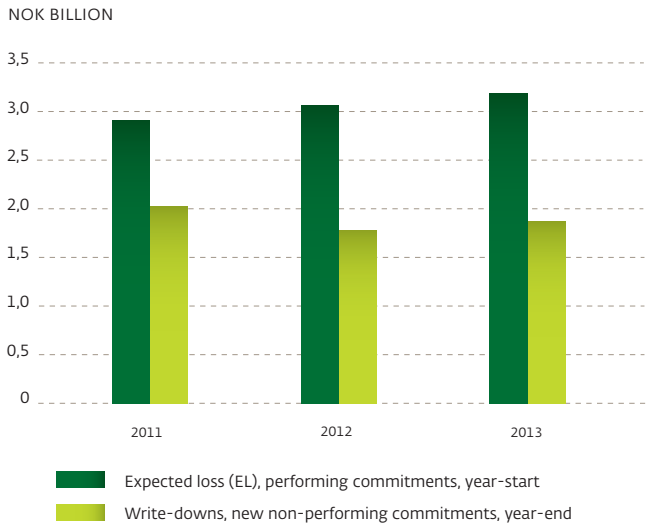
1) Includes companies in DNB Finans from 2010
2) Includes sole proprietorships in DNB Finans from 2010.
3) PD level of the portfolio of passive deals is down-calibrated compared to 2011. The portfolio of revolving credit in DNB is reported in the same manner as Retail other.
4) Adjustments of the collateral values for DNB Finans will gradually lead to higher LGD.

The validation results for 2013 are currently being processed and will be presented to the Board of Directors in June 2014.

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.

COMPARISON BETWEEN EXPECTED AND ACTUAL VALUE ADJUSTMENTS ACCORDING TO RISK PARAMETERS



EXPECTED AND ACTUAL VALUE ADJUSTMENTS ACCORDING TO RISK PARAMETERS

	Retail mortgage loans			Other retail			Corporates			Corporates, SL		
Amounts in NOK million	2011	2012	2013	2011	2012	2013	2011	2012	2013	2011	2012	2013
Expected loss(EL), performing commitments, year-start	405	504	506	470	458	462	2028	2089	2207	7	12	8
Write-downs, new non-performing commitments, year-end	131	126	148	224	252	287	1666	1403	1438	-	-	-
Expected loss(EL), performing commitments, year-start, % of performing portfolio	0.08%	0.09%	0.09%	0.71%	0.63%	0.57%	0.35%	0.31%	0.34%	0.31%	0.16%	0.18%
Write-downs, new non-performing commitments, year-end, % of year-start performing portfolio	0.03%	0.02%	0.03%	0.34%	0.34%	0.36%	0.29%	0.21%	0.22%	-	-	-

Total exposure for approved IRB portfolios

The table shows 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 credit conversion factor indicates how much of the credit risk represents unpaid amounts on, for example, undrawn credit lines, loans and guarantees.

With respect to the asset classes Residential mortgage financing and Other retail, the authorities do not allow the use of risk class 1. Thus, the portfolio in these asset classes is distributed over risk classes 2-12.

RETAIL MORTGAGE LOANS

	2013						2012					
Risk class	Unutilised credit lines, NOK million	Conversion factor, %	EAD, NOK million	PD, %	LGD, %	Risk weight, %	Unutilised credit lines, NOK million	Conversion factor, %	EAD, NOK million	PD, %	LGD, %	Risk weight, %
1	-	-	-	-	-	-	-	-	-	-	-	-
2	23 288	100	241 767	0.17	11	4	21 250	100	215 839	0.17	13	5
3	13 265	100	175 316	0.37	11	8	11 583	100	156 110	0.37	13	9
4	3 413	100	62 344	0.62	12	11	3 755	100	63 822	0.63	14	13
5	4 051	100	79 612	0.99	12	16	4 893	100	82 117	1.00	14	18
6	1 521	100	37 032	1.61	12	22	2 047	100	39 762	1.62	14	25
7	370	100	12 650	2.48	13	31	601	100	15 543	2.50	15	36
8	126	100	5 668	3.95	14	41	209	100	6 433	4.00	15	47
9	36	100	2 141	6.44	13	52	57	100	1 756	6.50	15	58
10	11	100	875	12.24	14	70	12	100	498	11.51	16	79
11	1	100	102	100.00	17	89	1	100	86	100.00	21	110
12	14	100	1 906	100.00	16	94	18	100	1 902	100.00	21	138
Total [1)]	46 096	100	619 414	0.59	12	10	44 425	100	583 866	0.63	13	12

1) Total portfolio PD is EAD weighted, and includes only risk grade 1-10.

OTHER RETAIL

	2013						2012					
Risk class	Unutilised credit lines, NOK million	Conversion factor, %	EAD, NOK million	PD, %	LGD, %	Risk weight, %	Unutilised credit lines, NOK million	Conversion factor, %	EAD, NOK million	PD, %	LGD, %	Risk weight, %
1	-	-	-	-	-	-	-	-	-	-	-	-
2	50 227	71	44 801	0.17	33	13	46 622	71	41 945	0.17	33	13
3	7 255	76	11 551	0.37	34	21	6 891	76	11 015	0.37	34	21
4	3 246	79	6 235	0.62	35	30	3 075	79	6 010	0.62	35	30
5	2 780	77	5 653	0.99	34	37	2 606	77	5 447	0.99	34	37
6	1 943	79	4 426	1.61	36	47	1 885	78	4 186	1.61	36	47
7	1 933	77	3 596	2.49	36	52	1 575	79	3 135	2.49	36	52
8	1 567	84	3 880	3.97	36	55	1 414	83	3 448	3.97	36	55
9	405	85	1 646	6.40	35	56	353	85	1 433	6.40	35	57
10	1 104	86	4 208	16.98	39	86	987	85	3 854	17.00	39	86
11	16	76	107	100.00	47	128	16	77	108	100.00	45	124
12	313	87	1 592	100.00	38	122	318	86	1 480	100.00	38	120
Total [1)]	70 788	73	87 694	1.57	34	28	65 741	74	82 062	1.53	34	28

1) Total portfolio PD is EAD weighted, and includes only risk grade 1-10.

CORPORATES

	2013						2012					
Risk class	Unutilised credit lines, NOK million	Conversion factor, %	EAD, NOK million	PD, %	LGD, %	Risk weight, %	Unutilised credit lines, NOK million	Conversion factor, %	EAD, NOK million	PD, %	LGD, %	Risk weight, %
1	75 538	54	61 300	0.05	30	14	55 776	54.69	48 150	0.05	29	14
2	94 248	58	103 582	0.17	28	26	80 970	59	88 803	0.17	30	28
3	67 144	60	116 491	0.38	25	35	60 601	63	110 935	0.37	25	34
4	65 840	56	121 358	0.62	25	44	45 197	60	106 847	0.62	26	47
5	46 063	65	119 670	0.96	25	52	37 090	67	106 618	0.98	27	59
6	28 933	65	99 719	1.60	25	62	29 387	69	103 825	1.61	27	67
7	10 925	77	48 046	2.42	26	70	10 780	75	42 943	2.44	26	72
8	4 792	62	28 249	3.81	27	79	5 199	68	29 563	3.79	28	85
9	1 307	59	7 299	6.27	28	95	2 107	66	10 750	6.26	29	103
10	1 757	61	9 397	13.47	28	124	1 710	72	8 506	14.12	30	130
11	0	-	0	0.00	-	-	0	-	0	0.00	-	-
12	1 199	71	17 270	100.00	23	297	618	49	16 297	100.00	22	234
Total [1)]	397 745	59	732 381	1.14	26	52	329 435	62	673 236	1.22	27	55

1) Total portfolio PD is EAD weighted, and includes only risk grade 1-10.

