DNB Group

RISK AND CAPITAL MANAGEMENT

Disclosure according to Pillar 3

2014

Topics described in the various DNB reports for 2014

TOPIC	RISK AND CAPITAL MANAGEMENT	ANNUAL REPORT	CSR REPORT
Capital management and capital adequacy	Capital management and ICAAP Capital adequacy	Directors' report Note 4 to the accounts	
Climate and the environment		Corporate social responsibility	Climate-smart office operations Responsible investment Responsible credit Responsible supplier management
Credit and credit risk	Credit risk	Directors' report Note 5 to the accounts	Responsible credit
Customer privacy, including IT security	Operational risk	Customer segments Directors' report	Customer privacy and information security
Customers and market shares		DNB in brief Group chief executive's statement Governance and organisation	About the DNB Group
Employees, managers and remunerations	Information about DNB's remuneration scheme	Employees Directors' report Note 51 to the accounts	Employees
Ethics, including anti-corruption and anti-money laundering	Operational risk	Corporate social responsibility Employees Directors' report	Ethics and anti-corruption Anti-money laundering
Governance and organisation	Legal structure and consolidation rules Risk management and control in DNB	Legal structure Presentation of the Board of Directors and group management Corporate governance DNB's governance model Customer segments Governing bodies	About the DNB Group About the corporate social responsibility report
Key figures		DNB in brief Key figures	Key figures
Macroeconomic development trends	Major developments Fundamentals of the Norwegian economy	Group chief executive's statement Directors' report	Global development trends
Operational risk / quality	Operational risk	Directors' report Note 5 to the accounts	Climate-smart office operations Responsible investment Responsible credit Responsible supplier management
Regulations and guidelines	Risk management and control in DNB Capital management and ICAAP	Corporate governance Directors' report Accounting principles	Support to global initiatives
Regulatory framework	Business risk, New regulatory framework, Capital management and ICAAP, DNB Livsforsikring, DNB Skadeforsikring	New regulatory framework Directors' report	Anti-money laundering Country-by-country reporting
Risk management	Risk management and control in DNB, Liquidity risk and asset and liability management, Credit risk, Market risk, Operational risk, Business risk, DNB Livsforsikring, DNB Skadeforsikring	Corporate governance Directors' report Notes 5-18 to the accounts	Responsible investment Responsible credit Responsible supplier management
Role in society		DNB in brief Corporate social responsibility Directors' report	Trust and role in society
Strategy and targets	Capital management and ICAAP	DNB in brief Customer segments Directors' report	Trust and role in society Products and services Sustainable operations and employees Prioritisation of corporate social responsibility issues Group chief executive's statement
Summary of the year and future prospects	The CRO's summary of the year Major developments Important events in 2014	Important events Group chief executive's statement Directors' report	Trust and role in society Products and services Sustainable operations and employees
Taxes		Directors' report Note 29 to the accounts	Country-by-country reporting Key figures

See DNB.no/investor-relations

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INTRODUCTION

This report contains information about risk management, risk measurement and capital adequacy in accordance with the disclosure requirements in Pillar 3 of the capital adequacy regulations.

The capital adequacy regulations consist of three pillars. Pillar 1 includes quantitative requirements for banks' capital and descriptions of measurement methods for risk-weighted assets and eligible capital. Pillar 2 describes the banks' responsibility for assessing risks other than those described under Pillar 1 and requirements for the Internal Capital Adequacy Assessment Process, ICAAP. Pillar 3 contains disclosure requirements.

This report is updated annually. Information on capital adequacy and minimum primary capital requirements is updated quarterly in the Group's Fact Book. The Board of Directors of DNB ASA approves the guidelines and procedures for the Pillar 3 reporting. 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). Tables can be found in the appendix to the report.

NORWAY'S LEADING FINANCIAL SERVICES GROUP

DNB is Norway's largest financial services group, with total assets of NOK 2 936 billion as at 31 December 2014.

The Group offers a full range of financial services, including loans, savings and investment, payment transfers, 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 19 countries and in 2 700 locations throughout Norway through its branch offices, post offices and in-store postal and banking outlets.

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 9.5 per cent shareholding.

FUNDAMENTALS OF THE NORWEGIAN ECONOMY

Norway has 5.1 million inhabitants, and a GDP per capita which is 91 per cent higher than its peers in the EU. The Norwegian economy has experienced higher growth and less volatility in GDP than the other Nordic countries and the euro countries.

The strong financial situation has given Norway considerable fiscal policy leverage and flexibility to face a period of slower economic activity. Due to the brisk economic growth, the key policy rate has been higher than in most other Nordic and European countries. As Norway is not part of the eurozone, the effects of cyclical fluctuations are less pronounced.

Norway has the highest credit rating available and for a decade ranked highest on the UN's Human Development Index, a composite statistics of life expectancy, education and income indices.

Over the past twenty years, there has been a significant increase in Norwegian housing prices, reflecting high income growth, low and stable unemployment rates, periodically low interest rates and limited housebuilding activity relative to population growth. Approximately 90 per cent of households own their own home. Thus, there is a limited residential tenancy market.

Since the first petroleum discoveries in the late 1960s, the importance of oil to the economy has grown substantially. Preliminary figures for 2014 show that oil and gas extraction amounted to 20 per cent of the Norwegian GDP and 45 per cent of the Norway's goods exports. Demand stemming from investment activity on the Norwegian shelf also benefits mainland enterprises. Income from petroleum activities amounted to 27 per cent of the Government's total income in 2014. The income is transferred to the Government Pension Fund, which serves as a buffer between current petroleum revenues and the spending of revenues in the economy. The Fund only invests abroad, and its value has increased substantially the past ten years. In January 2015 its size had increased to 218 per cent of GDP. The fiscal rule is set up to ensure that petroleum revenues are being phased into the economy gradually, at a level that can be sustained over time. In a normal year, only the expected real return of the fund, estimated to 4 per cent, can be spent over government budgets. Actual spending has been lower than this.

Norwegian exports are also dominated by fish and aluminium, the latter due to the good access to low-priced electricity from hydropower.

THE CRO's SUMMARY OF THE YEAR

2014 was another good year for DNB, with very low impairment losses on loans and a positive trend in most areas in spite of a more turbulent macroeconomic situation in Norway towards the end of the year. The process to build up capital was on schedule to reach the Group's minimum 14 per cent long-term common equity Tier 1 capital target.

The fall in oil prices and the resulting weakening of the Norwegian krone and reduced interest rate levels do not affect DNB's profits in the short term. Customers that are vulnerable to falling oil prices, are robust. Still, the Group's market risk has increased, especially within life insurance operations, which in the longer term depend on achieving a return on investment that covers guaranteed payments to policyholders.

– DNB Group's risk and capital management report gives a good and accurate description of the risk situation and of the way risk is measured, managed and reported in DNB.

The authorities are issuing a large number of new regulations which affect banks' operations in various ways. In the opinion of DNB, it is vital that the regulations promote equal competitive terms for banks. The additional requirements that apply solely in Norway for the calculation of risk-weighted volume (Pillar 1) are disadvantageous to Norwegian banks compared with Swedish banks. In Sweden, requirements for additional capital are not included in risk measurements (Pillar 2).

In the large corporate divisions, extensive measures have been implemented to improve the quality of exposures in particularly volatile industries and high-risk portfolios. In consequence of this, the quality of the credit portfolios had generally improved at year-end 2014, resulting in lower risk weights in the calculation of risk-adjusted capital.

The Norwegian housing market and banks' retail mortgages received much attention during 2014. There is strong competition in the retail mortgage market, and DNB took a number of initiatives in 2014 to establish new meeting places and new customer service channels. Assessments of customers' debt servicing capacity are given more weight in the credit process. Group Risk Management plays a key role in formulating the credit strategy and following up lending practices and portfolio quality. Losses and non-performing loans in the retail mortgage portfolio are now at a very low level, far below the normalised losses calculated by using the bank's internal credit models.

In 2014, Finanstilsynet (the Financial Supervisory Authority of Norway) instructed banks to make extensive changes in their IRB models for retail mortgages. These changes could have wide-reaching consequences and imply that the models can no longer be used for internal risk management. After the changes have been implemented, the models generate estimates for non-performance and loss given default, LGD, that far exceed the figures registered during the banking crisis in the 1990s. DNB and other banks are in dialogue with Finanstilsynet to find a solution where banks can still use their own models without being overridden for internal governance purposes, while Finanstilsynet's models can be used for capital adequacy calculations. To ensure sound financial and risk management, it is vital that the credit process is based on models that are consistent across customer groups, markets and products and generate results that are logical to account officers.

The work on anti-money laundering and sanctions has received increasing attention over the past few years. In 2014, it was decided that professional responsibility and the various functions working with these subjects should be gathered in Group Risk Management. The head of the new AML Sanctions division reports directly to the CRO. The primary mandate of the division is to ensure the DNB complies with anti-money laundering and sanctions regulations. The division is responsible for consistent management and control of this field, as well as risk reporting.

I believe that the DNB Group's risk and capital management report gives a good and accurate description of the risk situation and of the way risk is measured, managed and reported in DNB.

Terje Turnes
CRO

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MAJOR DEVELOPMENTS

1 MAJOR DEVELOPMENTS

DNB's risk situation showed a favourable trend during most of 2014. However, developments during the fourth quarter resulted in far greater uncertainty. The halving of the oil price had the most pronounced effect for Norway, though increased geopolitical tensions also had an impact. International interest rates continued to fall, and Norges Bank (Norwegian central bank) cut its key policy rate to stimulate the Norwegian economy in a situation where falling oil investments could result in negative growth impulses. The Norwegian krone rate has depreciated significantly, which could make the restructuring of the Norwegian economy easier.

The global economy grew by 3.2 per cent in 2014 in spite of the conflicts and crises dominating the news. There was an acceptable rate of growth in the US and UK economies following a period with record-low interest rates. For most eurozone countries, it will take several years to return to pre-financial crisis levels. Overall, economic growth in emerging countries has lost momentum, and growth has come to a complete halt in Brazil and Russia. However growth in India and China is still triple the rate of Western industrialised countries.

The Basel III capital adequacy framework entered into force with effect from the third quarter of 2014. For DNB, this resulted in an overall increase in the common equity Tier 1 capital ratio of 0.3 percentage points. See further description in the chapter on capital adequacy.

On its Capital Markets Day in November 2014, DNB raised its common equity Tier 1 capital ratio target to minimum 14 per cent and the Group's capital adequacy ratio target to minimum 17.5 per cent by year-end 2016.

At the end of 2014, the leverage ratio was 6.0 per cent, well above the proposed minimum requirement of 3 per cent. The Norwegian authorities still assess Norwegian banks according to the Basel III transitional rules, according to which the common equity Tier 1 capital ratio was 12.7 per cent and the capital adequacy ratio 15.2 per cent. At year-end 2013, the corresponding ratios were 11.8 and 14.0 per cent, respectively.

The short-term liquidity requirement, Liquidity Coverage Ratio (LCR), was stable at more than 100 per cent in 2014. At year-end 2014, the total LCR was 135 per cent, with 130 and 190 per cent, respectively, for the euro and the USD.

Throughout 2014, operations, governance and control were of high quality in all of the Group's units. The number of reported events entailing operational risk was somewhat higher than in the previous year, though losses were low. At times, the operational stability of the Group's IT systems was challenging. Extensive measures were initiated, including the outsourcing of services and change of system operator, to mitigate the risk.

The DNB Group quantifies risk by measuring risk-adjusted capital. The risk adjusted capital increased by NOK 8 billion from year-end 2013, to NOK 89 billion.

RISK-ADJUSTED CAPITAL

NOK billion	31 Dec. 2014	31 Dec. 2013
Credit risk	58.8	60.0
Market risk	7.5	10.0
Market risk in life insurance	21.3	8.1
Insurance risk	2.0	1.9
Operational risk	10.7	10.7
Business risk	6.8	4.8
Total risk-adjusted capital before diversification	107.2	95.5
Diversification *	- 18.0	- 14.8
Total risk-adjusted capital after diversification	89.2	80.7
Diversification in per cent of gross risk-adjusted capital	16.8%	15.5%

* Diversification effect refers to the risk reduction effect achieved by the Group as the different types of risks can not be expected to cause losses simultaneously.

The risk-adjusted capital for credit declined by NOK 1.2 billion in 2014. There was sound and stable credit quality in all portfolios throughout the year.

The risk-adjusted capital for market risk in DNB Livsforsikring increased by NOK 13 billion. Long-term interest rates declined during 2014. This heightens the risk that the return on the life insurance company's investment funds will not be adequate to cover guaranteed commitments. DNB's market risk exposure in operations other than life insurance generally remained stable throughout 2014. The equity exposure was somewhat reduced, reflecting the sale of shareholdings.

IMPORTANT EVENTS IN 2014

- Along with Nordea Bank Norge and Kommunalbanken, DNB was defined as a systemically important financial institution, SIFI, and thus became subject to an additional 2 per cent capital buffer requirement as of 1 July 2015.
- The sale of the subsidiary JSC DNB Bank in Russia was completed in July.
- Finanstilsynet announced a further tightening of risk weights for retail mortgages for banks using internal models, IRB models. Finanstilsynet requires the changes to be reflected in capital adequacy reporting no later than in the first quarter of 2015.
- The Ministry of Finance approved amendments to a number of regulations on capital adequacy requirements etc. Among other things, it was stipulated that risk-weighted assets for IRB banks cannot be less than 80 per cent of the corresponding figure calculated according to the Basel I regulations. This means that the Basel I floor also applies to the buffer requirements. Most of the changes in regulations entered into force during the third quarter.
- DNB passed the EU's stress test for banks. The purpose of the stress test is to identify the vulnerabilities of the banking sector to hypothetical negative development trends. As many as 25 of 150 banks did not pass the test. DNB was among the banks with the best results.
- The Ministry of Finance circulated for public comment draft regulations for the introduction of Solvency II for Norwegian insurance companies. Among other things, a 16-year phase-in period for technical insurance provisions based on Solvency II methodology was proposed. The deadline for response is 20 March 2015.

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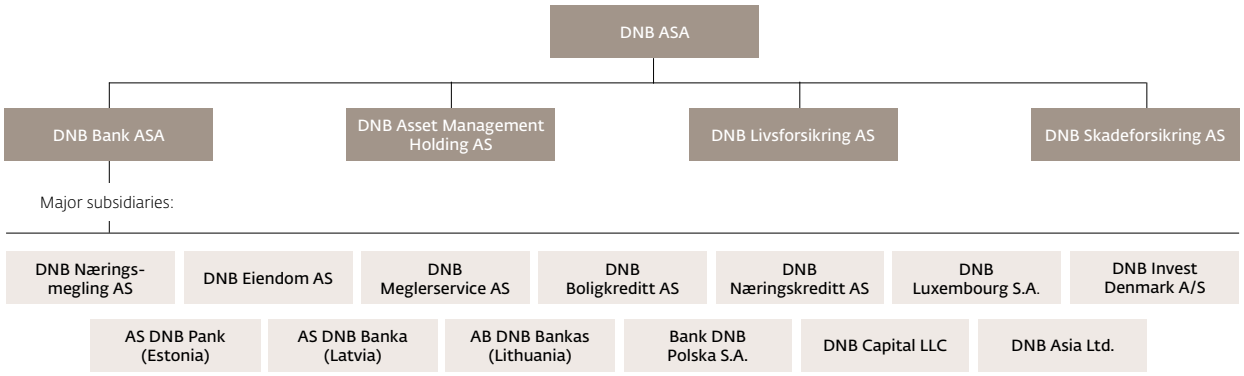
LEGAL STRUCTURE AND CONSOLIDATION RULES

2 LEGAL STRUCTURE AND CONSOLIDATION RULES

The diagram shows the DNB Group's legal structure at year-end 2014. The consolidated financial statements of DNB ASA (DNB) include DNB Bank ASA, DNB Livsforsikring AS, DNB Asset Management Holding AS and DNB Skadeforsikring AS, all with underlying subsidiaries.

DNB GROUP – LEGAL STRUCTURE AS AT 31 DECEMBER 2014



DNB prepares consolidated accounts in accordance with IFRS. A description of the Group's accounting principles can be found in DNB's annual report. 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 assets 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

On 22 August 2014, the Norwegian Ministry of Finance approved amendments to several capital adequacy regulations and to the consolidation regulations with effect as of third quarter. The amendments are adapted to the EU's new capital adequacy regulations for banks and investment firms (CRD IV/CRR) and imply that only companies in the financial sector shall be included in consolidated capital adequacy figures.

INVESTMENTS IN ASSOCIATED COMPANIES

DNB Bank ASA has a 40 per cent ownership interest in Eksportfinans. DNB Bank ASA carries loans in its balance sheets which according to a legal agreement have been transferred to Eksportfinans and are guaranteed by the bank. Pursuant to the agreement, the bank still carries interest rate risk and credit risk associated with the transferred portfolio. According to the IFRS regulations, the loans have therefore not been removed from the balance sheet of the bank. These portfolios totalled NOK 2.8 billion at end-December 2014. The loans are set off by deposits/payments from Eksportfinans. The bank has also issued guarantees for other loans in Eksportfinans. The transactions with Eksportfinans have been entered into on ordinary market terms as if they had taken place between independent parties.

The invesment is recognised in the accounts according to the equity method and consolidated pro rata in the capital adequacy calculations. DNB's share of risk-weighted assets in Eksportfinans was NOK 9.9 billion at year-end 2014.

3

CAPITAL ADEQUACY

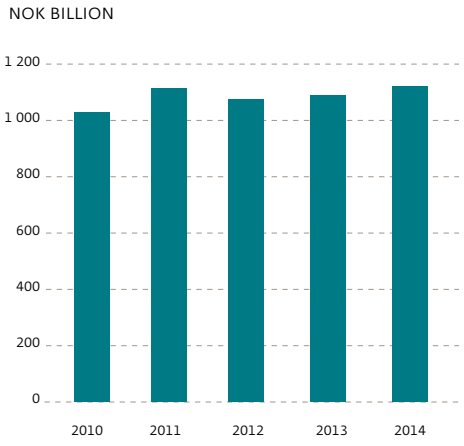
3 CAPITAL ADEQUACY

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. See also section below about new regulation.

On its Capital Markets Day in November 2014, the Group raised its targets to a common equity Tier 1 capital ratio of minimum 14 per cent and a capital adequacy ratio of minimum 17.5 per cent for the financial services group by year-end 2016. The capitalisation targets relate to the Group' s prevailing risk-weighted assets.

CAPITAL ADEQUACY RATIO DNB GROUP

RISK-WEIGHTED ASSETS DNB GROUP



At year-end 2014, the DNB Group had a common equity Tier 1 capital ratio of 12.7 per cent and a capital adequacy ratio of 15.2 per cent, compared with 11.8 per cent and 14.0 per cent, respectively, a year earlier. These calculations are based on the Basel III transitional rules. Risk-weighted assets were NOK 1 121 billion kroner at year-end 2014. The Basel I floor for risk-weighted assets applies to DNB, which reduced the common equity Tier 1 capital ratio by 1.2 percentage points at year-end 2014.

After year-end adjustments and dividend payments, the holding company DNB ASA will have a liquidity reserve of approximately NOK 4.5 billion. 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.

The DNB Bank Group had a common equity Tier 1 capital ratio of 12.5 per cent and a capital adequacy ratio of 15.2 per cent at year-end 2014, compared with 11.4 and 13.9 per cent, respectively, a year earlier. In addition, a separate requirement from the US authorities to the banking group relating to the operations of the subsidiary DNB Markets Inc. in New York must be fulfilled, whereby the Tier 1 capital ratio for the banking group must be 6 per cent and the total capital adequacy ratio 10 per cent. At year-end 2014, this requirement was fulfilled by a wide margin.

DNB Bank ASA had a common equity Tier 1 capital ratio of 13.2 per cent at year-end 2014 compared with 11.4 a year earlier. The capital adequacy ratio was 16.3 per cent at year-end 2014, compared with 14.0 a year earlier

DNB Livsforsikring had a capital adequacy ratio of 21.9 per cent and a solvency margin of 245 per cent at year-end 2014, which is well above the regulatory requirements of 8 per cent and 100 per cent, respectively. Total annual profits after tax were NOK 1.6 million. DNB Livsforsikring paid a net group contribution of NOK 1.9 billion after tax. A corresponding amount of Tier 1 capital will be transferred to the company. 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. DNB Livsforsikring is making the necessary preparations for this by, for example, adapting the management of the company to Finanstilsynet's stress tests and supervisory methodology and by regularly updating solvency capital calculations based on the anticipated new regulations. The technical insurance provisions relating to higher life expetancy were increased by a further NOK 7 billion at year-end 2014.

At year-end 2014, 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.

NEW REGULATIONS, CRD IV/CRR

Capital requirements were calculated according to the Basel III regulations for the first time in the third quarter of 2014. Additional changes were introduced in the fourth quarter. The overall effect of the transition to Basel III was an increase in the common equity Tier 1 capital ratio of approximately 0.15 percentage points for the DNB Group. This effect reflects several of the changes. The most significant changes for the DNB Group are listed below.

Key changes in the calculation of primary capital in the form of new or changes in existing deductions from common equity Tier 1 capital:

- The deduction for expected losses in excess of impairment losses was increased from 50 to 100 per cent of common equity Tier 1 capital, while the deduction from additional capital was removed. This represented NOK 1 billion for the DNB Group upon the entry into force in the third quarter.
- Deductions for deferred tax assets were reduced by NOK 0.6 billion in the third quarter.
- Deductions for revaluations resulting from prudent valuation requirements represented NOK 0.9 billion upon the entry into force in the fourth quarter.
- Adjustments for unrealised losses/gains on derivative obligations came to NOK 0.3 billion upon the entry into force in the fourth quarter.

Key changes in the calculation of risk-weighted assets:

- Calculation of the credit value adjustment (CVA) for a potential deterioration in the creditworthiness of counterparties to derivatives trades. The CVA was estimated at NOK 7.5 billion in the fourth quarter/at end-December 2014.
- The risk weight according to the standardised approach was increased from 20 to 50 per cent for exposures to a number of banks. This was due to the fact that the risk weight no longer refers to the government's rating, but depends on the bank's own rating. The effect upon the entry into force in the third quarter was a NOK 4 billion increase in risk-weighted assets.

Due to the Norwegian Basel I floor, the effect of changes in the calculation of risk-weighted assets is neutralised and does not affect the Group's capital adequacy ratio. The positive effect can be ascribed to the introduction of a deduction from risk-weighted assets calculated according to the Basel I rules due to a stricter definition of capital under Basel III. DNB's risk-weighted assets, calculated according to the transitional rules, was thus reduced by approximately NOK 20 billion upon the entry into force in the third quarter.

LEVERAGE RATIO

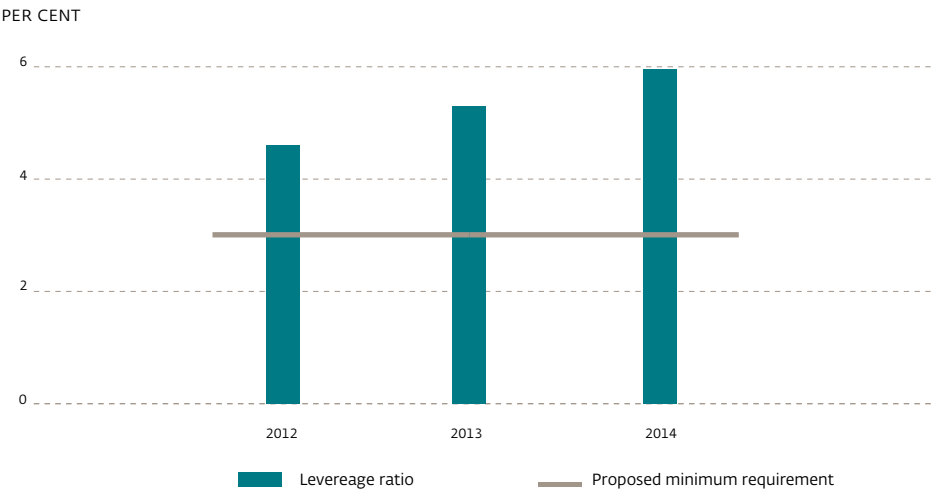
The DNB calculates its leverage ratio, LR, in accordance with the revised article 429 of the CRR. The EU Commission approved a Commission Regulation that entered into force on 18 January 2015. The changes means that the conversion factors from the standardised approach for credit risk are used for off-balance sheet items. This is in accordance with the Basel Committes's guidelines from January 2014. DNB has chosen to use this calculation method for LR, as this will be the prevailing method in the future.

LEVERAGE RATIO CALCULATION

NOK million	31 Dec. 2014
Tier 1 capital	141 230
Leverage exposure	
Securities financing transaction (SFTs)	123 286
Derivatives market value	133 873
Potential future exposure on derivatives	15 390
Off balance sheet commitments	286 798
Loans and advances and other assets	1 831 546
Regulatory adjustments included in Tier 1 capital	(15 636)
Total leverage exposure	2 375 255
Leverage ratio (%)	5.95

The Basel Committee will consider whether it would be expedient to have a 3 per cent minimum requirement 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. At year-end 2014, the Group's leverage ratio was 6.0 per cent, up from 5.3 per cent a year earlier.

LEVERAGE RATIO, AGAINST MINIMUM REQUIREMENT OF 3 PER CENT

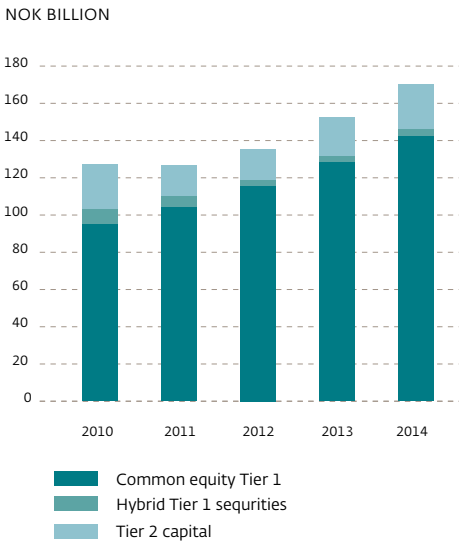


PRIMARY CAPITAL

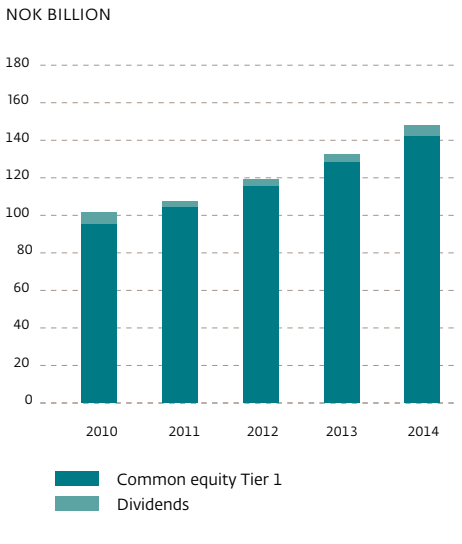
A strong level of profits of NOK 20.6 billion for 2014 enabled the DNB Group to continue to build capital. The healthy profit reflected an increase in net interest income, reduced costs and low impairment losses on loans. DNB's common equity Tier 1 capital has been increased by NOK 14 billion over the past twelve months and Tier 2 capital increased by NOK 3 billion in 2014. DNB is well capitalised, but will build additional capital organically in order to meet the authorities' requirements. In February 2015, DNB issued hybrid securities for a total of NOK 2.15 billion. Further information about primary capital can be found in the attachment.

When considering the dividend proposal for 2014, 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 2014 of NOK 3.80 per share. The proposed dividend gives a dividend yield of 3.4 per cent based on a share price of NOK 110.7 as at 31 December 2014. The proposed dividend implies that DNB ASA will distribute a total of NOK 6 189 million in dividends for 2014. The payout ratio represents approximately 30 per cent of earnings per share. According to DNB's long-term financial ambitions, DNB shall, in the period up to 2017, achieve a return on equity above 12 per cent, a common equity Tier 1 capital ratio of minimum 14 per cent and a dividend payout ratio of more than 50 per cent, subject to a satisfactory capital adequacy level.

PRIMARY CAPITAL DNB GROUP



CET 1 AND DIVIDENDS DNB GROUP



RISK-WEIGHTED ASSETS

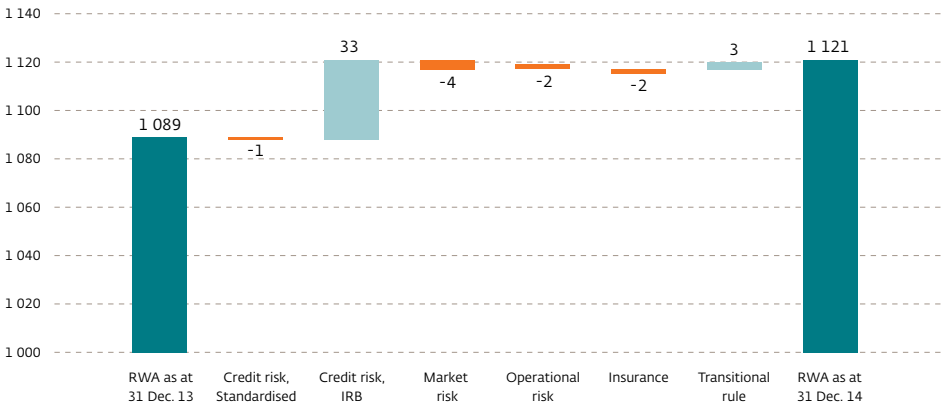
The DNB Group reports credit risk for the major part of the portfolio according to the IRB approach, which means that internal models based on the bank's loss records for previous years are used to calculate capital requirements. For the corporate portfolio, the advanced IRB approach is used, which implies that internal models for probability of default, (PD), loss given default, (LGD), exposure at default (EAD) and maturity (M) are used both for governance purposes and in capital adequacy calculations. The IRB portfolios are described in further detail in the chapter on credit risk.

DNB Bank ASA reports operational risk according to the standardised approach, while some subsidiaries use the basic indicator approach. Market risk is reported according to the standardised approach.

Risk-weighted assets increased by NOK 32 billion during 2014, totalling NOK 1 121 billion at the end of the year. Calculated according to the IRB approach, credit risk rose by NOK 33 billion. The main reason for the increase is that the Norwegian authorities have introduced stricter capital requirements for retail mortgages calculated according to internal models. The minimum requirement for the model parameter LGD was increased from 10 to 20 per cent with effect from the first quarter of 2014.

DEVELOPMENT IN RISK-WEIGHTED ASSETS DNB GROUP

NOK BILLION



SPECIFICATION OF RISK-WEIGHTED ASSETS AND CAPITAL REQUIREMENTS

NOK million	Nominal exposure 31 Dec. 2014	EAD [1] 31 Dec. 2014	Average risk weights in per cent 31 Dec. 2014	Risk-weighted assets 31 Dec. 2014	Capital requirements 31 Dec. 2014	Capital requirements 31 Dec. 2014
IRB approach						
Corporate	1 020 495	830 157	44,7	371 240	29 699	30 362
Specialised Lending (SL)	6 456	6 358	35,2	2 239	179	153
Retail - mortgage loans	654 690	654 688	16,6	108 813	8 705	4 884
Retail - other exposures	109 313	90 177	27,9	25 195	2 016	1 984
Securitisation	31 927	31 927	71,2	22 747	1 820	2 380
Total credit risk, IRB approach	1 822 882	1 613 308	32,9	530 233	42 419	39 763
Standardised approach						
Central government	90 494	104 283	0,2	229	18	4
Institutions	303 519	114 301	29,9	34 125	2 730	1 837
Corporate	267 424	216 393	93,3	201 915	16 153	17 055
Retail - mortgage loans	43 265	41 264	50,2	20 715	1 657	1 867
Retail - other exposures	88 366	44 421	77,6	34 466	2 757	2 249
Equity positions	2 865	2 865	105,0	3 007	241	321
Securitisation	2 746	2 746	30,1	827	66	44
Other assets	7 397	7 397	113,9	8 423	674	1 019
Total credit risk, standardised approach	806 076	533 670	56,9	303 707	24 297	24 395
Total credit risk	2 628 958	2 146 977	38,8	833 941	66 715	64 158
Market risk						
Position risk, debt instruments				17 248	1 380	2 239
Position risk, equity instruments				492	39	104
Currency risk				0	0	0
Commodity risk				107	9	9
Credit value adjustment risk (CVA)				7 518	601	0
Total market risk				25 367	2 029	2 352
Operational risk				81 830	6 546	6 408
Net insurance, after eliminations				85 351	6 828	6 982
Deductions				0	0	(60)
Total risk-weighted assets and capital requirements before transitional rules				1 026 489	82 119	79 840
Additional capital requirements according to transitional rules [2]				94 170	7 534	7 289
Total risk-weighted assets and capital requirements				1 120 659	89 653	87 129

1) EAD, exposure at default.
2) Due to transitional rules, the minimum capital adequacy requirements cannot be reduced below 80 per cent of the corresponding figure calculated according to the Basel I regulations.