CORPORATES, SPECIAL LENDING

	2013						2012					
Risk class	Unutilised credit lines, NOK million	Conversion factor, %	EAD, NOK million	PD, %	LGD, %	Risk weight, %	Unutilised credit lines, NOK million	Conversion factor, %	EAD, NOK million	PD, %	LGD, %	Risk weight, %
1	-	0	1 308	0.05	34	22	-	0	1 616	0.05	49	28
2	-	0	-	0.00	-	-	-	0	-	0.00	-	-
3	1	100	811	0.32	25	39	2	0	808	0.32	28	48
4	84	60	1 085	0.71	45	94	-	0	-	0.00	-	-
5	-	0	-	0.00	-	-	131	60	1 176	0.81	46	101
6	9	100	627	1.56	15	45	16	100	655	1.66	19	57
7	-	-	-	-	-	-	-	-	-	-	-	-
8	-	-	-	-	-	-	-	-	-	-	-	-
9	-	-	-	-	-	-	-	-	-	-	-	-
10	-	-	-	-	-	-	-	-	-	-	-	-
11	-	-	-	-	-	-	-	-	-	-	-	-
12	-	-	-	-	-	-	-	-	-	-	-	-
Total [1)]	95	64	3 832	0.54	32	50	149	6	4 255	0.56	40	56

1) Total portfolio PD is EAD weighted, and includes only risk grade 1-10.

The tables show 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, PERFORMING PORTFOLIO

	2013					2012				
	EAD, NOK billion	Risk weight, %	PD, %	LGD, %	Maturity, years	EAD, NOK billion	Risk weight, %	PD, %	LGD, %	Maturity, years
Mortgages	617.4	10	0.59	12	-	581.9	12	0.63	13	-
Other retail	86.0	26	1.57	34	-	80.4	26	1.53	34	-
Transportation by sea and pipelines and vessel construction	146.4	57	1.53	25	2.9	140.4	70	1.59	29	3.1
Real estate	125.3	43	1.16	22	3.4	116.6	43	1.09	22	3.6
Manufacturing	77.0	45	1.02	27	2.3	67.3	48	1.12	29	2.2
Services	85.7	49	1.15	27	2.5	82.0	53	1.36	27	2.8
Trade	43.0	57	1.67	30	2.3	41.5	56	1.75	29	2.2
Oil and gas	59.2	36	0.49	28	2.8	49.8	37	0.52	28	2.6
Transportation and communication	42.1	38	0.80	27	2.5	36.9	43	1.11	26	2.7
Building and construction	51.2	46	1.33	27	2.2	47.7	46	1.38	27	2.2
Power and water supply	54.9	27	0.34	30	2.6	45.4	29	0.43	31	2.5
Seafood	21.0	50	1.21	25	2.6	18.3	47	0.85	25	2.9
Hotels and restaurants	5.3	54	1.67	25	3.1	5.4	50	1.63	24	3.3
Agriculture and Forestry	7.7	45	1.53	24	3.5	9.0	47	1.58	24	3.5
Other corporates	0.2	53	2.19	27	2.3	0.8	55	1.92	28	2.2
Total Portfolio	**1 422.3**	**29**	**0.92**	**20**	**-**	**1 323.5**	**32**	**0.98**	**21**	**-**
Total Corporate Portfolio	718.9	46	1.13	26	2.7	661.2	50	1.21	27	2.8
Total Retail Portfolio	703.4	12	0.71	14	-	662.4	13	0.74	16	-

IRB PORTFOLIO BY INDUSTRY SEGMENT, NON-PERFORMING PORTFOLIO

	2013				2012			
	EAD, NOK billion	Risk weight, %	IRB model LGD, %	Write-downs, % of EAD	EAD, NOK billion	Risk weight, %	IRB model LGD, %	Write-downs, % of EAD
Mortgages	2.0	94	16	14	2.0	137	20	14
Other retail	1.7	123	38	32	1.6	121	37	32
Transportation by sea and pipelines and vessel construction	8.7	405	46	17	8.0	290	37	17
Real estate	2.7	173	40	33	2.5	160	34	29
Manufacturing	2.2	242	24	9	1.8	204	31	20
Services	0.7	133	40	50	0.8	208	39	40
Trade	0.3	90	44	59	0.5	137	36	51
Oil and gas	0.1	1	14	30	0.1	301	33	53
Transportation and communication	1.0	253	33	35	0.8	213	29	19
Building and construction	1.2	163	31	37	1.2	196	33	28
Power and water supply	0.0	103	29	64	0.2	9	21	50
Seafood	0.2	208	33	19	0.1	160	37	31
Hotels and restaurants	0.0	122	38	50	0.1	60	38	53
Agriculture and Forestry	0.2	89	33	37	0.2	157	30	26
Other corporates	0.0	220	30	18	0.0	217	33	35
Total Portfolio	**21.0**	**264**	**37**	**23**	**19.9**	**216**	**34**	**23**
Total Corporate Portfolio	17.3	298	40	24	16.3	234	35	23
Total Retail Portfolio	3.7	107	26	22	3.6	130	28	22

CORPORATE IRB PORTFOLIO BY GEOGRAPHY, PERFORMING PORTFOLIO

	2013					2012				
	EAD, NOK billion	Risk weight, %	PD, %	LGD, %	Maturity, years	EAD, NOK billion	Risk weight, %	PD, %	LGD, %	Maturity, years
Norway	443.9	47	1.27	26	2.8	400.6	48	1.31	26	2.8
Sweden	55.0	40	0.78	25	2.4	53.5	45	0.88	26	2.5
United Kingdom	24.1	44	0.58	28	2.6	21.9	50	0.76	29	2.8
Rest of Europe	78.5	47	1.05	25	2.8	58.0	61	1.38	29	3.1
North America	88.9	43	0.75	27	2.7	78.6	47	0.73	28	2.8
Asia & Pacific	14.2	55	1.78	29	2.6	27.0	63	1.57	30	2.9
Arab States	2.1	48	1.81	31	2.1	2.1	66	3.03	28	2.4
South/Latin America	8.0	51	1.07	29	2.3	11.3	57	1.41	27	2.7
Africa	4.2	58	1.40	24	3.4	8.2	75	1.34	30	3.3
Total Corporate Portfolio	**718.9**	**46**	**1.13**	**26**	**2.7**	**661.2**	**50**	**1.21**	**27**	**2.8**

CORPORATE IRB PORTFOLIO BY GEOGRAPHY, NON-PERFORMING PORTFOLIO

	2013				2012			
	EAD, NOK billion	Risk weight, %	IRB model LGD, %	Write-downs, % of EAD	EAD, NOK billion	Risk weight, %	IRB model LGD, %	Write-downs, % of EAD
Norway	6.9	198	34	29	7.3	204	34	28
Sweden	0.5	58	23	45	0.4	140	32	26
United Kingdom	0.4	0	21	71	0.3	129	22	14
Rest of Europe	5.2	417	47	16	1.8	174	40	32
North America	0.9	549	47	4	1.2	483	41	2
Asia & Pacific	2.2	328	50	30	5.3	252	35	18
Arab States	0.3	244	42	23	0.0	0	0	0
South/Latin America	0.4	274	29	9	0.0	206	63	47
Africa	0.5	335	27	0	0.0	246	34	14
Total Corporate Portfolio	**17.3**	**298**	**40**	**24**	**16.3**	**234**	**35**	**23**

CREDIT RISK – STANDARDISED APPROACH

Estimated risk-weighted volume and capital requirements for the portfolios reported according to the standardised approach are shown in chapter "Capital management".

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 shows exposure and risk-weighted volume for counterparty risk for financial derivatives. The nominal amount represents the principal or the underlying contract size, while MTM represents the market value (net and gross) of all derivative contracts with a positive market value. EAD is the total of MTM and future risk. The weighted amount is calculated by multiplying EAD with the relevant risk weight for the various counterparties. The capital requirement is 8 per cent of risk-weighted volume.

When measuring and monitoring counterparty risk for internal purposes, DNB uses an internal model based on simulation of future scenarios. The interest rate model is a so-called mean-reversion model, while the FX model is a random-walk model. Counterparty risk in Markets may fluctuate extensively from one month to the next. However, much of the risk exposure can be netted though netting and collateral agreements with main counterparties. This could give a significant reduction in net values compared with gross values.

The table shows exposure and risk-weighted assets for counterparty risk. The capital requirement is 8 per cent of risk weighted assets.