A specification of risk-weighted assets and capital requirements for key subsidiaries in the DNB Group can be found in the attachment.

BUFFER REQUIREMENTS

The combined buffer is a key element in the new capital adequacy regulations. This buffer represents the total of the capital conservation buffer, the systemic risk buffer, the SIFI buffer and a possible counter-cyclical buffer. These buffers must consist of common equity Tier 1 capital. If the common equity Tier 1 capital falls below the level required to meet the minimum and the combined buffer requirements, there will be restrictions on dividend and bonus payments and on repayment of hybrid capital.

The table below shows compliance with the minimum and buffer requirements as at 31 December 2014. With respect to the 8 per cent minimum capital adequacy requirement, Tier 2 capital can represent up to 2 per cent while hybrid securities/capital can represent up to 1.5 per cent. Both the banking group and the financial services group meet the minimum requirement by using the maximum amount of Tier 2 capital. For both groups, however, hybrid capital represents significantly less than the maximum allowed 1.5 per cent. This means that common equity Tier 1 capital must be used to meet the remainder of the minimum requirement, which reduces the amount of common equity Tier 1 capital that can be used to meet the buffer requirements.

TOTAL CAPITAL REQUIREMENTS, DECEMBER 2014

NOK million	Rate	DNB Bank Group	DNB Group
Risk-weighted assets		1 038 396	1 120 659
- Common equity Tier 1 capital	4.5%	46 728	50 430
- Tier 1 capital	6.0%	62 304	67 240
-Total primary capital	8.0%	83 072	89 653
Minimum capital requirements			
Common equity Tier 1 capital		58 275	63 211
Additional Tier 1 securities		4 028	4 028
Tier 2 capital		20 768	22 413
CET1 buffer requirements			
Capital conservation buffer	2.5%	25 960	26 179
Systemic risk buffer	3.0%	31 152	31 415
Combined buffer requirement		57 112	57 594
Common equity Tier 1 capital vs combined capital requirements			
Common equity Tier 1 capital		129 915	142 108
Minimum capital requirement - CET1		-58 275	-63 211
Buffer capital requirements		-57 112	-57 594
Surplus / shortfall CET1		14 528	21 303

At year-end 2014, the common equity Tier 1 capital of the banking group and the financial services group exceeded the total capital requirements by NOK 14.5 billion and NOK 21.3 billion, respectively.

The buffer requirements are introduced step-by-step. At year-end 2014, the capital conservation buffer and the systemic risk buffer were included in the prevailing capital requirement. The capital conservation buffer represents 2.5 per cent of risk-weighted assets, while the systemic risk buffer represents 3 per cent. The counter-cyclical buffer will be introduced in Norway as of 30 June 2015. Initially, the buffer will be 1 per cent, though the size of the buffer will be under continual review. As of 1 July 2015, DNB will also be subject to a 1 per cent buffer for systemically important institutions. The buffer requirements do not apply to insurance operations, which means that the banking group's risk-weighted assets form the basis for these requirements. The insurance companies are included as ordinary investments.

4

RISK MANAGEMENT AND CONTROL IN DNB

4 RISK MANAGEMENT AND CONTROL IN DNB

The Board of Directors of DNB ASA has a clearly stated goal to maintain a low overall risk profile, which is reflected in the DNB Bank ASA's aim to maintain at least an AA level rating for ordinary long-term debt. The Group took commitments not to offer products and services or perform acts representing a risk of involvement in unethical conduct, infringement of human and labor rights, corruption or environmental degradation.

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.

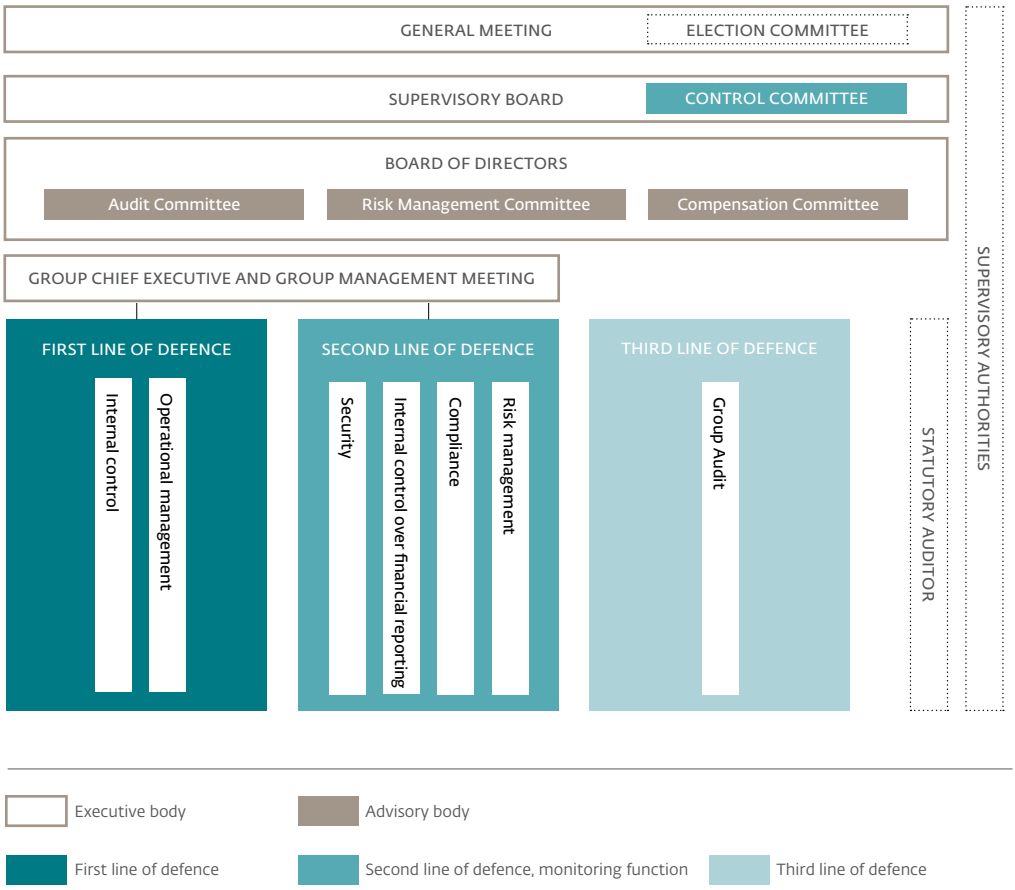
Healthy risk management is based on a strong risk culture, which is characterised by a high level of awareness concerning risk and risk management in the organisation. A common risk management framework provides the basis for developing a sound culture and for effective management of the Group.

RESPONSIBILITIES AND ORGANISATION

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 represent 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.

GOVERNING BODIES IN THE DNB GROUP



Board of Directors

The Board of Directors of DNB ASA carries responsibility for ensuring that the Group is adequately capitalised relative to the risk and scope of operations and that capital requirements stipulated in laws and regulations are met. The Board of Directors of DNB ASA sets long-term targets for the Group's risk profile through the risk appetite framework. The Board of Directors continually monitors the Group's capital situation, see further information under Capital management and ICAAP.

The Board of Directors of DNB ASA annually reviews the Group's principal risk areas and internal control. The review, which is based on reporting from the group chief executive, aims to document the quality of the work performed in key risk areas and to identify any weaknesses and needs for improvement.

The Risk Management Committee gives the Board of Directors advice with regard to the Group's risk profile, monitors the Group's internal control and risk management systems and makes sure that they function effectively. In addition, the committee advises the Board of Directors with respect to the Group's risk profile, including the Group's current and future risk appetite and strategy. The Audit Committee evaluates the quality of the work performed by Group Audit and the statutory auditors. The Boards of Directors of DNB Bank ASA, DNB Livsforsikring AS and other significant subsidiaries annually evaluate the companies' key risk areas and internal control.

Group chief executive and executive bodies

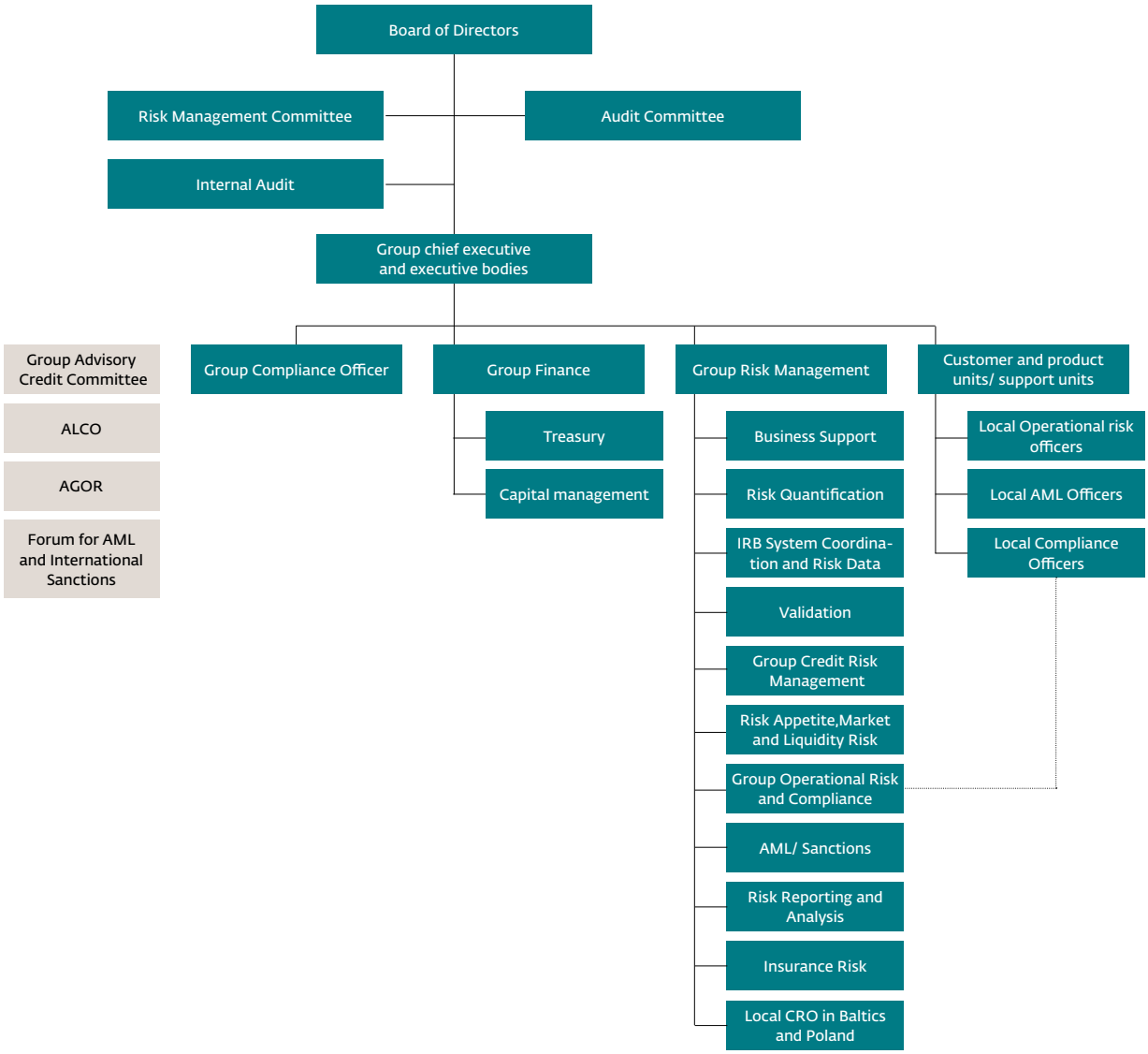
The group chief executive is responsible for implementing risk management measures that help achieve targets for operations set by the Board of Directors of DNB ASA, including the development of effective management systems and internal control.

The group management meeting is the group chief executive's collegiate body for management at group level. All important decisions concerning risk and capital management will generally be made in consultation with the group management team. Authorisations must be in place for the extension of credit and for position and trading limits in all critical financial areas. All authorisations are personal. Authorisations are determined by the Board of Directors of DNB ASA, along with overall limits, and can be delegated in the organisation, though any further delegation must be approved and followed up by the relevant person's immediate superior. See also chapter about credit risk.

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

- The Asset and Liability Committee, ALCO, is an advisory body for the chief financial officer and the chief risk officer and handles matters relating to the management of market and funding risk, risk modelling, capital structure and return targets.
- The Group Advisory Credit Committee approves large credits to selected borrowers that are customers of more than one business area and advises the group chief executive and the Board of Directors in connection with large individual credit proposals and other matters of an extraordinary nature.
- Advisory Group Operational Risk, AGOR, is an advisory committee for the Group's chief risk officer and helps develop the Group's solutions within operational risk management to ensure effective and consistent monitoring and reporting throughout the Group.
- The Forum for AML and International Sanctions is an advisory body for the Group's chief risk officer and provides advice and guidance with respect to DNB's compliance with international sanctions and the Group's anti-money laundering and counter-terrorism financing work.

ORGANISATION OF RISK MANAGEMENT IN DNB



Group risk management

Group Risk Management is the central, independent risk management unit in DNB. Entity is headed by the Group's chief risk officer, CRO, who reports directly to the group chief executive officer, CEO. The CRO sets the premises for internal control and assesses and reports the Group's risk situation. The majority of the Group's risk entities are organised in Group Risk Management, though parts of operative risk management is organised in the business areas.

It is established divisions in the Group Risk Management which has responsibility for, respectively, credit, market and liquidity risk, operational risk, quantifying of risk, validation, risk reporting and analysis, IRB compliance and AML / sanctions. Head for risk management in DNB Livsforsikring also reports directly to the CRO.

The compliance function is an independent function which identifies, evaluates, gives advice on, monitors and reports on the Group's compliance risk. The function is headed by the group compliance officer, GCO. The GCO is organised in Group Risk Management and reports on specific issues to the board of directors via group chief executive. All business areas and support units, as well as large subsidiaries and international entities, have a compliance function with responsibility for ensuring compliance with relevant regulations. The compliance functions in international entities and the Group's operations in the Baltics and Poland report directly to the GCO.

Group risk management at Group AML Officer is responsible for ensuring the monitoring of money laundering in accordance with the laws and functions as expected.

Internal Audit
Independent and effective audits will help ensure satisfactory risk management and internal control, as well as reliable financial reporting. Group Audit receives its instructions from the Board of Directors of DNB ASA, which also approves the department's annual plans and budgets.

Group Audit should verify that adequate and effective risk management and internal control are in place. Group audit should also assess whether risk identification, established management processes and control measures effectively contribute to strengthening the Group's ability to reach targets.

RISK REPORTING

Every three months, the Audit Committee, the Risk Management Committee and the Boards of Directors of DNB ASA and DNB Bank ASA receive a risk report for the Group, accounting for the current risk situation, reviewed relative to the risk appetite framework. The report includes the utilisation of limits approved by the Boards of Directors of DNB ASA, DNB Bank ASA and DNB Livsforsikring AS. The Board of Directors of DNB Livsforsikring AS receives periodic reports analysing the company's risk situation.

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

The Risk Management Committee and the Boards of Directors of DNB ASA and DNB Bank ASA reviews annually the Group's recovery plan. The plan will become an integral part of the Group's risk and capital management framework. An important part of the recovery plan is a description of various identified measures to improve the Group's capital adequacy and liquidity situation during a crisis. The plan will be updated each year. The recovery plan is part of the new crisis management regulations for banks. See further description in this chapter .

Each year, the Risk Management Committee and the Board of Directors of DNB Bank ASA consider the Group's compliance report, which gives a description of the Group's overall compliance risk and the measures required to mitigate such risk.

Each year, the Risk Management Committee and the Board of Directors of DNB Bank ASA review the Group's validation report. Validation plays a key role in quality assurance of the IRB system. Group Audit prepares an annual IRB compliance report which shows compliance with the IRB requirements. The report is considered parallel to the validation report by the bank's Board of Directors.

Each month, the group management meeting will receive a status report on the risk situation, measured relative to the defined risk appetite targets.

GROUP POLICY FOR RISK MANAGEMENT

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 Board of Directors has also approved a group policy for compliance which describes the main principles for compliance and the organisation of the compliance function.

GROUP POLICY FOR RISK MANAGEMENT

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.

Aim

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.

Responsibilities and organisation

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.

Management

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.

Measurement

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.

Reporting

14. All levels in the organisation shall have access to relevant and updated risk information.

Testing

15. The Group's risk management processes shall be subject to regular controls and testing.

RISK APPETITE

The risk appetite framework represents an operationalisation of the group policy and guidelines for risk management and shall ensure that risk management is integrated in the Group's other governance processes. The risk appetite concept has become best practice in the financial services industry, better enabling financial institutions to make risk an integral part of their strategy and planning processes and thus react more swiftly to changing surroundings.