COUNTERPARTY RISK, FINANCIAL DERIVATIVES

	Nominal amount		Replacement cost MTM		Credit equivalent / EAD		Weighted amount	
Amounts in NOK million	31 Dec. 2013	31 Dec. 2012	31 Dec. 2013	31 Dec. 2012	31 Dec. 2013	31 Dec. 2012	31 Dec. 2013	31 Dec. 2012
Gross amount before netting	6 162 176	6 365 382	102 103	133 907	177 439	187 639	62 711	77 885
Net amount after netting	508 325	476 928	52 180	73 362	86 373	94 184	38 484	49 190

CREDIT DERIVATIVES USED FOR HEDGING

Amounts in NOK million	Bought 31 Dec. 2013	Sold 31 Dec. 2013	Bought 31 Dec. 2012	Sold 31 Dec. 2012
CDS - Credit Default Swaps	0	61	73	56
CLN - Credit Linked Notes	61	0	56	0
Total credit derivatives	**61**	**61**	**129**	**56**

No credit derivatives for hedging were purchased or sold during 2013. The holdings of such instruments were reduced as the contracts fell due. The remaining derivatives fall due in 2017.

INVESTMENT IN SECURITISATION

The topic is discussed in chapter "Liquidity risk".

MARKET RISK

DEVELOPMENTS IN MARKET RISK IN 2013

Global financial markets showed a continued positive trend in 2013, though growth abated somewhat. A lasting high debt ratio in industrial countries contribute to the sluggish growth.

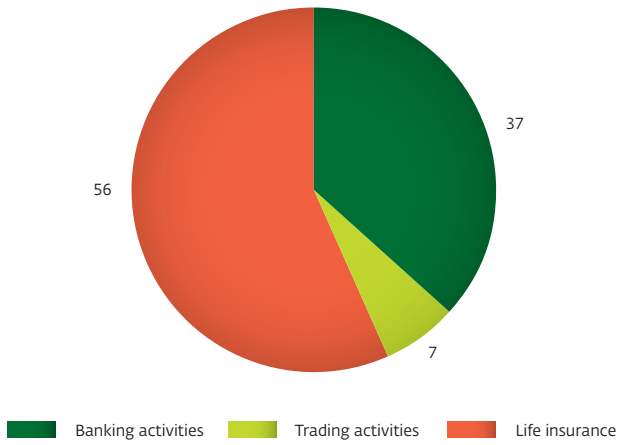
Stock market volatility remained roughly at the historically normal level through 2013. Stock markets in industrial countries showed strong growth in 2013, while there was a stable trend in emerging economies .

Long-term Norwegian interest rates, measured by the 10-year swap rate, increased by 0.25 percentage points to 3.4 per cent during 2013. The risk premium between government bond yields and the swap curve has been further reduced and is now at a historically normal level. At the same time. underlying nominal interest rates, measured by the 10-year government bond yield, rose by approximately 1 percentage point in 2013.

The basis swap spread between NOK and the USD is a measure of the cost and risk of hedging Norwegian kroner exchanged for USD. In the course of 2013, the 5-year USD/NOK basis swap spread rose from minus 20 basis points to minus 10 basis points. This rise was due to lower demand for USD relative to NOK, and reflects the fact that the inherent risk in the Norwegian banking sector has been reduced compared with the US banking sector.

RISK-ADJUSTED CAPITAL FOR MARKET RISK AT YEAR-END 2013

PER CENT



[4] *Målt ved MSCI Emerging Markets Index*

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 Group's direct and indirect exposure in the foreign exchange, interest rate, commodity and equity markets as well as basis risk that arises in connection with hedging.

Market risk is the second largest contributor to overall risk in the Group. Market risk accounted for 15.3 percent of Group's total risk at the end of 2013, a 2.6 percentage point reduction from 2012. The decline mainly reflected reduced risk within life insurance in consequence of larger capital buffers and a lower share of property investments.

A significant number of the financial services and products provided by DNB entail market risk. All market risk assumed by the Group primarily aims to support the Group's customer-oriented business strategy.

Market risk in the DNB Group.

- 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 contracts are also a source of market risk as the volatility in the basis swap spread market 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.

- Market risk in life insurance primarily relates to the common portfolio, where there is a risk that the recorded return on financial assets will not be sufficient to meet the obligations specified in insurance policies. 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, or the shortfall could be charged to equity. The annual distribution of profits limits the company's chances of investing in asset classes with a long-term investment horizon and high anticipated returns, as the Group runs the risk of having to cover inadequate returns in years when

returns are low. In addition, the Group is directly exposed to value changes on the investments in the common portfolio.

MANAGEMENT AND MEASUREMENT OF MARKET RISK

All of DNB's market risk activities are subject to group guidelines for market risk and the group limit for market risk. The overall limit for market risk is determined by the Board of Directors of DNB ASA as part of the Group's risk appetite framework. 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.

The total market risk limit is operationalised in the form of sensitivity limits for each risk type. The sensitivity limits are determined each year by the Board of Directors and expires if not renewed. 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. 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 represents the main risk category for DNB Livsforsikring. The company thus determines sensitivity limits in addition to the limits delegated by the Group. In order to ensure adequate diversification, limits have been set for each asset class. The limits also restrict concentration risk relating to individual issuers and counterparties, as well as the use of derivatives in asset management operations.

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 group market risk limits is the responsibility of the Group's CRO. The CRO also owns the group guidelines for market risk. Units in the business areas which are responsible for following up risk, report independently of the respective business area's management teams.

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 with the Treasury. There are specific risk limits for DNBs operations in the Baltics, Poland and Russia. Primary responsibility for following up, development and reporting all types of investments in and purchases of equity instruments rests with Group Investments, which is organised under the Group CFO. 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.

Management of Market risk in life insurance is the responsibility of the CRO of DNB Livsforsikring, who reports to both the head of DNB Livsforsikring and the Group's CRO. The CRO's risk management department is responsible for identifying, measuring, monitoring and reporting the life insurance company's total risk. The risk management department prepares a quarterly risk report to the company's management and Board of Directors. The observance of limits and guidelines is reported on a monthly basis.

Various market risk measures have different risk identification properties. 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. However, no formal limits are established. 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 probable market conditions. The calculation of losses under probable future economic scenarios makes it possible to uncover potential losses that are not identified in VaR calculations based on data from a limited time period.

Risk-adjusted capital for market risk is used as a principal target and for determining the Group's market risk limit.

Market risk in trading activities

Trading activities include trading in financial instruments, aiming to achieve a profit by capitalising on short-term fluctuations in market prices. 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.

The table below shows the various types of market risk and related limits for 2013. In addition, there are limits for interest rate, currency and equity derivatives and intervals on the yield curve.

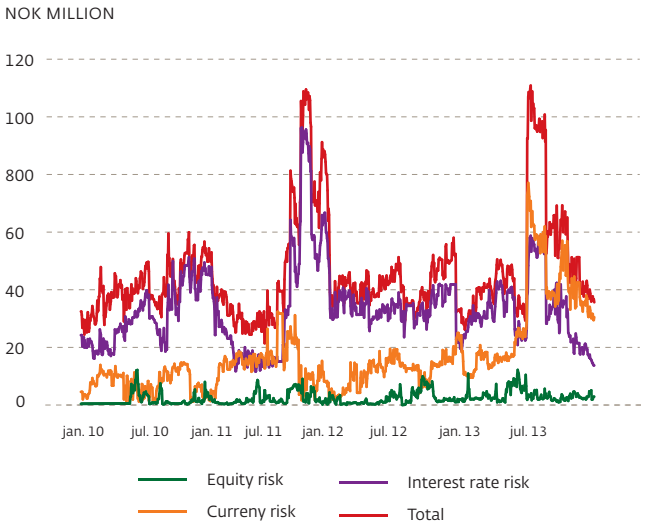
Limits within trading activities

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 2013.

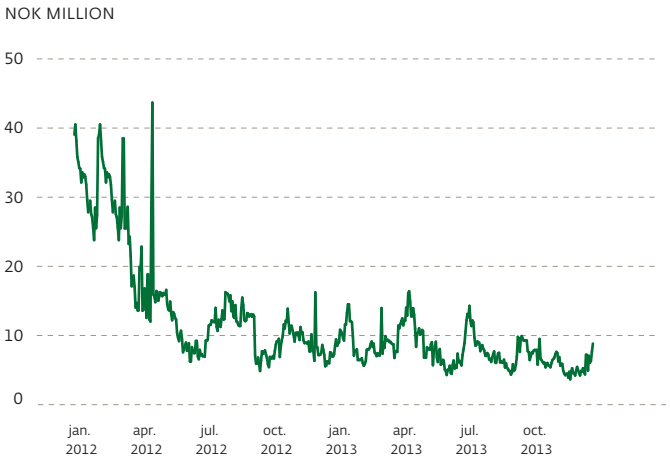
MARKET RISK LIMITS FOR TRADING ACTIVITIES

Risk category	Type of limit	Limit	Description
Currency risk	NOK million	5000	Market value limit
Interest rate risk	Basis point value (NOK million)	6,34	Sensitivity limit
Equity risk	NOK million	2500	Market value limit
Commodities risk	NOK million	300	Market value limit

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



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



During this period, the risk level for trading activities in DNB Markets in terms of "Value at Risk" ranged between NOK 31 million and NOK 111 million. The annual average was NOK 53 million. The largest exposure is to Norwegian fixed-income instruments.