The risk appetite framework has been used by the Group since 1 January 2013 and has functioned well. The risk appetite status is part of the monthly reporting to the group management team. In 2014, the risk appetite framework was incorporated in the Group's governance system, as risk limits backing the risk appetite framework have become part of managers' dashboards.

As part of the risk appetite framework, a 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. 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 TYPES AND CORRESPONDING METRICS IN THE RISK APPETITE FRAMEWORK

Risk type	Metric	Measurement
Profitability and earnings	Group earnings at risk	Probability of not reaching the minimum capital target in 2016
	Risk-adjusted profit	Risk-adjusted profit
Capital adequacy	Commen equity Tier 1	Common equity Tier 1
	Solvency capital ratio	Current level of Solvency II position with transitional rules
	Rating ambition	DNB Bank ASA credit rating
Market risk	Market risk	Market risk in per cent of total risk-adjusted capital
Credit risk	Balanced portfolio	Industry concentration
		Single customer concentration
	Credit quality	Expected loss in per cent of Group EAD
	Credit growth	Annual EAD growth
Liquidity risk	Liquidity coverage ratio	LCR in accordance with step-up plan
	Net stable funding ratio	NSFR in accordance with step-up plan
	Deposits-to-loans	Deposits to loans adjusted for volatile deposits
Operational risk	Operational risk	Net operational losses
	IT risk	Number of critical IT events
Reputation risk	Reputation risk	RepTrak measure undertaken by Reputation Institute

In addition to the measurement methods shown in the table, the owners of the respective risk appetite statements are responsible for making qualitative assessments of whether the measurement adequately reflects risk developments and whether the risk level is within acceptable limits.

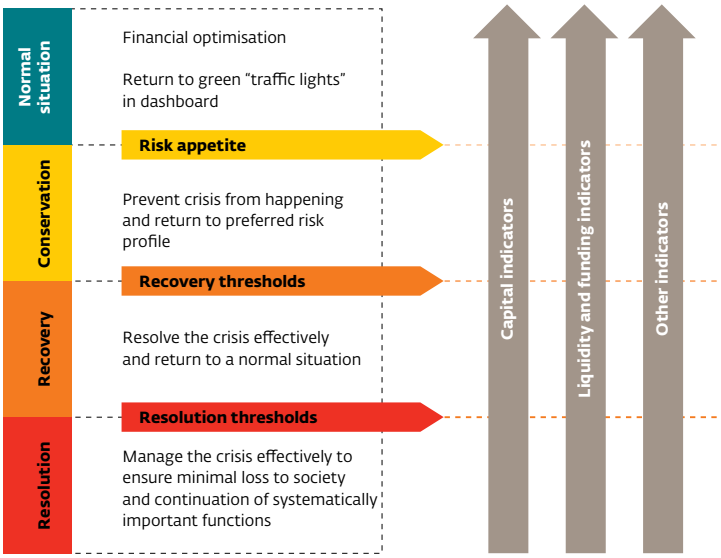
The risk appetite framework is operationalised in the business areas and support units by establishing risk indicators and related targets in the governance system. The use of risk indicators tailored to the various units in the Group will help ensure that risk remains within the desired level. Risk indicators are in the form of either limits for quantifiable risk or qualitative assessments of the risk level. They do not need 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.

The yellow traffic light triggers a formal process, with clearly defined responsibilities at management level. A discussion at group management level must take place, and an explicit decision made as to whether or not the situation needs to be rectified. This lies within management's authority. A red light triggers a similar process, but with an escalation to the Board of Directors. A statement which has red status is to be reported to the Board of Directors in the first subsequent meeting, with a requirement to formulate an action plan to either bring the statement out of the 'red' zone or to accept a deviation.

RESOLUTION AND RECOVERY PLAN

For the risk appetite framework to function as an 'early warning system', focused management discussions at the right point in time are essential. DNB has put in place a hierarchy of contingency indicators and measures as illustrated in the chart below.

CONNECTION BETWEEN RISK APPETITE, THE GROUP'S CONTINGENCY PLANNING AND THE 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 recovery plan is updated each year. DNB has delivered a Living Will to the US authorities concerning its operations in the US.

The recovery 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 integrated 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

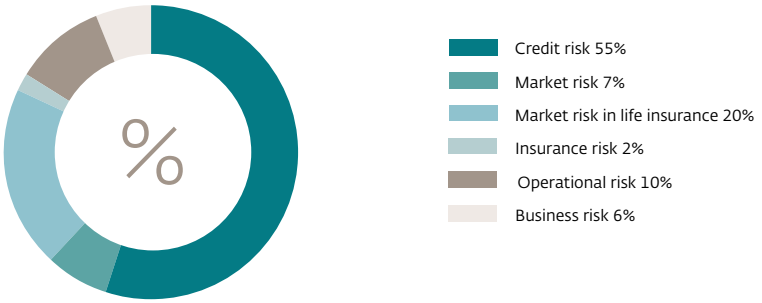
RISK-ADJUSTED CAPITAL

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.

GROSS RISK-ADJUSTED CAPITAL BY RISK CATEGORY, DECEMBER 2014



CAPITAL ALLOCATION AND RETURN ON CAPITAL

The allocation of capital to the various business units is a key element in DNB's governance model and an operationalisation of the principle that the Group's capital requirement, represented by the common equity Tier 1 capital requirement, shall be allocated in full to all business areas. Operational decisions shall be based on an assessment of risk-adjusted profitability, and the allocation of capital shall provide the basis for pricing, strategic decisions and the allocation of resources.

In the pricing and governance systems, the allocation of capital must ensure that an adequate long-term return on capital is achieved. The allocation principles are adapted to the various risk types

- Capital for credit risk is allocated based on the Group's internal calculation of risk-adjusted capital for credit, multiplied by a factor to reflect that external requirements are higher.
- Capital for market risk in DNB Markets is based on the reported risk-weighted assets multiplied by the Group's common equity Tier 1 capital target.
- Capital for operational risk is calculated as a factor of income. The same factor is used for all units, reflecting the Group's capital target.

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, Return On Risk-Adjusted Capital 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, Risk-Adjusted Return On Risk-Adjusted Capital 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.

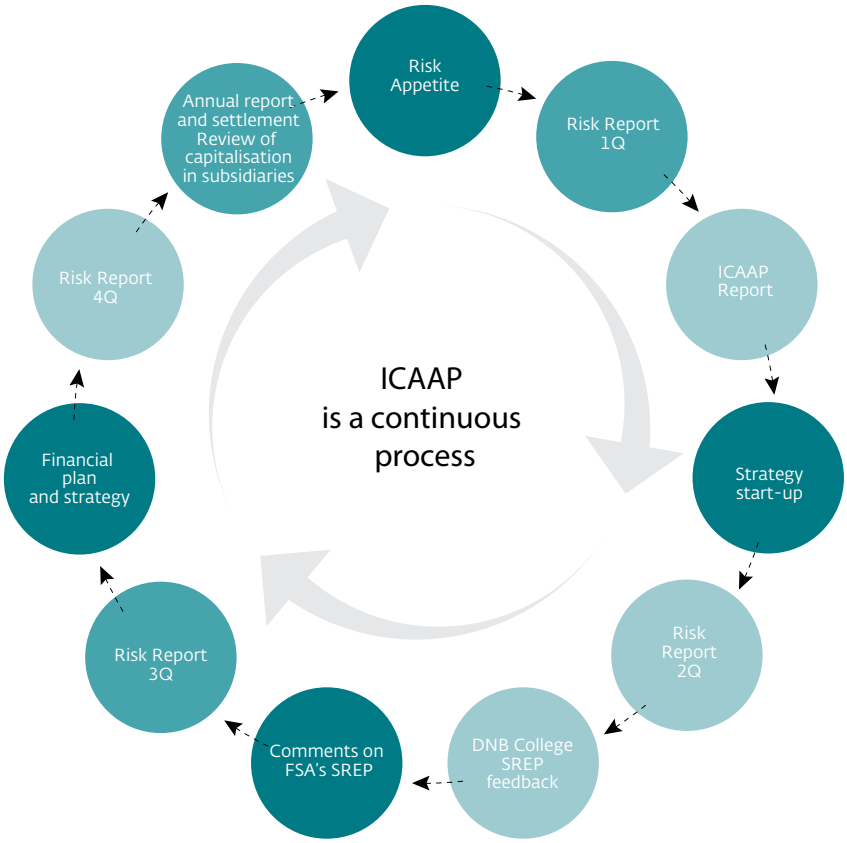
RORAC and RARORAC are used in parallel to measure a unit's return. By normalising profits for fluctuations in loan losses, RARORAC gives a better indication of the level of returns in a longer-term perspective, while RORAC shows the realised return at the moment and expected returns in the near future.

5

CAPITAL MANAGEMENT AND ICAAP

5 CAPITAL MANAGEMENT AND ICAAP

Financial institutions are required to complete an Internal Capital Adequacy Assessment Process, ICAAP. Capital requirement assessments should be forward-looking and take account of business plans, growth, access to capital markets and economic developments. In DNB, risk and capital requirements are assessed on an ongoing basis during the year, and these assessments form an important and logical part of the Group's strategy process and financial planning processes. Key elements in the overall ICAAP are an annual update of the Group's risk appetite and updates on strategy, the three-year financial plan and financial target figures. Each quarter, all risk aspects in the Group are measured and assessed, and the Group's capitalisation is reviewed in light of risk developments. This is described in the Group's risk report. The Risk Management Committee and the Boards of Directors of DNB ASA and DNB Bank ASA receive the report parallel to the Group's quarterly reports, which enables the Boards to view the Group's financial performance relative to developments in the risk situation. The diagram below shows ICAAP activities throughout the year.



The Group's ICAAP is documented annually through a separate ICAAP report, which is sent to Finanstilsynet. The content of the report is reviewed each year, taking the feedback from Finanstilsynet into account. Subsidiaries carry out an annual capital adequacy assessment process at least once a year in connection with the preparation of the annual accounts and the Group's ICAAP report. The Group's key subsidiaries prepare their own ICAAP documentation, which is included in the Group's ICAAP report. An international supervisory college has been established for DNB under the auspices of Finanstilsynet.

ASSESSMENT OF RISK PROFILE, CAPITAL REQUIREMENTS AND REGULATORY CAPITAL LEVELS

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. For banks, the capital adequacy regulations will specify requirements to their financial strength. The capital adequacy regulations specify a minimum primary capital requirement based on risk-weighted assets, which includes credit risk, market risk and operational risk. In addition to meeting the minimum requirement, the Group must satisfy various buffer requirements.

The difference between buffer requirements and minimum requirements lies in the consequences of non-compliance. Non-compliance with buffer requirements will result in restrictions on dividend payments and measures to strengthen capitalisation, while non-compliance with minimum requirements could result in the bank being restructured or wound up. Finanstilsynet will consider whether there are risk aspects in the individual institution that are not adequately covered through the risk-weighted assets underlying the minimum requirements and the general capital requirements. This is referred to as the Pillar 2 requirements. Each year, Finanstilsynet prepares a total risk assessment for the Group and provides feedback on the capitalisation of the Group.

The Norwegian authorities have not yet clarified how the Pillar 2 requirements should be ranked relative to the minimum requirements and the buffer requirements. Finanstilsynet will consider this matter by end-June 2015.

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

The 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 is based on methods and data which entail uncertainty. Risk is quantified by estimating risk-adjusted capital and the regulatory risk-adjusted assets used in capital adequacy calculations. In addition, various stress tests will be important references. The liquidity and funding situation should be reviewed relative to the Group's capitalisation. The self-assessment is reported to Finanstilsynet and forms the basis for Finanstilsynet's assessment of the Group's risk and capitalisation.

The main conclusions in Finanstilsynet's review of the 2013 ICAAP was that, based on the prevailing risk level and external factors, DNB's sub-groups and subsidiaries were adequately capitalised as at 31 December 2013 in accordance with prevailing regulations. In light of future regulatory requirements, Finanstilsynet recommends that DNB increases its common equity Tier 1 capital target.

On its Capital Markets Day in November 2014, DNB raised its common equity Tier 1 capital ratio target to minimum 14 per cent and the Group's capital adequacy ratio target to minimum 17.5 per cent by year-end 2016. The capitalisation targets are based on the Group's prevailing risk-weighted assets.

MORE ABOUT INTERNAL ASSESSMENTS AND REGULATORY REQUIREMENTS

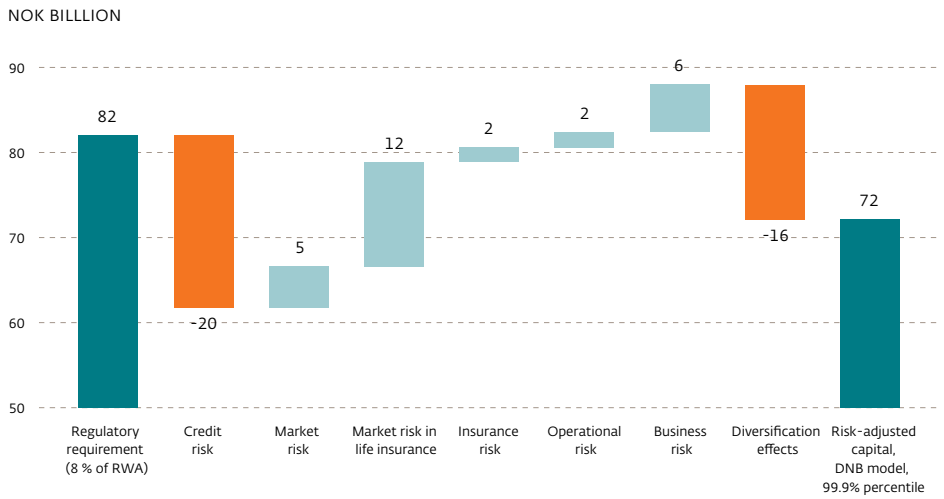
The key element in assessments of financial strength and capitalisation is to compare risk with available loss-absorbing capital. In this connection, risk must be quantified. According to the regulatory framework, quantification takes place by calculating risk-weighted assets. DNB's internal risk measure is risk-ajdusted capital.

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 2014 and per risk category. To ensure comparable figures, the same confidence level, the 99.9 per cent percentile, is used. A corresponding measure of unexpected losses in the regulatory framework is 8 per cent of risk-weighted assets. Below the table, there is a description of the main differences in risk measurement between the internal total risk model and the capital adequacy regulations. DNB quantifies insurance and business risk in addition to the risks for which capital requirements are calculated. The internal calculation of the Group's total risk, after diversification effects, was lower than the regulatory minimum requirement at year-end 2014. The difference mainly reflects credit risk measurements.

COMPARISON OF CAPITAL REQUIREMENTS AND INTERNAL MODELS, DECEMBER 2014

NOK million	DNB model, 99.97% percentile (risk adjusted capital)	DNB model, 99.9% percentile	Regulatory requirement (8 % of RWA)
Credit risk	58 819	46 352	66 615
Market risk	7 522	6 916	2 029
Market risk in life insurance	21 293	19 095	6 828
Insurance risk	2 022	1 685	-
Operational risk	10 658	8 344	6 514
Business risk	6 842	5 569	-
Total capital requirement/RAC	107 156	87 961	81 986
Diversification effects	-18 004	-15 819	
Total capital/ RAC after diversification	89 152	72 142	81 986
Transition rule			7 666
Capital requirement with transiton rule		72 142	89 653

COMPARISON OF CAPITAL REQUIREMENTS AND INTERNAL MODELS



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 25 per cent of the Group's credit exposure are measured based on the standardised approach, which in general gives higher risk weights. In calculations of risk-adjusted capital, 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. The risk-adjusted 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.

Most banks are exposed to some risks that are not covered by risk-weighted assets and related regulatory capital requirements. This will typically be interest rate risk in the banking portfolio, excluding trading operations, concentration risk in the loan portfolio and pension risk. If these risks are significant, it will be logical to consider an additional capital requirement.

DNB quantifies several of these risks when calculating risk-adjusted capital. This applies to concentration risk in the loan portfolio, interest rate risk in the banking portfolio and pension risk. With respect to concentration risk, DNB considers the Group's total portfolio to be well diversified. Thus, sector concentrations need not result in additional capital requirements. Additional capital required due to large individual exposures is estimated at NOK 347 million. Interest rate risk in the banking portfolio is included in the Group's total interest rate risk limits. This means that the bank's ordinary funding and lending operations entail limited interest rate risk. Pension risk was estimated at NOK 1.8 billion in terms of risk-adjusted capital at year-end 2014.

DNB has a not insignificant profit risk related to basis swaps. This is due to the fact that derivative contracts that are used to convert funding in foreign currency to lending in Norwegian kroner are measured at fair value on an ongoing basis. In practice, the contracts are held till maturity, whereby fluctuations in value are neutralised over the term of the contract. The basis swaps entered into by DNB will in most cases generate a profit in times of market volatility. In DNB's opinion, the basis swap risk should not result in any additional need for capital.

SYSTEMIC RISK

In accordance with Norwegian regulations, banks' ICAAP should include an assessment of systemic risk. In the EU's capital adequacy regulation, systemic risk is defined as the risk of disruptions to the financial system with potential serious consequences for the financial system and the real economy. The drivers of systemic risk will also often be risk factors which must also be taken into consideration in the ordinary credit risk measurement, such as developments in housing prices. In order to assess whether the systemic risk entails an increase in capital requirements, other measures that have been implemented to cover such risk must be reviewed.

Systemic risk will always exist. In a capital adequacy assessment within the framework of international regulations, a reference must be established to measure the relative risk level. DNB believes that the normal systemic risk level in the EEA will be a natural point of reference and not give rise to additional capital requirements. A high household debt-to-income ratio, high housing prices and the Norwegian economy's dependence on oil prices give a higher systemic risk in Norway. However, this is counteracted by other characteristic features of the Norwegian economy, such as a separate currency, an independent monetary policy, great fiscal flexibility and a strong social security network. Higher risk weights for retail mortgages have been introduced to address risk in the housing market, along with guidelines for prudent lending practices for retail mortgages. In addition, a 1 per cent counter-cyclical buffer requirement has been introduced. The Norwegian financial sector is relatively small compared with most other comparable European countries. DNB thus considers the level of systemic risk in Norway to be relatively low.

STRESS TESTING

The DNB Group uses stress testing as part of the Group's risk and capital adequacy assessment process, ICAAP. In addition, stress tests are used in the capital planning process in order to determine how changes in the macro-environment will affect the need for capital. The scope of the changes will depend on both the quality of the portfolio and the specification of the macroeconomic scenario.

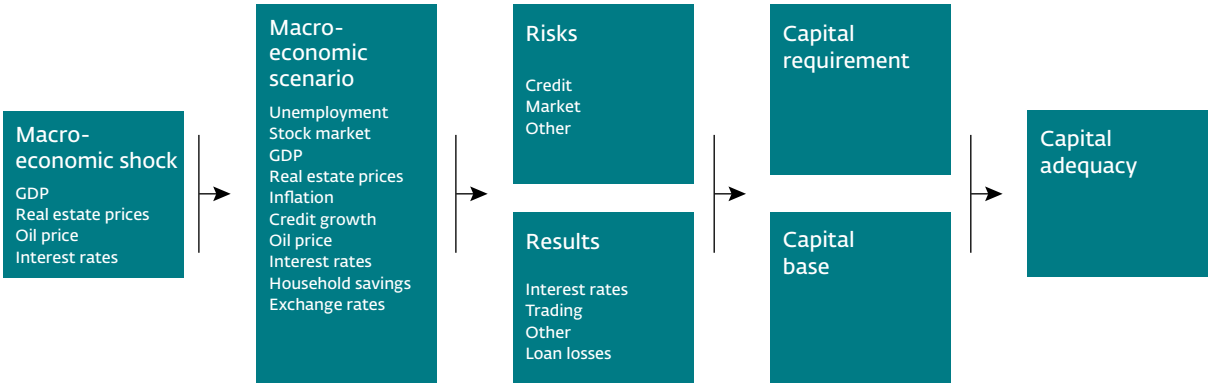
The Board of Directors and group management considers the ICAAP report and determine limits and the strategy for liquidity management. The group management team is involved

in developing stress tests and considers actions and strategies based on the results, primarily through ALCO (Asset & Liability Management Committee) and the Group Advisory Credit Committee.

The ICAAP stress test uses the total risk model to estimate losses – apart from interest rate effects. The probability that the macroeconomic scenario will materialise is indicated, for example once every fifty years. Thereafter, losses for the worst year during the scenario is derived from the total risk model on the relevant percentile. The relative loss levels for the other years are estimated by using macroeconomic models at portfolio level.

A stress test scenario is worked out every year. The scenario is reviewed by the Asset & Liability Committee (ALCO) and approved by the CRO. The scenario consists of a set of macroeconomic variables that are projected for the next three years. These variables are thereafter translated into model-specific variables in order to conduct stress tests on the different credit portfolios. On the basis of the results from the stress testing of the credit models, the capital requirement for the banking group is calculated under this specific scenario. More detailed information about stress testing of the credit portfolio can be found in the paragraph on stress testing in chapter 7 Credit risk.

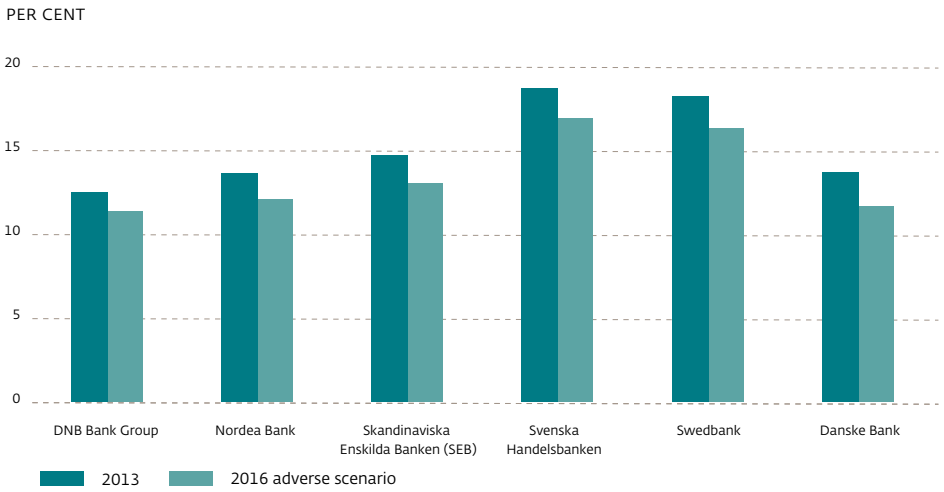
IMPLEMENTATION OF STRESS TESTS IN DNB



The diagram illustrates the process for implementing stress tests in DNB. A qualitative description of the scenario to be used is worked out. Based on this, a shock or developments in selected macroeconomic variables are determined. Thereafter, macroeconomic models are used to design a complete and consistent macroeconomic scenario

In 2014, the bank took part in the EAB's EU-wide stress test, which assesses the resilience of European banks' to serious shocks and losses, such as loan losses, market risk and reductions in net interest income and the resulting effects on the banks' common equity Tier 1 capital. The stress test was implemented on a static balance sheet as at 31 December 2013 and over a three-year period (2014-2016). Total profits for the 2014-2016 period will be reduced from NOK 59 billion to NOK 11.5 billion. As a result of the Norwegian interpretation of the transitional rules, that defines a floor for risk-weighted assets, capital requirements are virtually unchanged, and the capital adequacy ratio for 2016 will thus be in line with the figures at year-end 2013.

CET 1 RATIO, COMPARISON BETWEEN NORDIC PEERS, EBA STRESS TEST



The diagram above shows the CET 1 ratio results from the stress test. In order to get comparable figures, the Basel I floor has been removed for DNB in 2013. Including the floor, the initial ratio would have been 11.3. As shown in the diagram, the results for all the Nordic banks are relatively similar in terms of changes in the CET 1 ratio. As the banks' portfolios have a relatively high degree of comparability, this was anticipated and how it should be. Other results from the test can be found in the attachment.

6

LIQUIDITY RISK AND ASSET AND LIABILITY MANAGEMENT

6 LIQUIDITY RISK AND ASSET AND LIABILITY MANAGEMENT

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 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, though 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.

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 development trends. 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. 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.

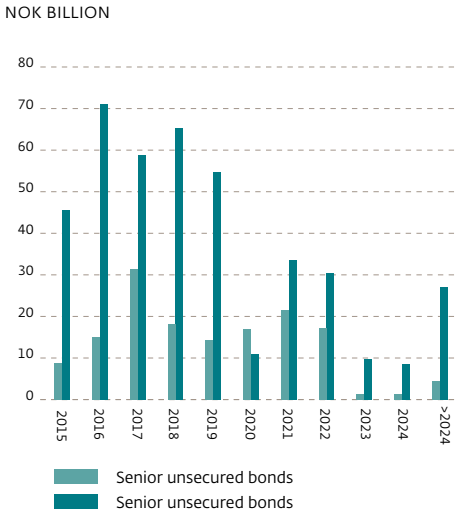
DEVELOPMENTS IN LIQUIDITY RISK IN 2014

DNB enjoyed a healthy liquidity position throughout 2014. The short-term funding markets continued to normalise during the year, and there are now lower price differences between the best and second best banks. DNB has had ample access to funding in these markets. In the long-term funding markets, there was a strong supply of capital throughout 2014, parallel to a marked improvement in prices. In September, the European Central Bank, ECB, presented a new measure to stimulate European economic activity in the form of a programme to purchase corporate and covered bonds. This contributed to a further reduction in costs relating to new covered bond issues.

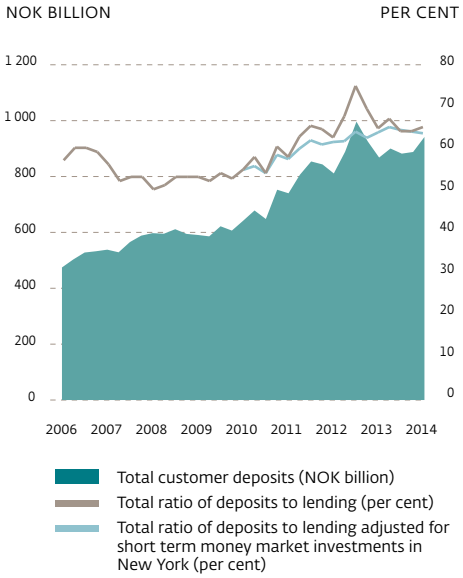
Long-term funding raised by DNB totalled NOK 66 billion in 2014, of which NOK 51 billion represented covered bonds, while NOK 15 billion represented ordinary senior bonds. DNB aims to maintain a stable maturity profile for senior bonds over the next five years.

Average loans increased by NOK 51 billion, while average deposits rose by NOK 100 billion compared with 2013. This contributed to an increase in the ratio of deposits to net loans from 64.7 per cent at end-December 2013 to 65.4 per cent at year-end 2014. The diagrams show the maturity profile at year-end 2014 and developments in the ratio of deposits to net loans.

LONG-TERM FUNDING, MATURITY PROFILE



CUSTOMER DEPOSITS AND DEPOSITS TO LOANS



The short-term liquidity risk requirement, Liquidity Coverage Ratio (LCR), was stable at more than 100 per cent in 2014. At year-end 2014, the total LCR was 135 per cent, with 130 and 190 per cent, respectively, for the euro and the USD, based on the CRD IV/CRR definition.

At year-end 2014, the long-term liquidity risk requirement, the Net Stable Funding Ratio (NSFR), was 97.6 per cent. In the course of 2015, the EBA will submit its NSFR proposal to the European Commission, which in turn will consider final regulations for European banks by year-end 2016.

LIQUIDITY RISK MANAGEMENT AND MEASUREMENT

The bank's liquidity management is organised based on a clear authorisation and reporting structure and is in accordance with the regulations on prudent liquidity management. 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 limit structure for liquidity risk is in compliance with the structure in the Basel III framework. The limits for LCR and NSFR are also part of the Group's risk appetite framework, along with the ratio of deposits to net loans. See chapter about risk management and control in DNB for more details about the risk appetite framework.

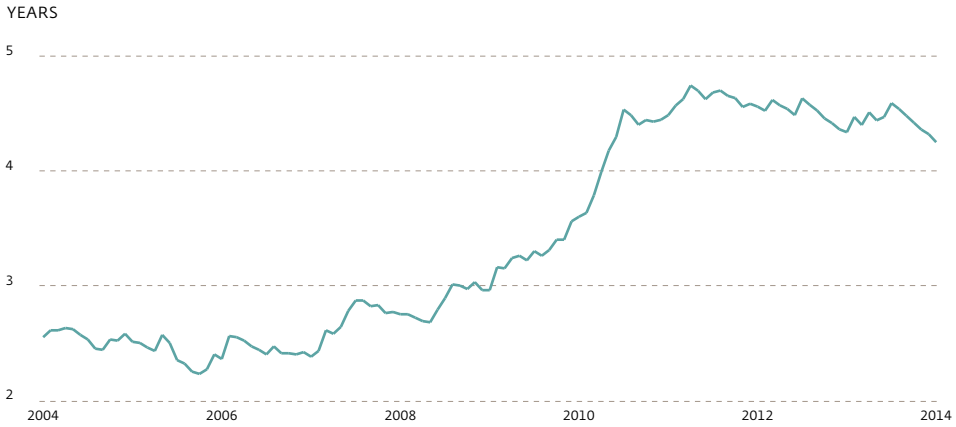
Principles and limits for liquidity management are proposed by the Group Treasury and approved by Group Risk Management before being presented to the decision-making bodies. The Group Treasury is responsible for making sure that the Group at all times observes the liquidity limits set by the Board of Directors. The unit is also responsible for managing the bank's liquidity portfolio.

Overall liquidity management in the banking group implies that DNB Bank ASA is responsible for funding domestic subsidiaries and international branches. Liquidity risk is managed through both short and long-limits. The limits reduce the bank's dependence on short-term funding from the domestic and international money and capital markets. The short-term limits restrict the net refinancing requirement within one week, one month and three months. The long-term limits set requirements for the share of lending and other illiquid assets, which are to be financed by stable sources such as customer deposits or funding with a residual maturity of minimum 12 months.

Liquidity management 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, senior programmes have been established in US dollars and Japanese yen. Debt programmes have also been established in the covered bonds market in Europe, the US and in Australia. DNB has a well-established short-term commercial paper programme in the US, through a USD 18 billion USCP programme with maturities of up to 13 months. US short term funding sources are further diversified through a so-called Yankee CD programme, totalling USD 12 billion, with maturities of up to 18 months. The certificates of deposits are issued by the DNB branch in New York, which also operates the programme. This has helped ensure stable short-term funding in the US market during periods of turbulence in other markets. In Europe, the bank has a multi-currency ECP programme of EUR 15 billion with maturities of up to 12 months which is operated by a central unit and provides funding from other market players than in the US programmes. Overall, these programmes give DNB good access to short-term funding and a high level of flexibility to meet investors' interests and the bank's liquidity requirements.

Covered bonds are an important instrument for long-term funding. The bonds are issued by the bank's subsidiaries DNB Boligkreditt AS and DNB Næringskreditt AS, and are secured by the companies' retail mortgage and commercial mortgage portfolios, respectively. During periods of turmoil, covered bonds have proved to be a more robust and considerably lower priced funding instrument than ordinary senior 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.

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



Stress testing of liquidity risk

The bank regularly reviews the assumptions, on which its liquidity management is based, including whether assets classified as liquid can be realised or mortgaged in accordance with the underlying premises and the extent to which assumptions of stable funding will be realistic during a bank-specific crisis or market collapse.

In addition to the actual liquidity risk limits, liquidity risk is managed and measured using various measurement techniques. The techniques include monitoring refinancing needs, balance sheet key ratios, average residual maturity and future funding requirements. DNB also uses stress testing, simulating the liquidity effect of a downgrading of the bank's international credit rating following one or more negative events. Stress tests are worked out for a systemic crisis, a bank-specific crisis, and a combination of the two. In addition, a fourth stress test based on the LCR is implemented. The stress tests are prepared each quarter, and the results are reported to the bank's Board of Directors and ALCO. The stress tests are an integral part of liquidity risk management and the results of such stress testing are included in the banking group's contingency plan for liquidity management during a financial crisis. Stress tests of counterparty risk in the event of falling housing prices and depreciating exchange rates are carried out every six months and reported to ALCO. The stress tests quantify the bank's potential liquidity exposure in connection with a steep fall in housing prices combined with significant changes in the value of derivate contracts between DNB Boligkreditt and the parent bank.

LIQUID ASSETS

At year-end 2014, deposits with central banks and amounts due from other banks represented NOK 59 billion and NOK 356 billion, respectively. NOK 334 billion of the total amounts due from other banks represented investments with securities as collateral, so-called repos.