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 fixed-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 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.

INTEREST RATE RISK OUTSIDE THE TRADING PORTFOLIO — DNB GROUP

Change in value per 1 basispoint change in interest rate (NOK million)	31.12.2013	31.12.2012	31.12.2011
NOK	-1,71	3,29	2,432
SEK	0	-	0,085
EUR	0	0,2	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 is subject to the Group CFO. Direct equity investment is divided into four categories:

- *Strategic investments:* The portfolio comprises investments which are defined as strategic for the Group.
- *Financial investments:* Financial investments comprise direct and private equity 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.
- *Credit portfolio:* The credit portfolio comprises holdings in companies which have defaulted on their obligations to the

EQUITY-POSITIONS, SHAREHOLDINGS NOT IN THE TRADING PORTFOLIO — DNB GROUP

Amounts in NOK million	31 Dec. 2013	31 Dec. 2012
Financial Institutions	0	3
Norwegian companies [1]	294	622
Companies based abroad	2 671	1 910
Mutual funds [2]	930	637
Shareholdings DNB Bank og Investment (designated as at fair value)	3 894	3 172
Net gains on shareholdings, designated as at fair value (DNB Bank og Kapitalforvaltning)	729	241
Shareholdings, DNB Livsforsikring [3]	33 467	37 816
Shareholdings total	37 361	40 987

1) Of which listed on a stock exchange	40	40
2) Of which investments in Private Equity Funds	421	421
3) Aggregated holdings of shares consolidated from DNB Livsforsikring		

bank. The purpose of the portfolio is to secure or recover the value of credit exposures through ownership and subsequent sale.

- *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 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.

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. Note 32 in DNB's Annual report 2013 shows the distribution of equity investments in the three valuation categories.

Basis swap risk

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. The most pronounced basis risk in DNB arises in connection with currency hedging of future cash flows in foreign currency, so-called basis swap 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 risk.

Changes in basis swap spreads result in changes in the valuation of the hedges (swaps) which are not reflected in the valuation of the underlying positions.

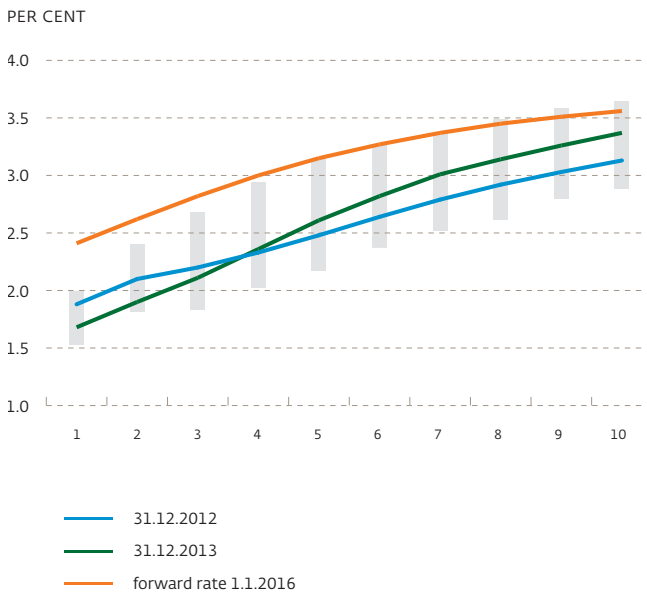
In the banking portfolio, basis swaps are used by DNB Treasury and DNB Boligkreditt to hedge funding in foreign currency converted to Norwegian kroner. According to IFRS, basis swaps should be carried at fair value, while the loans should be recognised at carrying value. The use of different valuation principles for funding and for hedging instruments results in volatility in group profits. Basis swap trading in the banking portfolio is not limited, 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.

MARKET RISK IN DNB LIVSFORSIKRING

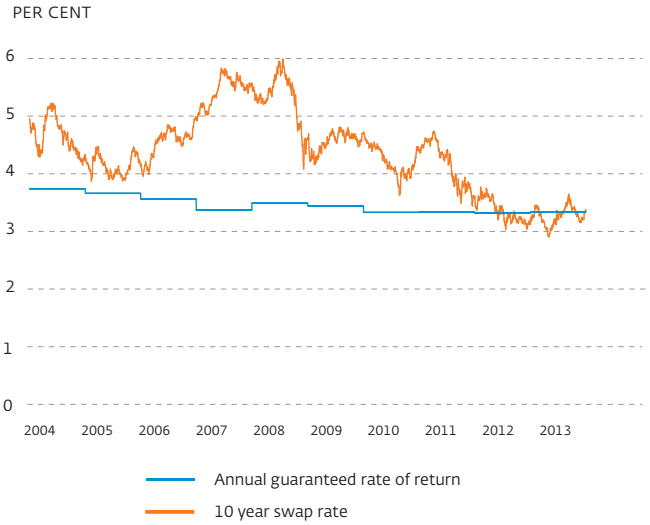
Market risk in DNB Livsforsikring represents the main share of the Group's total market risk and is the principal risk category in DNB Livsforsikring. The company aspires to maintain a low risk profile in accordance with the Group's policy. DNB Livsforsikring has been assigned a share of the total market risk limit stipulated in the Group's risk appetite framework. The framework presents guidelines and limitations for market risk in DNB Livsforsikring.

The market risk level is reduced as a consequence of the Solvency II requirements as well as the winding-up of public sector occupational pension operations.

NOK SWAP CURVE, MATURITY 1 TO 10 YEARS



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



Developments in market risk in life insurance in 2013

The Interest rate level, measured by the Norwegian swap curve, increased by 10 and 25 basis points respectively for the long and short end of the yield curve in 2013. Low interest rate levels represent a challenge for the life insurance industry, which is committed to paying its policyholders a guaranteed rate of return. The required increase in reserves to reflect higher life expectancy makes the low interest rate level particularly challenging during the period until the reserves have been fully built up in 2018. See the paragraph on insurance risk. The diagram shows interest rate developments through 2013 and the anticipated interest rate level at the start of 2016, when Solvency II enters into force.

The capital requirement under Solvency II will increase when the interest rate level fall towards and below the guaranteed rate of return. The diagram below shows developments in the average guaranteed rate of return compared with developments in the 10-year swap rate.

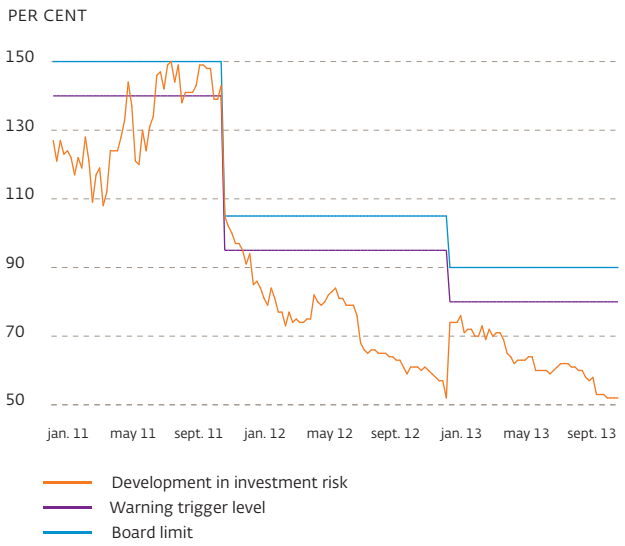
Management and Measurement of market risk in life insurance

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 are conditional on a rebalancing of equity investments in the common portfolio based on an upper limit for the ratio of equity exposure to buffer capital.

The risk limit for asset management shows loss from a stress test 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.