As an element in ongoing liquidity management, DNB Bank needs to have a holding of securities that can be used to regulate the Group's liquidity requirements and serve as collateral for operations in the currencies in which the bank is active. The securities are used, among other things, as collateral for short-term loans in central banks and serve as liquidity buffers to fulfil regulatory liquidity requirements.

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.

At year-end 2014, the liquidity portfolio totalled NOK 180 billion, of which 69 per cent represented international assets.

Norwegian portfolio

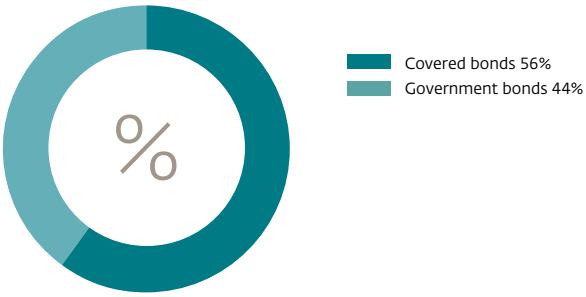
The Norwegian liquidity portfolio totalled NOK 56 billion at year-end 2014, of which NOK 17 billion represented Norwegian Treasury bills and other level 1 assets NOK 15 billion, while the remainder represented covered bonds.

International portfolio

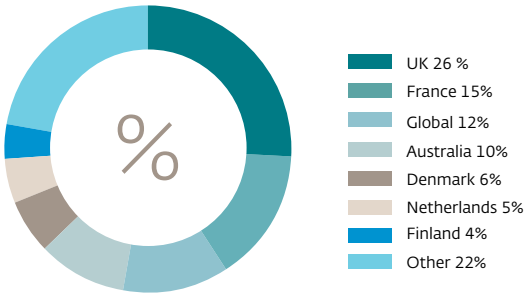
The international liquidity portfolio totalled NOK 125 billion at year-end 2014, comprising a trading portfolio and a multi-currency bond portfolio held to maturity (HTM).

The trading portfolio totalled NOK 93 billion. 74 per cent of the securities in this portfolio had an AAA rating. The structure of the portfolio and its geographical distribution are shown below. The average maturity of the trading portfolio was 2.8 years, and the change in value resulting from a one percentage point change in spreads was NOK 24.6 million at end-December 2014.

INTERNATIONAL TRADING PORTFOLIO, DECEMBER 2014

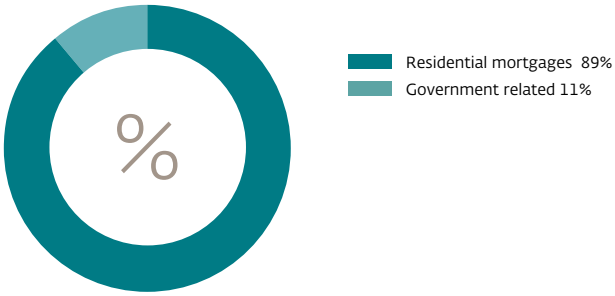


INTERNATIONAL TRADING PORTFOLIO BY COUNTRY, DECEMBER 2014

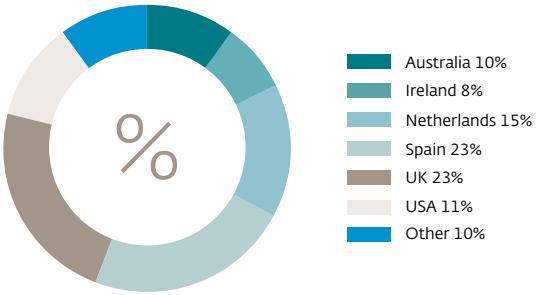


As at 31 December 2014, the hold-to-maturity portfolio totalled NOK 32 billion. 55 per cent of the securities in the portfolio had an AAA rating, while 9 per cent were rated AA. The bank's securitisation positions are placed in this portfolio, and no new investments are included in the portfolio. There are no synthetic securities in the portfolio and no investments in US sub-prime bonds or Collateralised Debt Obligations, CDOs. The average maturity of the hold-to-maturity portfolio is 3.6 years, and the change in value resulting from an interest rate adjustment of one basis point was NOK 11.7 million at year-end 2014. The structure of the portfolio is shown below.

INTERNATIONAL HTM PORTFOLIO, DECEMBER 2014



INTERNATIONAL HTM PORTFOLIO BY COUNTRY, DECEMBER 2014



CAPITAL REQUIREMENTS

In capital adequacy calculations, the international hold-to-maturity portfolio is reported as an investment in securitisation, calculated 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.

INTERNATIONAL BOND PORTFOLIO HELD TO MATURITY PER GRADE

NOK million	EAD	RWA	EAD	RWA
Rating	31 Dec. 2014	31 Dec. 2014	31 Dec. 2013	31 Dec. 2013
AAA	17 380	1 237	42 494	2 615
AA	2 740	223	8 272	238
A+	2 466	251	1 872	397
A	2 920	356	107	11
A-	803	163	876	111
BBB+	776	276	2 375	881
BBB	1 484	906	1 254	798
BBB-	1 079	1 097	2 990	3 170
BB+	537	1 364	849	2 250
BB	253	1 093	425	1 915
BB-	386	2 549	410	2 822
Below BB-	1 104	13 232	1 163	14 541
Total	31 927	22 747	63 087	29 749

DNB Bank ASA has a 40 per cent ownership interest in Eksportfinans. 40 per cent of the company's risk-weighted volume of NOK 24.7 billion 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 in terms of RWA was NOK 827 million in 2014, compared with NOK 550 million in 2013.

Capital requirements for the trading portfolio are reported under market risk. Risk-weighted assets for the international portfolio were NOK 4.2 billion at year-end 2014. Average risk-weight was 4.5 per cent. Risk-weighted assets for the Norwegian portfolio were NOK 4.75 billion at year-end 2014. Average risk-weight was 36 per cent.

A survey of restricted and unrestricted assets can be found in the attachment.

7

CREDIT RISK

7 CREDIT RISK

GENERAL INFORMATION ABOUT CREDIT 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, primarily loans, but also liabilities in the form of other extended credits, guarantees, interest-bearing securities, approved, undrawn credits and interbank deposits, as well as counterparty risk arising through derivative trading. In addition, there are significant elements of counterparty risk in the settlement risk which arises in connection with payment transfers and settlement of contracts entered into.

Credit risk also includes concentration risk, including risk associated with large exposures to a customer and with clusters of commitments in geographical areas or industries or with homogeneous customer groups. Residual risk is the risk that the collateral provided for a commitment is less effective than expected.

The Group's guidelines for credit activity have been approved by the Board of Directors. The principal objective for credit activity is that the loan portfolio should have a quality and a composition which secure the Group's profitability in the short and long term. The quality of the credit portfolio should be consistent with DNB's low risk profile target.

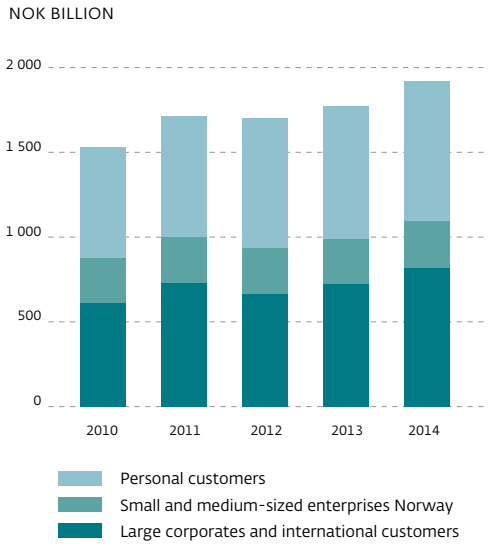
In describing credit risk several risk terms are used, the most important being:

- Probability of default, PD, is used to measure quality. Customers are classified according to risk 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.

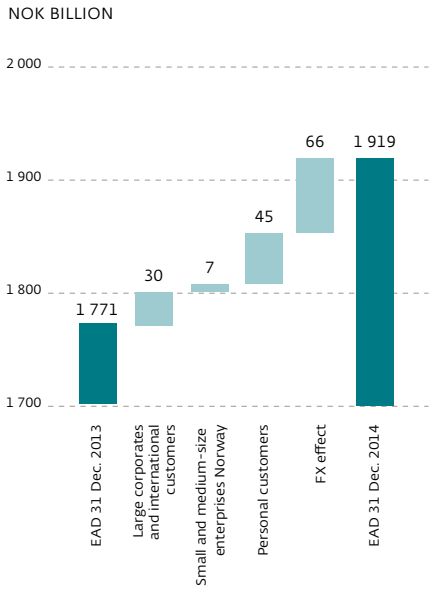
DEVELOPMENTS IN CREDIT RISK IN 2014

There was stable, sound quality in the credit portfolios in most areas. In terms of EAD, credit volumes increased by just over 8 per cent during the year, half of which can be ascribed to the depreciation of the Norwegian krone. The portfolio is exclusive of bonds held to maturity and banks. The diagrams show developments in the portfolios in terms of EAD, and changes in EAD in 2014 have been broken down into customer segments and exchange rate effects.

DEVELOPMENT IN TOTAL CREDIT PORTFOLIO, EAD



CHANGE IN TOTAL CREDIT PORTFOLIO, EAD



In terms of EAD, there has been a 25 per cent increase in the credit portfolio over the past four years. Compared with 2013, the most pronounced increase took place in the business areas Large Corporates and International and Personal Banking Norway. For Large Corporates and International, there was an increase of NOK 93 billion, though 65 per cent of this was due to exchange rate movements .

EXPOSURE TO KEY INDUSTRIES

DNB especially focuses on industries that are important to Norway, and has accompanied companies abroad when they expand to international markets. Key industries are shipping, energy (oil and gas, electric power and renewable resources) and commercial property. In addition, DNB has a large retail mortgage portfolio, which represents 37 per cent of DNB's total credit portfolio (EAD).

In the text below, reference is made to four risk categories which are defined as follows:

- Low risk: PD 0.01 – 0.75 per cent
- Moderate risk: PD 0.75 – 3 per cent
- High risk: PD over 3 per cent
- Doubtful and non-performing loans: In accordance with IRB definitions

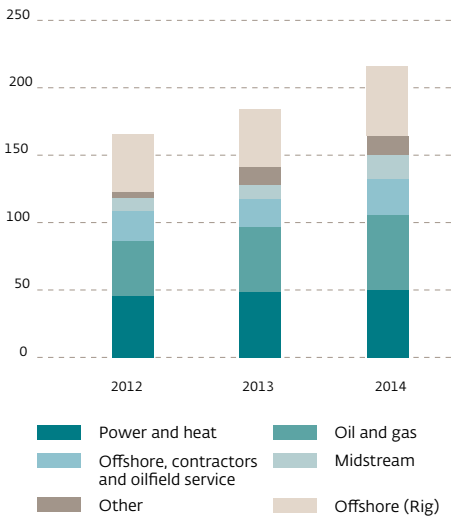
Energy

DNB has been a bank for the oil-related industry ever since oil was discovered on the Norwegian Continental Shelf more than 40 years ago. The Group's strategy and exposure are based on experience gained throughout this period. The aim is to have a low-risk portfolio and to be exposed to sound, investment grade companies with strong cash flows in various market segments. The portfolio is well-diversified with respect to both segments and geography. In addition, earnings have been robust and impairment losses low over the past two decades, in spite of highly volatile prices.

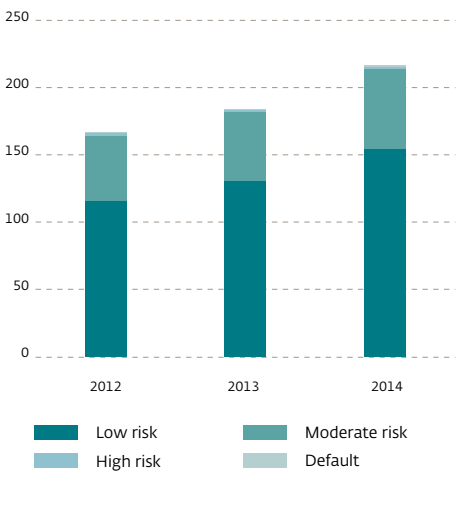
Oil prices could remain relatively low due to high production, an unwillingness to implement coordinated production cuts and a modest increase in demand. Oil companies' reduced investment capabilities and a greater focus on costs will put the entire supplier industry under pressure. That part of the credit portfolio that is directly exposed to oil price fluctuations totalled NOK 153 billion at year-end 2014. In terms of EAD, this represents 8 per cent of the total credit portfolio.

Power prices are low in the Nordic market, which 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.

DEVELOPMENT IN ENERGY PORTFOLIO, EAD



DEVELOPMENT IN CREDIT QUALITY ENERGY PORTFOLIO, EAD



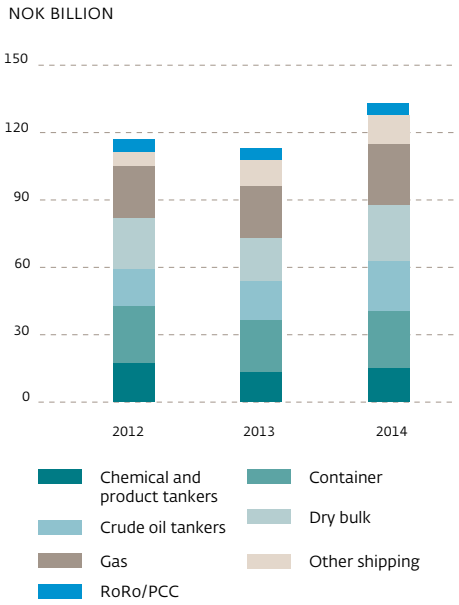
The energy portfolio has expanded by around 30 per cent over the past few years, with the most pronounced increases in the offshore and oil and gas segments. Exposure in the low-risk segment has increased the most. There has been a low and stable share of high-risk credits, including non-performing and doubtful loans, during this period.

Shipping

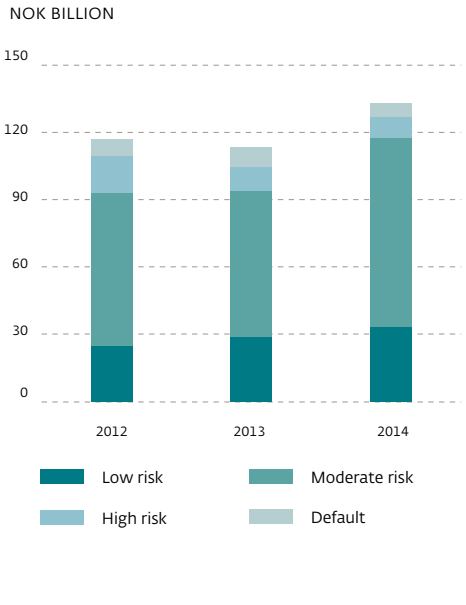
In terms of volume, DNB is one of the world's largest ship financing banks. The shipping and offshore industries are cyclical and highly capital-intensive. Thus, it is particularly important to analyse customers' strategy, corporate social responsibility, operations and financial position. The portfolio is well-diversified. In spite of the financial crisis and the challenges facing the shipping markets over the past few years, DNB's losses have been low.

At year-end 2014, the situation remained challenging in some shipping segments, which, however, showed divergent trends through the year. While there was a generally positive trend in the tanker segment, the dry bulk and container segments were sluggish, and this is expected to prevail in 2015. The quality of DNB's shipping portfolio improved during 2014.

DEVELOPMENT IN SHIPPING PORTFOLIO, EAD



DEVELOPMENT IN CREDIT QUALITY SHIPPING PORTFOLIO, EAD



The share of non-performing and doubtful loans was reduced during 2014, from 13 to 8 per cent, and efforts are being made to further reduce this share. At year-end 2014, almost 90 per cent of the portfolio was classified as low and moderate risk.

Commercial real estate portfolio (CRE)

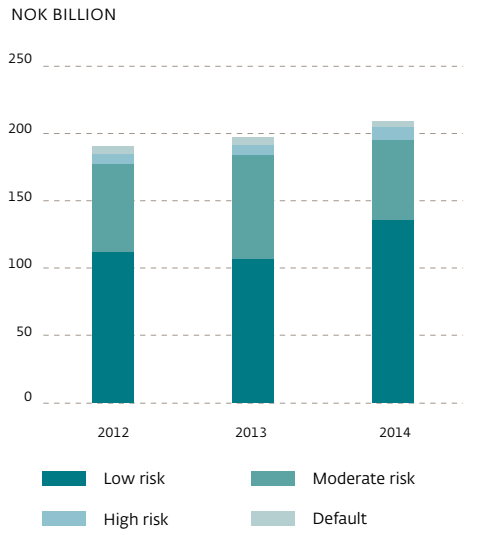
Commercial real estate accounts for roughly 11 per cent of DNB's total credit portfolio (EAD). Approximately 50 per cent of the portfolio represents leasing of offices and warehouses/logistics facilities. Priority is given to Norwegian customers with an industrial focus. DNB's commercial property exposure in Sweden, Denmark and Finland is being downscaled. This industry is followed closely by a large number of specialists and through a local presence. Most customers with exposures of more than NOK 500 million and customers with complex corporate structures, are assessed by a central unit.