There has been a significant reduction in risk relating to asset management and the related limit over the past few years. The reduction is a response to the prolonged low interest rate levels and adaptations to the anticipated higher capital requirements under Solvency II.

DEVELOPMENT IN INVESTMENT RISK



INSURANCE RISK

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

DEVELOPMENTS IN INSURANCE RISK IN 2013

DNB Livsforsikring achieved a positive risk result of NOK 452 million in 2013, of which NOK 180 million was distributed to policyholders, while NOK 272 million was retained in the company. Mortality and disability figures are the main factors behind the improved result. The risk result broken down on products and risk categories is shown in the table below.

The table also shows the effect on the risk result of given changes in empirical mortality and disability data.

RISK RESULT

		Group insurance schemes - defined-benefit pension		Individual annuity and pension insurance			
Amounts in NOK million	Privat sector	Public sector	Group association insurance	Annuity and pension insurance	Endowment insurance	Other sectors	Total
Risk result in 2013 [1)]	413	(57)	(4)	(8)	90	19	452
Risk result in 2012	10	(35)	(24)	(239)	61	(73)	(300)
Sensitivities - effect on the risk result							
5 per cent reduction in mortality rate	(16)	(9)	(1)	(11)	2	2	(33)
10 per cent increase in disability rate	(112)	(48)	(0)	(10)	(7)	(12)	(188)
1) *Of which mortality risk*	*66*	*10*	*9*	*5*	*52*	*7*	*149*
Of which pure endowment risk	*(138)*	*(48)*	*(3)*	*18*	*3*	*(1)*	*(169)*
Of which disability rate	*405*	*(54)*	*13*	*51*	*25*	*10*	*449*
Of which claims rate	*69*	*0*	*0*	*0*	*3*	*0*	*72*
Other	*11*	*36*	*(24)*	*(81)*	*7*	*3*	*(49)*

Based on the new calculation assumptions for group pensions, the total required increase in reserves is NOK 13.3 billion, adjusted downwards from NOK 14.4 billion in the autumn of 2013. Of this, NOK 5.7 billion had been set aside as at 31 December 2013, and the remaining required increase in reserves is NOK 7.6 billion.

The remaining increase in reserves will be financed during the 2014-2018 period, partly by the interest result and partly through shareholder contributions, representing 20 per cent of the total reserve requirement. One issue that has not been resolved is whether the increase in reserves can be financed jointly across a customer group, or whether it can only be financed by the earnings on individual policies. If offsetting is not allowed and the returns are assumed to be moderate, shareholder contributions will increase above 20 per cent if the requirement that the reserves must be fully financed by 2018 is maintained.

DNB Skadeforsikring achieved a healthy risk result in 2013 and a combined ratio for own account of 86 per cent. The result includes run-off gains from previous years, resulting in a 4.0 percentage point reduction in the combined ratio for own account. Underlying profitability in the insurance portfolio was considered to be sound at year-end 2013. The reinsurance programme for 2014 was renewed in the fourth quarter of 2013. The company's quota reinsurance for fire/private comprehensive insurance (50 per cent) was discontinued as of 1 January 2014.

GENERAL INFORMATION ABOUT INSURANCE RISK

Insurance risk in life insurance is the risk related to changes in future insurance liabilities 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 and if claims reserves are inadequate. The non-life insurance company is exposed to market and credit risk in investment operations, and reinsurance 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's strategy for managing insurance risk specifies limits for the reinsurance programme, pricing principles and limits for total insurance risk. With respect to employer's liability insurance and risk cover for disability pensions, risk assessments

of customers are used as a basis for risk classification and risk-differentiated pricing. The risk classification of individual customers is based on health checks when the insurance policy is taken out. Individuals whose health is not deemed satisfactory may be turned down or required to pay higher premiums, or their insurance policies may contain exclusions. Maximum sums insured have been set, and standards have been established for the processes to develop and launch new products. Risk results are followed up on a regular basis, and long-term trends will be reflected in prices.

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 reinsurance programme, the total risk is geared to the capital base. The reinsurance 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.

The table shows capital adequacy and solvency margin capital in DNB Livsforsikring.

CAPITAL ADEQUACY AND SOLVENCY MARGIN CAPITAL [1] — DNB LIVSFORSIKRING GROUP

Amounts in NOK million	31 Dec. 2013	30 Sept. 2013	30 June 2013	31 March 2013	31 Dec. 2012	30 Sept. 2012	30 June 2012	31 March 2012
Capital adequacy [2]								
Total eligible primary capital	17 889	16 048	15 931	15 875	16 021	14 647	14 597	14 633
Capital adequacy ratio (%)	19.7	17.8	17.2	16.8	16.7	14.7	14.7	14.1
Core capital	16 780	14 942	14 817	14 781	14 947	13 492	13 414	13 474
Core capital (%)	18.5	16.5	16.0	15.6	15.6	13.6	13.5	13.0
Risk-weighted assets	90 843	90 358	92 573	94 456	96 035	99 945	99 516	103 690
Solvency margin capital [3]								
Solvency margin capital	20 946	19 067	18 895	18 847	19 007	17 630	17 596	17 703
Solvency margin capital exceeding minimum requirement	10 100	8 677	8 678	9 121	9 263	7 859	8 041	8 121
Solvency margin capital in per cent of solvency margin capital requirement (%)	207	184	185	194	195	180	184	185

1) *Prepared in accordance with prevailing regulations for life insurance companies. New regulations are expected upon the introduction of Solvency II.*
2) *Capital adequacy regulations regulate the relationship between the company's primary capital and the investment exposure on the asset side of the balance sheet. Life insurance companies are subject to a minimum capital adequacy requirement of 8 per cent.*
3) *Solvency margin capital is measured against the solvency margin requirement, which is linked to the company's insurance commitments on the liabilities side of the balance sheet. The solvency margin requirements for Norwegian life insurance companies are subject to regulations on the calculation of solvency capital requirements and solvency margin capital, as laid down by the Ministry of Finance on 19 May 1995.*

OPERATIONAL RISK

DEVELOPMENTS IN OPERATIONAL RISK IN 2013

A total of 689 events were registered in 2013, a reduction from 806 events in 2012. However, there was an increase in net losses, which totaled close to NOK 375 million, up from NOK 192 million in 2012. Four of the events involved losses in excess of NOK 10 million. Overall, the level of losses is considered to be well within acceptable limits.

The operational stability of the Group's IT systems has been challenging over a prolonged period. However, extensive measures have been initiated – including the outsourcing of services. In the longer term, it is believed that these measures will significantly reduce risk.

GENERAL INFORMATION ABOUT OPERATIONAL RISK

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Unlike most other types of risk, operational risk normally does not give higher expected returns the higher the risk. Low operational risk entails that the Group has few operational loss events of limited scope. Annual operational losses shall have no material impact on the Group's return on equity.

External rules regarding money laundering and sanction risk are complicated, and risk is increasing, partly due to a rise in criminal activity across national borders. This entails that DNB must meet stricter requirements with respect to training, customer due diligence and systems development for electronic control and analysis.

DNB Group reports operational risk mainly according to standardized approach and using basic method for some smaller units.

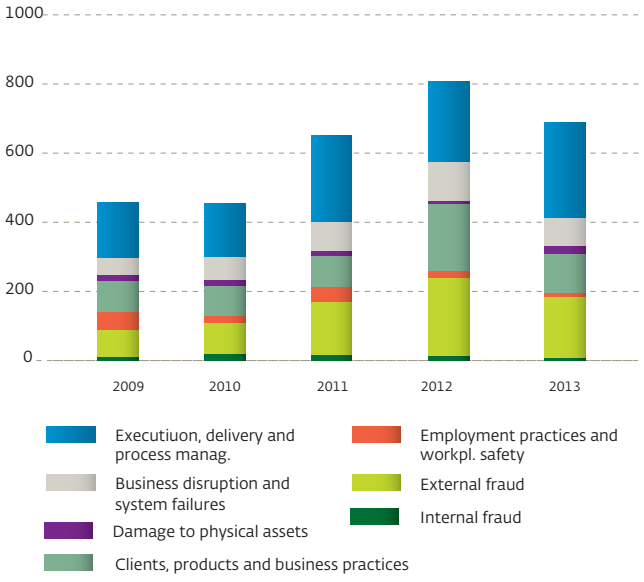
MANAGEMENT AND MEASUREMENT OF OPERATIONAL RISK

DNB 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.

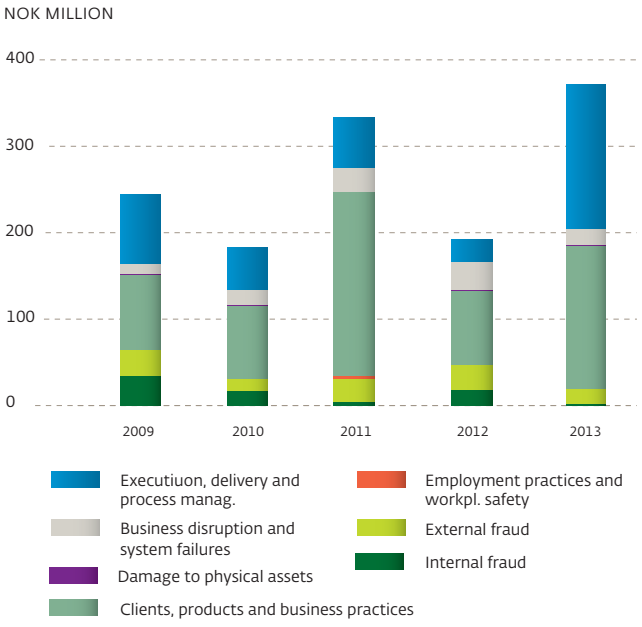
All managers are responsible for knowing and managing operational risk within their own area of responsibility. This is to be ensured through risk assessments of everyday operations, of all major changes in operations as well as of particularly critical functions. When a need for improvement measures 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

NUMBER OF OPERATIONAL LOSSES



LOSSES



areas' respective staff units. Their work also includes making sure that operations are in compliance with relevant 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.

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. In addition, the Board of Directors receives an annual status report on the Group's compliance risk.

In accordance with the internal control regulations, DNB completes an annual self-assessment of the current status based on ten operational risk subjects. Each unit in DNB is obliged to implement and document a specific risk assessment of operational risks related to the unit's operations. This analysis forms the basis for risk reduction. It was reported god quality in operations, management and control in all areas for 2013. Number of reported events related to operational risk was lower than the year before. The total losses in 2013 were slightly higher than in 2012 but still at the low level. There is a growing external threat of attack against DNB information systems via Internet. Improvement of the IT operational stability will be given high priority in 2014.

As from 2013, operational risk is included in the risk appetite framework. In 2014, IT operational stability will be included as a separate item in the risk appetite framework.

BUSINESS RISK

DEVELOPMENTS IN BUSINESS RISK IN 2013

The Group's quantified business risk showed a relatively stable trend in 2013, 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 2013 were on a level with the year-earlier results. There was a temporary weakening in the first half of the year in consequence of the Supreme Court's ruling in the case concerning structured savings products and interest rate increases in connection with higher regulatory capital requirements.

Through 2013, a number of clarifications were made with respect to the regulatory framework. The EU approved the implementation of Basel III for banking operations through a directive (CRD IV) and a regulation (CRR), which both became effective as of 1 January 2014. In addition, the EU approved the Solvency II regulations for insurance companies, which are expected to enter into force as of 1 January 2016.

In general, the regulations will also apply to Norway through the EEA agreement. The Norwegian authorities have chosen an earlier implementation of a number of capital requirements compared with the EU time schedule and have opted for temporary solutions which partly appear to be out of step with the EU regulations. It is uncertain when the EU regulations will become a formal part of the EEA agreement. Thus, it is also unclear to what extent and when the Norwegian requirements may have an impact on the operations of international banks in Norway.

It seems 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.

GENERAL INFORMATION ABOUT 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.

BUSINESS RISK MANAGEMENT AND MEASUREMENT

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

DEVELOPMENTS IN LIQUIDITY RISK IN 2013

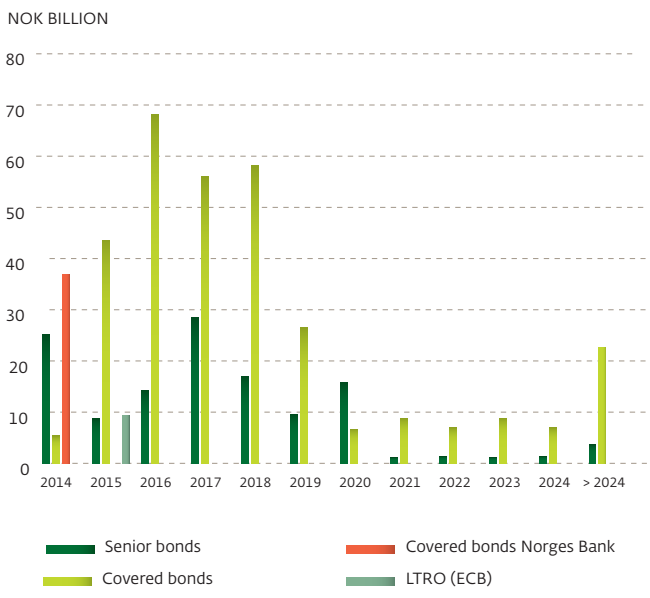
DNB stayed well within the short and long-term liquidity limits during 2013.

Throughout 2013, 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.

In the long-term funding markets, there was also a stable supply of capital throughout 2013, parallel to an improvement in prices from the start of the year. The first half of the year was characterised by the extensive quantitative easing applied by the Japanese central bank and the cuts in key policy rates implemented by the European Central Bank. The positive market trend was reversed when the FED, the US central bank, announced that it was considering winding down the so-called quantitative easing as early as in June. This caused some market uncertainty and a certain rise in prices.

Speculations on when the FED would start winding down the quantitative easing continued and put its mark on the second half of the year. In spite of the uncertainty, prices showed a stable downward trend parallel to a high level of market activity, also among Southern European issuers. This was underpinned by signs of recovery in both the US and European economies.

LONG TERM FUNDING, MATURITY PROFILE



Long-term funding raised by DNB totalled NOK 80 billion in 2013, of which NOK 60 billion represented covered bonds, while NOK 13 billion and NOK 8 billion, respectively, were in the form of ordinary senior debt and subordinated loans.

DNB aims to achieve a stable maturity profile for senior and covered bonds over the next five years. The diagram below shows the maturity profile at year-end 2013.

GENERAL INFORMATION ABOUT 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.

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 from recognised rating companies.

LIQUIDITY RISK MANAGEMENT AND MEASUREMENT

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 Group Finance and Group Risk Management, while the performing units are organised in Markets and report to the head of Markets.

Principles and limits for liquidity management are proposed by the Asset and Liability Management unit. Risk limits are evaluated, approved and monitored by Group Risk Management, which, among other things, makes sure that they are consistent with the Group's risk appetite, before being presented to the decision-making bodies. The IR/Long-term Funding unit is responsible for planning and implementing long-term funding transactions. The Treasury function is responsible for adjustments to the Group's total short-term liquidity risk and for ensuring that liquidity requirements are within short-term limits. 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 CRO and

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 and a long-term management target. The short-term limits restrict the net refinancing requirement within one week, one month and three months, while the long-term management target 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.

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 EUR 45 billion. In addition, a senior programme was established in Japanese JPY. DNB has commercial paper programmes in the US and Europe of USD 18 billion and EUR 15 billion. In addition, the short term funding sources are further diversified through a so-called Yankee CD program, totaling USD 12 billion, where certificates of deposits are issued by the DNB branch in New York. In addition, debt programmes 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.

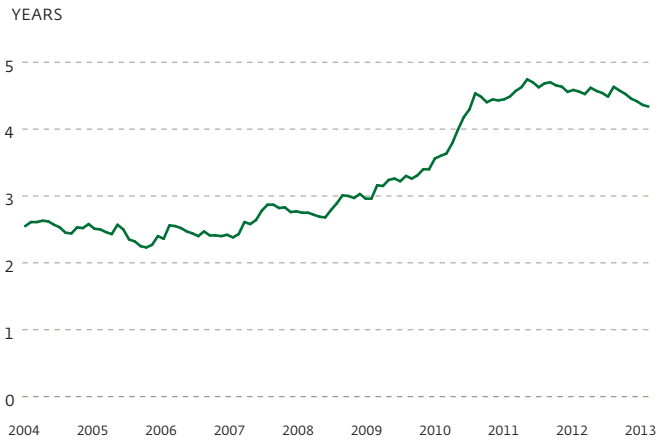
As an element in ongoing liquidity management, DNB Bank needs to have a holding of securities that can be used in various ways to regulate the Group's liquidity requirements and serve as collateral for operations in the main currencies in which the bank is active. The securities are used, among other 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.