DNB is committed to financing good projects and properties with stable and predictable cash flows that are owned by companies with a sound debt servicing capacity. Emphasis is placed on assessing the liquidity of the property, the term of the leases, the lessees and residual value. The bank is willing to finance construction projects if a sufficient proportion of the area is pre-sold or pre-let.

There was a rise in the number of vacant office buildings in 2014. In the area in and around Oslo, the vacancy rate was approximately 9 per cent at the end of the year, up 1 percentage point since end-December 2013, reflecting the brisk construction activity over the past few years. Due to the tougher competitive climate, lessors are willing to reduce prices to retain their lessees. The quality of DNB's Norwegian commercial property portfolio is sound, though the financing of commercial property entails increasing risk.

DEVELOPMENT IN CRE PORTFOLIO, EAD

DEVELOPMENT IN CREDIT QUALITY CRE PORTFOLIO, EAD



In terms of EAD, the commercial property portfolio has increased marginally over the past few years, but represents a lower share of the total credit portfolio (reduced from 11.4 per cent at year-end 2012 to 10.9 per cent at year-end 2014). At end-December 2014, more than 90 per cent of the portfolio was classified as low and moderate risk.

Retail mortgage portfolio

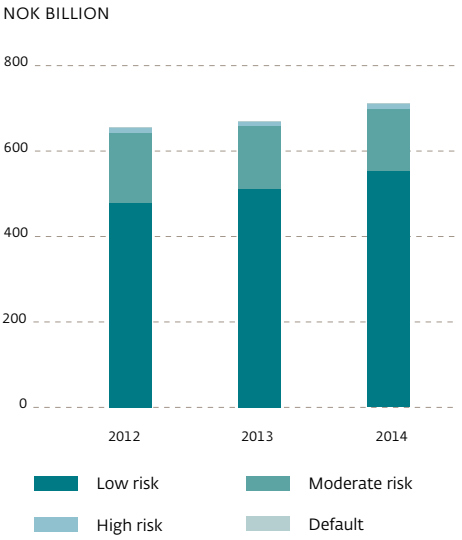
DNB's retail mortgage portfolio mainly represents retail mortgages in Norway. DNB has a market share of approximately 30 per cent, though there has been a slight downward trend over the past few years. Close to 80 per cent of Norwegian households own their own home, which is among the highest percentages in Europe. Retail mortgages are therefore a very important product for the banks, not least because customers tend to use their mortgage provider as their primary bank. By offering real estate broking, non-life insurance and financing, the bank aspires to make the process of buying or selling residential property safe and straightforward.

Credit assessments are based on the customer's debt servicing capacity and assumed willingness to service the loan, and on the collateral securing the loan. All important information from customers verifying their debt servicing capacity must be documented. The residential mortgage portfolio is followed up on a monthly basis.

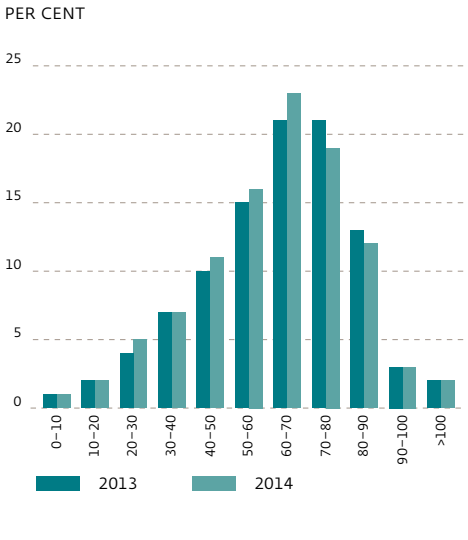
Approximately 82 per cent of the retail mortgages in the bank's portfolio have been transferred to DNB Boligkreditt and represent the basis for the issue of covered bonds. DNB Boligkreditt's portfolio is of high quality, and approximately 80 per cent of the loans are classified as low risk.

The twelve-month growth in credit to Norwegian households was stable and represented just over 6 per cent towards the end of the year. Housing prices were up 8.1 per cent on a national basis, though there were significant regional differences. According to forecasts for 2015 and 2016, housing prices will level off.

DEVELOPMENT IN CREDIT QUALITY RETAIL MORTGAGE PORTFOLIO, EAD



LOAN TO VALUE RETAIL MORTGAGE PORTFOLIO, EAD



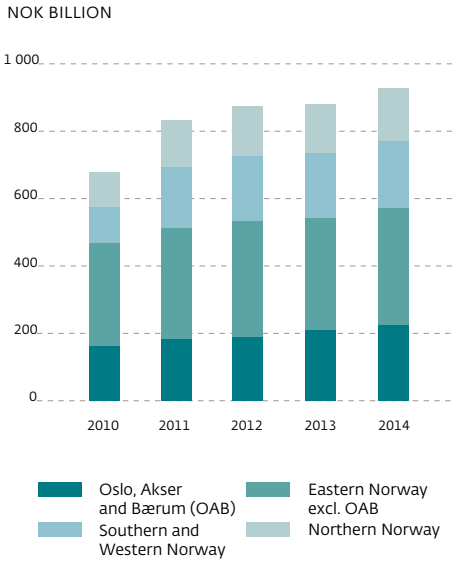
There has been a steady increase in the retail mortgage portfolio, mainly in the low-risk segment. At end-December 2014, almost the entire portfolio was characterised as low and moderate risk. The share of high-risk loans was low and stable below 3 per cent of the portfolio.

The diagram above to the right shows a distribution of loan-to-value ratios on an object basis. Thus, all loans secured by the same collateral (real estate) are taken into account. Short-term bridge loans and loan offers are not included. The market value of each property is re-estimated each quarter. At year-end 2014, 92 per cent of the retail mortgages were within 85 per cent of the property's appraised value. The EDA-weighted average loan-to-value ratio for retail mortgages was 65 per cent at year-end 2014, up from 64 per cent a year earlier. There have been no changes in DNB's lending practice over the past few years.

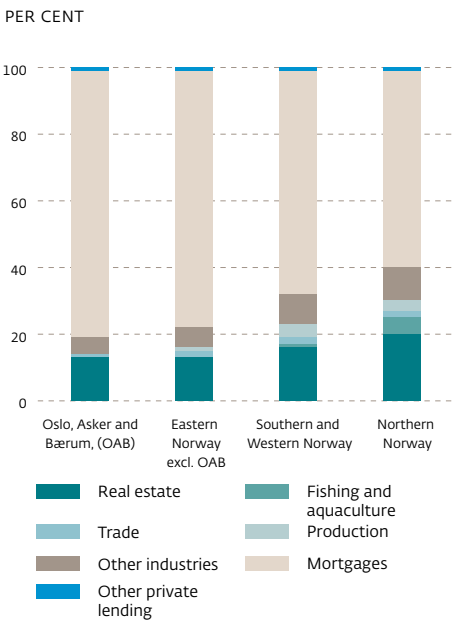
The Norwegian portfolio of SME companies and personal customers

Close to 50 per cent of DNB's credit portfolio consists of small and medium-sized companies and personal customers in Norway, totalling NOK 926 billion in terms of EAD. Just over 60 per cent of this volume, in terms of EAD, stems from eastern Norway. Eastern Norway includes the counties of Østfold, Buskerud and Vestfold in addition to Oslo and Akershus. In this region, retail mortgages account for almost 80 per cent of the portfolio. The second largest segment is commercial real estate. Retail mortgages and commercial real estate are by far the largest segments in the rest of Norway as well, though there are large regional differences. Over the past few years, the credit portfolio has increased the most outside Oslo, Asker and Bærum. The portfolio in DNB Finans is not included in the figures.

DEVELOPMENT IN THE SME's AND PERSONAL CUSTOMERS IN NORWAY BY GEOGRAPHICAL AREA, EAD



SME's AND PERSONAL CUSTOMERS IN NORWAY ACCORDING TO GEOGRAPHICAL AREAS AND INDUSTRIES, EAD, DECEMBER 2014



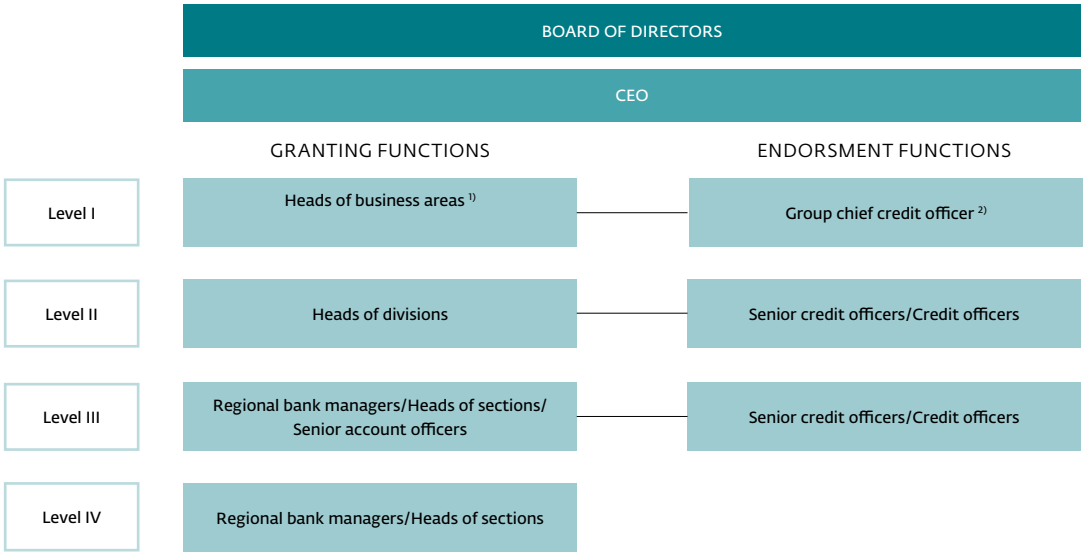
CREDIT RISK MANAGEMENT AND MEASUREMENT

The risk appetite framework defines maximum limits for credit exposure. Limits have been set for increases in EAD, both in total and for individual industry segments. Large concentrations of risk shall be avoided. Credit exposure in the shipping and commercial property segments is monitored particularly closely. A limit for total credit risk has also been set, measured as expected loss (EL). The limit for expected losses should identify all types of credit risk and is measured by using the Group's internal credit models.

The risk appetite framework is operationalised through credit strategies for each customer segment. In addition, risk indicators are established in the Group's governance model and in the dashboards of the Group's senior executives. As a further measure to regulate credit activity, maximum limits have been established for exposure to individual segments, thus aiming to reduce concentration risk.

Group Risk Management is responsible for preparing the framework for the credit process and credit management in all business areas. Additional responsibilities include controlling and monitoring the quality of the credit portfolios and loss processes and the effectiveness of the credit process.

CREDIT DECISIONS IN DNB, SUMMARY



1) Large Corporates and International, Corporate Banking Norway, Personal Banking Norway, Wealth Management
2) The endorsment autorisation is given from CEO to CRO who further delegates it to the Group Chief Credit Officer

Each division is responsible for managing its own credit activities and credit portfolios within the confines of the risk appetite limits and credit strategies. In order to ensure that decisions are of high quality, various levels of credit approval authorisations have been introduced based on the following factors: the total exposure to the customer, the complexity of the credit or customer structure and the risk associated with the customer.

The "two pairs of eyes" principle shall be followed in connection with all credit approval. This means that a credit is approved by one person based on a recommendation from another person. For the smallest credits in the corporate segment, however, automated risk classification can replace one of the "pairs of eyes". In order for decisions to be valid at level III and above, it must be recommended by an account officer, approved by an authorisation holder in the relevant business area and thereafter endorsed by a credit officer who is organisationally independent of the business unit.

All credit approval and endorsement authorisations are personal. Exceptions are credits requiring approval by the Board of Directors, where the directors approve the credit as a group. The Board of Directors approves credits of an extraordinary nature that, for example, could affect the Group's corporate reputation and credits that tie up large amounts of risk-adjusted capital. In addition to the size, complexity and risk of the credit exposure, the personal authorisations are based on the authorisation holder's expertise in the relevant segment and industry. If the decision-maker is not sure whether the credit is within the limit of his or her authorisation or the credit application is of an extraordinary nature or raises ethical or reputational questions, the matter should be elevated to a designated decision-making body.

The credit committees are advisory bodies for employees in the business area who approve credits and employees in the independent risk organisation who endorse the credits. The Group Advisory Credit Committee handles credits to borrowers that are customers of more than one business area.

If the customer has not proven a satisfactory debt servicing capacity, credit should normally not be extended even if the collateral is adequate. The customer's debt servicing capacity is assessed based on ongoing future cash flows. 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.

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 risk classification models is organisationally independent of the operative units. A number of classification models have been developed to cover specific loan portfolios. Any overrides of the classification stemming from the statistical models 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. See description of the classification system in paragraph Credit risk models and risk classification later this chapter.

Credits showing a negative development are identified and followed up separately. If financial covenants have been breached, or if a loss event has occurred in cases where no impairment losses have been made, the credit will be put on a watchlist for special monitoring. Loss events include serious financial problems on the part of the debtor, the approval of grace periods due to the debtor's financial problems or serious breaches of contract. When a customer is placed on a watchlist, a new risk classification should be made, the collateral reviewed and and an action plan prepared for the customer relationship. Each time the commitment is reviewed, an assessment should be made of whether a loss event has occurred. If a loss event has occurred, a loan loss equation should be prepared, which in turn could result in impairment losses.

Exposure to the limits set in the risk appetite framework are reported to group management each month. If the limits are exceeded, it will be immediately reported to the Board of Directors, accompanied by an action plan explaining how the risk will be handled. A quarterly risk report for the Group is distributed to the Board of Directors, giving an extensive description of the risk appetite status and other developments in the risk situation.

Risk-adjusted capital for credit risk is calculated for all facilities and forms the basis for assessing the profitability of the individual facilities. Calculations of economic capital are based on risk parameters in the IRB models and include the effect of industry concentrations, geographic concentrations, particularly volatile segments and large exposures.

Developments in credit risk are monitored closely. Each month, the credit portfolios are analysed and reported along several dimensions, such as industry segment, customer segment and geography. This reporting is undertaken by a unit that is independent of the business units. In the internal monitoring of credit risk, all portfolios are measured and reported according to IRB models, independent of whether the portfolio is scored in models approved for use in capital adequacy calculations.

COLLATERAL AND OTHER RISK-MITIGATING MEASURES

In addition to assessments of debt servicing capacity, the Group uses collateral to reduce risk, depending on the market and type of transaction. Collateral can be in the form of physical assets (mortgages), guarantees, cash deposits or netting agreements. As a rule, physical assets shall 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, external appraisals or internal value estimates are used.

The majority of guarantors are private individuals, enterprises, the government/municipalities, guarantee institutes and banks. The value of a guarantee depends on the guarantor's debt-servicing capacity and financial wealth and is assessed individually. In cases where the bank is given a guarantee by a company, its value will fluctuate along with the company's financial performance and credit worthiness. A guarantee given by a limited company could be subject to

Sections 8-7 through 8-11 of the Limited Liability Companies Acts, which stipulate restrictions on pledges of collateral by a limited company.

If a credit is backed by a guarantee, it could reduce the debtor's LGD. This means that the guarantor has sufficient financial strength to ensure that any demand for payment under that the guarantor is considered to have the required financial strength to ensure that the guarantee will be honoured. In addition, the guarantee must remain in effect for the entire term of the loan. Special caution will be shown if there appears to be a high degree of correlation between the financial situations of the debtor and the guarantor. Guarantees represent a small percentage of the collateral pledged to the bank.

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. The main principle for valuing collateral is to use the expected realisation value at the time the bank may need to realise the collateral. 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.

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 most 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.

STRESS TESTING

DNB's credit portfolios are stress tested annually in order to identify critical drivers for developments in credit risk and capital adequacy. Stress testing of specific risk elements in individual sub-portfolios is not mandatory, but may be performed in conjunction with analyses of specific industries. In 2014, the bank performed stress tests of the portfolios in DNB Boligkreditt and DNB Næringskreditt, as well as "the offshore drilling portfolio".