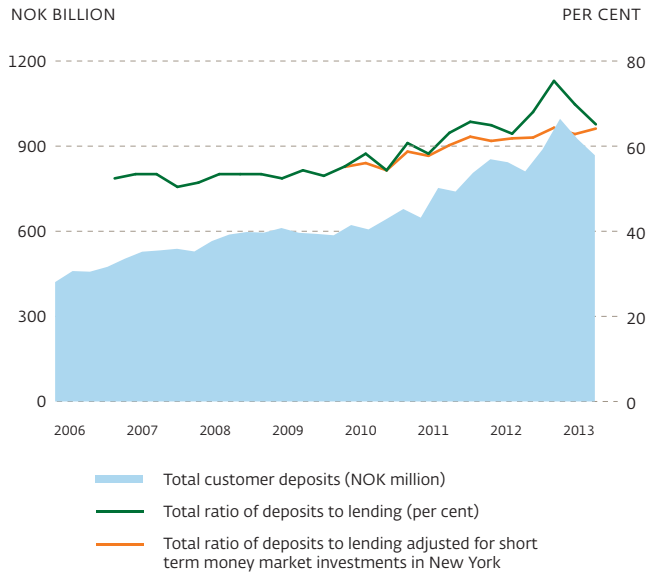
Liquidity risk is managed and measured using various measurement techniques, as no single method can quantify this type of risk. The techniques include monitoring refinancing needs, balance sheet key ratios, average residual maturity and future funding requirements. DNB also uses stress testing, simulating 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 made in the framework structure for liquidity risk to ensure compliance with the structure in the Basel III framework. These limits are also part

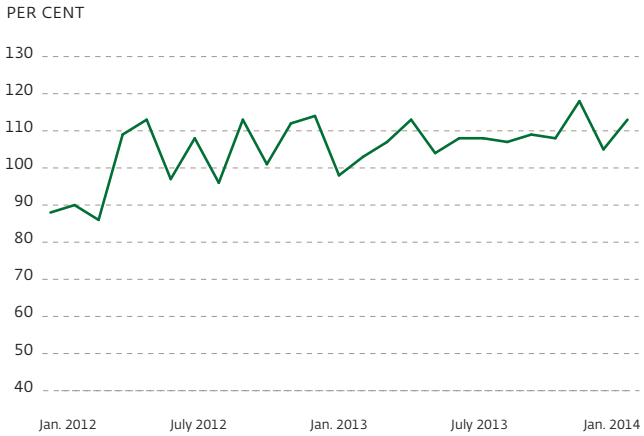
AVERAGE TERM TO MATURITY FOR THE BOND PORTFOLIO, SENIOR DEBT AND COVERED BONDS



CUSTOMER DEPOSITS AND RATIO OF DEPOSITS TO LENDING



LIQUIDITY COVERAGE RATIO (LCR)



of the Group's risk appetite framework, along with the ratio of deposits to net loans. 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 short-term liquidity requirement, Liquidity Coverage Ratio (LCR), was stable at more than 100 per cent in 2013. Calculations are based on the Basel Committee's definition of LCR as of December 2010. At year-end 2013, the total LCR was 106.9 per cent, with 108.6 and 186.9 per cent, respectively, for the euro and the USD .

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.

LIQUIDITY PORTFOLIO

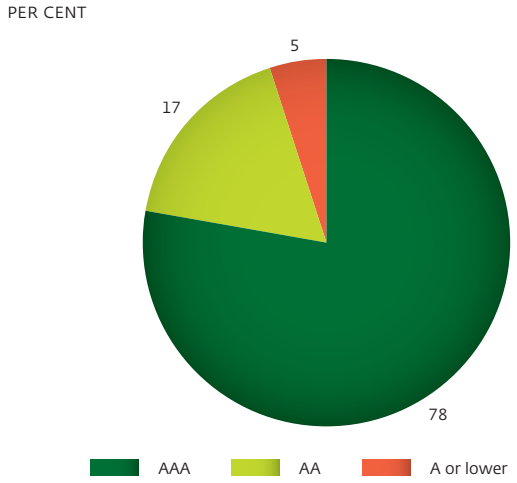
The liquidity portfolio, which consists of an international part and a Norwegian part, is used to regulate the Group's need for liquidity and as a basis for collateral for liquidity operations in various currencies. Among other things, the securities are used as collateral for short-term and long-term 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 2013, this international liquidity portfolio totalled NOK 145.4 billion, of which the trading portfolio represented NOK 81.7 billion. At year-end 2013, 94.7 per cent of the securities in the portfolio were rated AA or better.

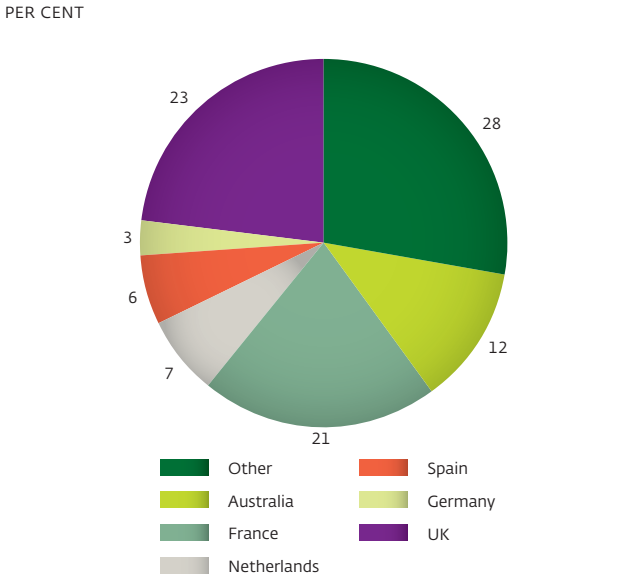
The Norwegian liquidity portfolio mainly comprises Norwegian Treasury bills and totalled NOK 70.1 billion at year-end 2013, of which NOK 19.1 billion represented covered bonds.

The bank's securitisation positions are placed in the above-mentioned hold-to-maturity portfolio. No new investments are included in this portfolio. The portfolio is monitored along

THE INTERNATIONAL PART OF THE LIQUIDITY PORTFOLIO AT YEAR-END 2013, BY RATING



THE INTERNATIONAL PART OF THE LIQUIDITY PORTFOLIO AT YEAR-END 2013, BY COUNTRY



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.

International trading portfolio

As at 31 December 2013, the trading portfolio totalled NOK 81.7 billion. 24 per cent of the portfolio represented Treasury bills (Level 1), while the remainder represented covered bonds. The average maturity of the portfolio was 2.9 years, and the change in value resulting from a one percentage point change in spreads was NOK 23.6 million at end-December 2013. 85.9 per cent of the securities in the portfolio had an AAA rating, while the remainder were rated AA. The structure of the portfolio and its geographical distribution are shown below.

All securities are rated by at least one of the rating agencies S&P, Moody's or Fitch.

International "hold-to-maturity" portfolio

As at 31 December 2013, the portfolio represented NOK 63.7 billion. 68 per cent of the securities in the portfolio had an AAA rating, while 20 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 2.5 years, and the change in value resulting from an interest rate adjustment of one basis point was NOK 15.7 million at end-December 2013. The structure of the portfolio at year-end 2013 is shown below.

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.

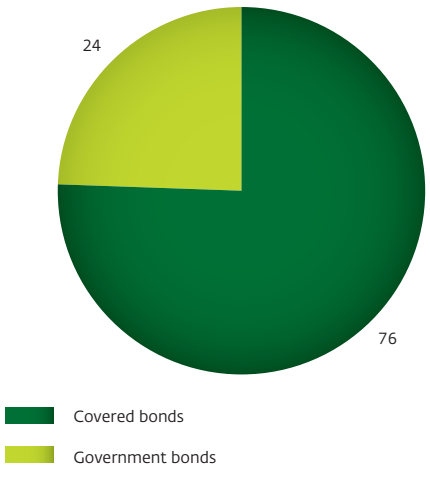
There have been no significant changes in the portfolio and no new securitisation activities since the previous reporting.

DNB GROUP

INTERNATIONAL BOND PORTFOLIO, HELD TO MATURITY	Per cent 31 Dec. 2013	NOK million 31 Dec. 2013	Per cent 31 Dec. 2012	NOK million 31 Dec. 2012
Asset class:				
Consumer credit	0	12	0	144
Residential mortgages	55	35 103	58	41 580
Corporate loans	0	55	1	690
Government related	45	28 516	41	29 231
Covered bonds	100	63 686	100	71 645
Accrued interest, amortisation effects and fair value adjustments		(599)		(814)
Total international bond portfolio, held to maturity	**100**	**63 087**	**100**	**70 831**

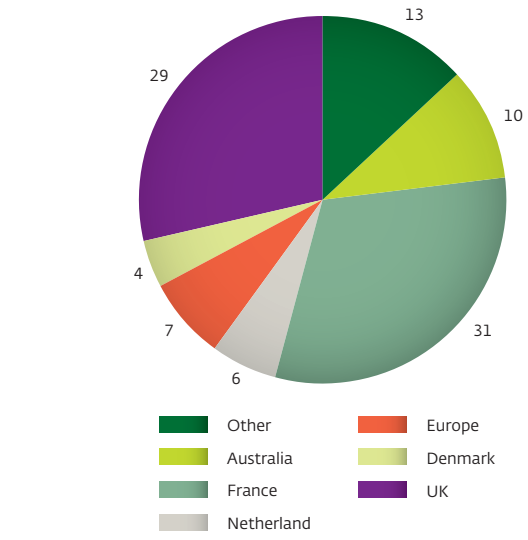
INTERNATIONAL TRADING PORTFOLIO AT YEAR-END 2013

PER CENT



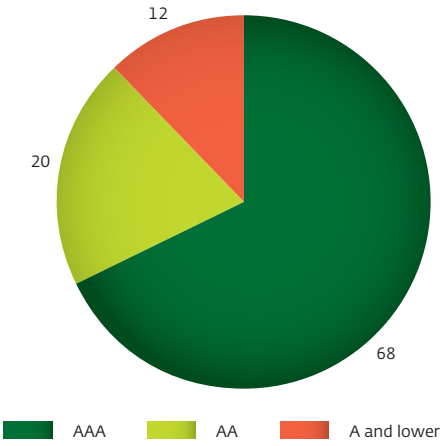
INTERNATIONAL TRADING PORTFOLIO BY COUNTRY, AT YEAR-END 2013

PER CENT



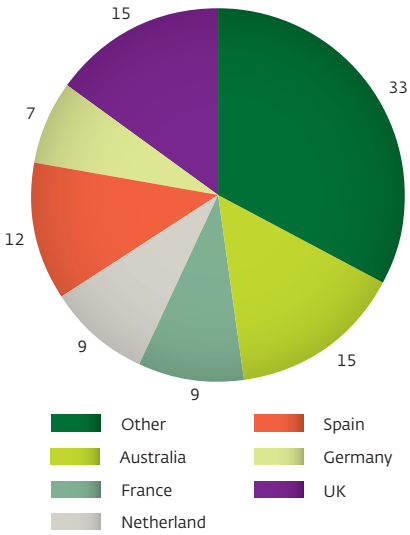
INTERNATIONAL HTM-PORTFOLIO AT YEAR-END 2013, BY RATING

PER CENT



THE INTERNATIONAL PART OF THE LIQUIDITY PORTFOLIO AT YEAR-END 2013, BY COUNTRY

PER CENT



INTERNATIONAL BOND PORTFOLIO, HELD TO MATURITY

DNB GROUP

NOK million	EAD 31 Dec. 2013	RWA 31 Dec. 2013	EAD 31 Dec. 2012	RWA 31 Dec. 2012
Rating				
AAA	42 494	2 615	49307	3 659
AA	8 272	238	9098	771
A+	1 872	397	396	42
A	107	11	1374	175
A-	876	111	4015	851
BBB+	2 375	881	1672	620
BBB	1 254	798	1033	657
BBB-	2 990	3 170	1562	1 656
BB+	849	2 250	858	2 273
BB	425	1 915	752	3 389
BB-	410	2 822	0	0
Below BB-	1 163	14 541	765	9 568
Total	**63 087**	**29 749**	**70 831**	**23 660**

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:

LIQUIDITY PORTFOLIO IN EKSPORTFINANS

NOK million	Treasury bills or equivalent	Trading securities	Other securities	Grand Total
Rating				
AAA		389		389
AA+ to AA-		231		231
A+ to A-		374	63	437
Lower than A-		1 102	833	1 935
No international rating			56	56
TOTAL		**2 097**	**951**	**3 048**

INFORMATION ABOUT DNB'S REMUNERATION SCHEME

INFORMATION ABOUT DNB'S REMUNERATION SCHEME

Pursuant to the regulations on remuneration schemes in financial institutions etc., issued by the Norwegian Ministry of Finance on 1 December 2010, companies are required to publish information about the main principles for determining remunerations, criteria for the stipulation of any variable remunerations and quantitative information on remuneration to senior executives, employees with responsibilities which are of great importance to the company's risk exposure, employees who are responsible for control functions and elected officers who receive corresponding remunerations. The information in this note, including the Board of Directors' statement on the stipulation of salaries and other remunerations to senior executives below, represents such information, as stipulated in the remuneration regulations.

The group guidelines for remuneration in the DNB Group apply to the total remuneration to all permanent employees in the DNB Group and comprise monetary remuneration (fixed salary, short and long-term incentives), employee benefits (pensions, employer's liability insurance and other employee benefits) and employee development and career measures (courses and development programmes, career programmes and other non-monetary remuneration).

According to the guidelines, total remuneration is to be based on a total evaluation of the performance of the Group, as well as the unit's and each individual's contributions to value creation. Total remuneration should be structured to ensure that it does not expose the Group to unwanted risk. The remuneration should be competitive, but also cost-effective for the Group.

Furthermore, monetary remuneration should consist of a fixed and a variable part where this is appropriate. Fixed salary should be a compensation for the responsibilities and requirements assigned to each position, as well as its complexity, while variable salary should encourage strong performance and desired conduct.

To ensure compliance with the remuneration regulations, DNB has had separate group guidelines for variable remuneration since 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 recommended targets for the group chief executive
- 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 return on equity and the common equity tier 1 capital ratio, which constitute the Group's key figures. In addition to the financial key figures, the Group's customer satisfaction and corporate reputation scores will be taken into consideration. In addition, the total evaluation will 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 salary levels in the labour market and in the financial industry.

Variable salary to the group chief executive is determined based on an overall assessment of the results achieved within defined target areas. 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 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 salary levels in the labour market and 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 has had separate group guidelines for variable remuneration since 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 the relevant authorities and international experts to ensure that the Group's practices are in compliance with both Norwegian and local regulations.

Variable remuneration is based on an overall assessment of the results achieved within defined target areas for the Group, the unit and the individual, as well as 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 2014
The Compensation Committee approves principal criteria, principles and limits for variable remuneration. The Compensation Committee has decided that return on equity and the Tier 1 capital ratio should constitute the Group's key figures for 2014. 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 targets 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 key elements when calculating and paying out the variable remuneration for 2014. All financial targets have been defined and communicated to the relevant business areas and staff and support units as part of the work with and follow-up of the targets for 2014.

Determination of variable remuneration for 2014
The variable remuneration for 2014 will be determined by means of an overall assessment of performance, based on a combination of quantitative attainment of pre-set performance targets and qualitative assessments of how the targets were achieved.

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. The total limit will be allocated to the organisation based on the individual units' target attainment and contributions to the Group's performance.

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.
- Evaluations of employees who meet the definition of risk taker after taking up a new position or due to changes in the regulations will only be based on their performance during the year in question in the first year after the change took place. The same may apply to risk takers who take up a new position whose content, organisational level, risk limits etc. differ significantly from those of their former position.

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.

DNB

Mailing address:
P.O.Box 1600 Sentrum
N-0021 Oslo

Visiting address:
Dronning Eufemias gate 30
Bjørvika, Oslo

dnb.no