Various methods are used to estimate credit losses. If there is a need to show detailed results, a full bottom-up calculation is used in the various risk models. This is the case for stress testing of specific portfolios and for the EBA stress test. The scenario comprises of a consistent set of macroeconomic variables that are projected for the next three years. The macroeconomic scenario is translated into model-specific variables in order to estimate the effect on the different credit portfolios. In these models PD for each customer is stressed. Furthermore, the LGD and EAD models are subject to the same macroeconomic shock. 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.

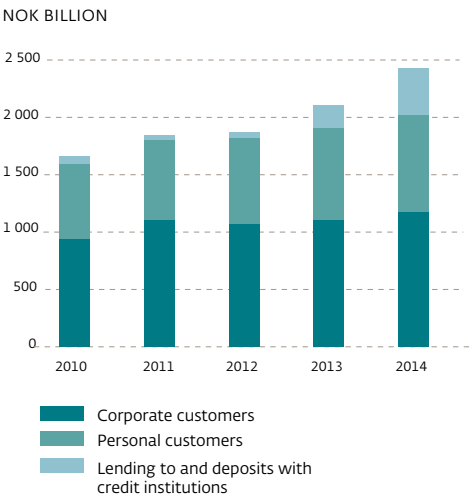
DNB also uses custom-made scenarios when stress testing different subsidiaries and portfolios. These might consist of fewer macroeconomic variables and/or more direct changes in the different risk parameters in the model, depending on the needs of the different business areas.

OVERVIEW OF CREDIT EXPOSURES

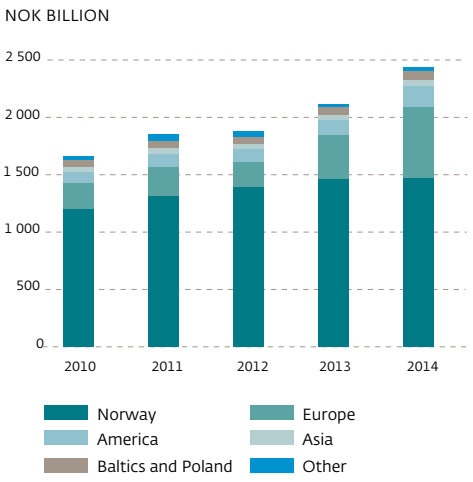
The diagrams below show the Group's total credit exposure according to customer segment and sector. Total exposure includes loans and claims, guarantees and undrawn credit facilities. In this connection, total exposure includes banks and the portfolio of bonds held to maturity in DNB Markets. The breakdown into principal sectors is based on standardised sector and industry categories set up by Statistics Norway.

DNB's credit portfolio is roughly equally distributed between personal and corporate customers. Over the last few years, there has been somewhat higher growth in the personal customer segment than in the corporate segments. The large majority of credits are related to Norwegian customers in or outside Norway. The diagram shows credit exposure according to geographical location based on the customer's address. The largest industry sectors in the corporate portfolio are real estate and shipping including shipbuilding and pipeline transportation. Real estate includes residential properties in this diagram. The increase in 'Due to credit institutions' in 2013 and 2014 reflects increased repo trading in DNB Markets towards the end of each year. More information can be found in the attachment.

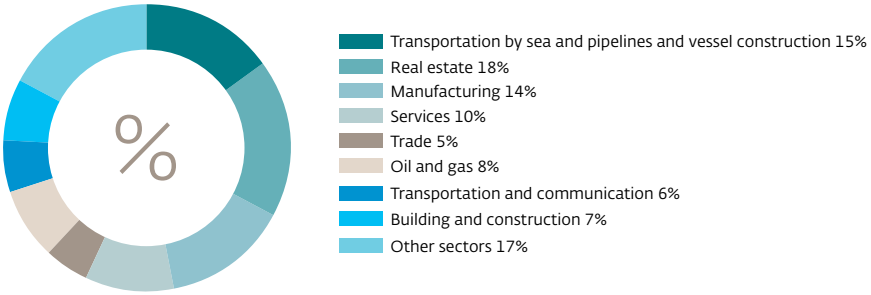
TOTAL COMMITMENTS SPLIT BY CUSTOMER SEGMENTS



TOTAL COMMITMENTS SPLIT BY GEOGRAPHY



TOTAL COMMITMENTS OF CORPORATE CUSTOMERS SPLIT BY INDUSTRY SEGMENTS, DECEMBER 2014



More detailed information can be found in the attachment.

TOTAL CREDIT EXPOSURE SPLIT BY MATURITY, DNB GROUP

31 Dec. 2014 NOK million	Up to 1 month	From 1 month to 3 months	From 3 months to 1 year	From 1 year to 5 years	Over 5 years	No fixed maturity	Total
Lending to and deposits with credit institutions	282 050	62 797	6 091	22 376	13		373 325
Net lending to customers	159 915	86 886	78 234	292 100	822 348	(2 139)	1 437 344
Unutilised credit lines under 1 year							259 843
Unutilised credit lines over 1 year							351 903
Guarantees							103 017

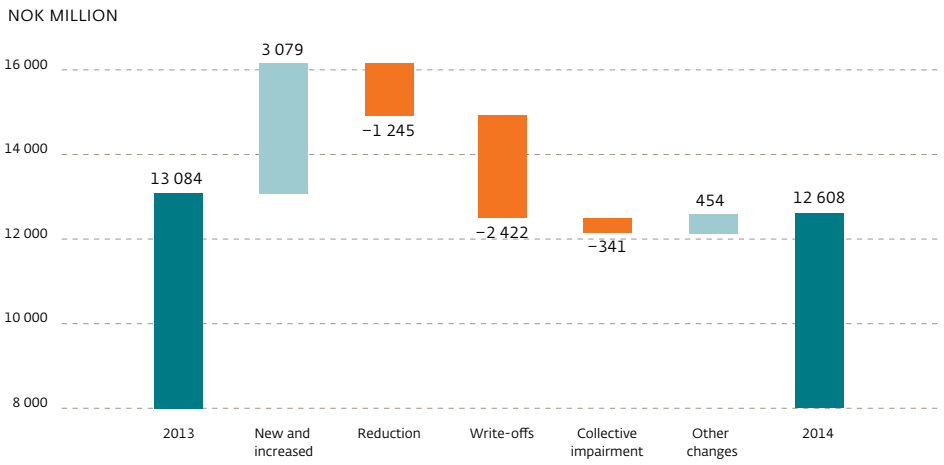
31 Dec. 2013 NOK million	Up to 1 month	From 1 month to 3 months	From 3 months to 1 year	From 1 year to 5 years	Over 5 years	No fixed maturity	Total
Lending to and deposits with credit institutions	147 504	27 790	5 606				180 900
Net lending to customers	132 158	73 791	71 527	263 917	801 616	(2 315)	1 340 695
Unutilised credit lines under 1 year							384 750
Unutilised credit lines over 1 year							199 883
Guarantees							99 472

IMPAIRMENT AND NON-PERFORMING LOANS

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.

DEVELOPMENT IN ACCUMULATED IMPAIRMENT

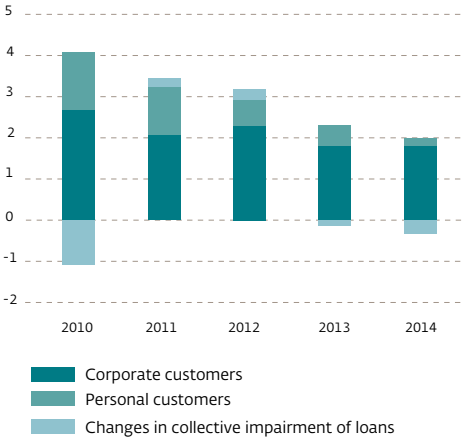


The reduction in impairment is primarily a result of the sale of a shipping commitment which had been subject to provisions. After the sale, the losses were reversed. In addition, a couple of large commitments subject to impairment returned to performing. There were also reversals in the retail mortgage portfolio in 2014. The reduction in collective impairment reflects quality improvements in the large corporate portfolio.

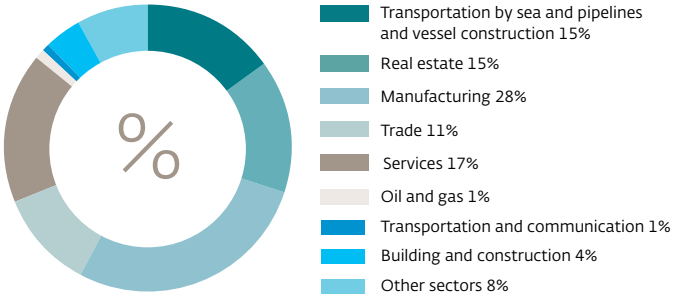
Loans which have not been individually evaluated for impairment are evaluated collectively in groups. Loans are grouped on the basis of similar risk and value characteristics in accordance with the division of customers into main sectors or industries and risk categories. DNB has developed a model that estimates the need for impairment per industry based on changes in portfolio quality and the macroeconomic situation. Just like individual impairment, collective impairment is based on discounted cash flows. The discount factor is based on statistics derived from individual impairment. DNB uses economic developments in selected industries based on indices for rent, oil prices, salmon prices, production gaps, the ClarkSea index and housing price developments as objective evidence for collective impairment. The source of all these indices is Statistics Norway. 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. The diagram below shows developments in impairment losses in the DNB Group in 2014.

NET IMPAIRMENT SPLIT BY INDIVIDUAL AND COLLECTIVE IMPAIRMENT

NOK BILLION



NET IMPAIRMENT OF CORPORATE CUSTOMERS SPLIT BY PRINCIPAL INDUSTRY SECTORS, DECEMBER 2014



Impairment losses in 2014 were lower than in 2013. This was a result of:

- Reversals in the retail mortgage portfolio.
- Reversals in the shipping portfolio due to the sale of a problem commitment subject to impairment.
- A reduction in collective impairment, mainly due to improved key figures in the large coprorate portfolio.

More detailed information can be found in the attachment.

In this chapter, non-performing commitments are defined in accordance with IFRS. This means that commitments that are restructured due to financial problems to avoid default, are not included. This is different from the IRB definition, according to which such commitments are included.

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

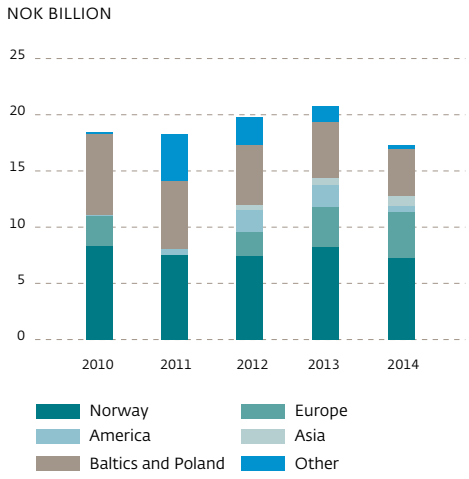
The above definitions apply in both the retail and corporate markets. The 90-day rule applies for segments where no individual assessments are made.

The diagrams below show the Group's net non-performing and impaired commitments according to customer segments. The breakdown into principal sectors is based on standardised sector and industry categories. More detailed information can be found in the attachment to the report.

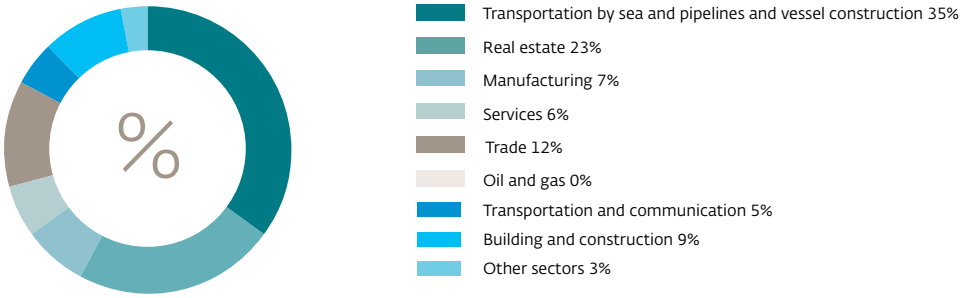
In 2014, there was a 17 per cent decline in net non-performing and doubtful commitments in the corporate portfolio. The reduction took place in the large corporate segment, especially within shipping, manufacturing and real estate. A doubtful shipping commitment was sold, while a number of commitments in the real estate and manufacturing portfolios were returned to performing.

NET NON-PERFORMING AND IMPAIRED COMMITMENTS

NET NON-PERFORMING AND IMPAIRED COMMITMENTS SPLIT BY GEOGRAPHY



NET NON-PERFORMING AND IMPAIRED COMMITMENTS OF CORPORATE CUSTOMERS SPLIT BY PRINCIPAL INDUSTRY SECTORS, DECEMBER 2014



The table below shows past due amounts on loans and overdrafts on credits/deposits broken down on the number of days after the due date. Past due loans and overdrafts on credits are subject to continual monitoring. Loans and guarantees where a probable deterioration of customer solvency is identified, are reviewed for impairment. Such reviews have also been carried out for the loans and guarantees included in the table for which no need for impairment has been identified. Past due loans subject to impairment are not included in the table, but are included in tables showing impaired loans and guarantees. Developments in these volumes during 2014 reflect the strong Norwegian economy. There was a 53 per cent reduction in past due loans and credits/deposits which were overdrawn for more than 90 days in 2014. In addition, there was a marked decline in volumes in the 60 to 90 days bracket.

PAST DUE LOANS NOT SUBJECT TO IMPAIRMENT

	31 Dec. 2014		31 Dec. 2013	
NOK million	Past due/ overdrawn	Outstanding balance on past due loans	Past due/ overdrawn	Outstanding balance on past due loans
10-29 days	697	12 458	728	11 732
30-59 days	526	3 347	523	3 304
60-89 days	149	608	197	751
> 90 days	203	960	433	1 269
Total	1 575	17 373	1 881	17 056

CAPITAL REQUIREMENTS FOR CREDIT RISK

The total capital requirement for credit risk was NOK 66.7 billion at year-end 2014, up NOK 2.6 billion from a year earlier. The main factor behind the increase was the higher risk weights for retail mortgages under IRB.

SPESIFICATION OF RISK-WEIGHTED ASSETS AND CAPITAL REQUIREMENTS

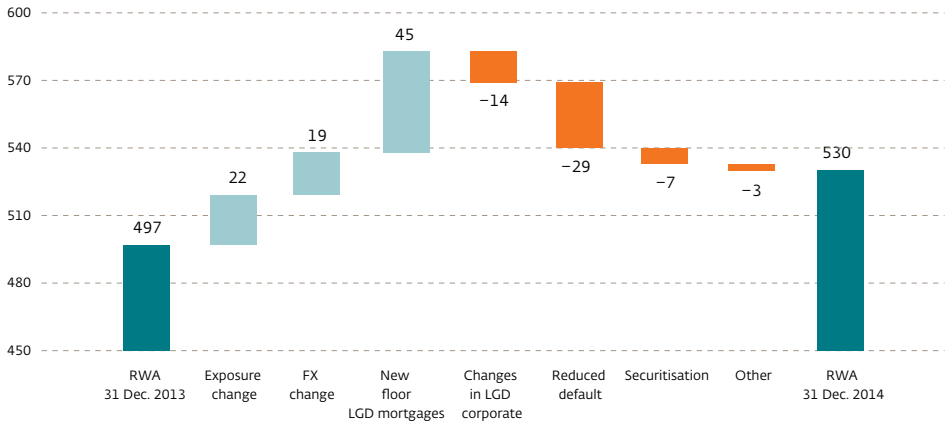
					31 Dec. 14	31 Dec. 13
NOK million	Nominal exposure	EAD	Average risk weights in per cent	Risk weighted assets	Capital requirement	Capital requirement
IRB approach						
Corporate	1 020 495	830 157	45	371 240	29 699	30 362
Specialised Lending (SL)	6 456	6 358	35	2 239	179	153
Retail - mortgage loans	654 690	654 688	17	108 813	8 705	4 884
Retail - other exposures	109 313	90 177	28	25 195	2 016	1 984
Securitisation	31 927	31 927	71	22 747	1 820	2 380
Total credit risk, IRB approach	1 822 882	1 613 308	33	530 233	42 419	39 763
Standardised approach						
Central government	90 494	104 283	0	229	18	4
Institutions	303 519	114 301	30	34 125	2 730	1 837
Corporate	267 424	216 393	93	201 915	16 153	17 055
Retail - mortgage loans	43 265	41 264	50	20 715	1 657	1 867
Retail - other exposures	88 366	44 421	78	34 466	2 757	2 249
Equity positions	2 865	2 865	105	3 007	241	321
Securitisation	2 746	2 746	30	827	66	44
Other assets	7 397	7 397	114	8 423	674	1 019
Total credit risk, standardised approach	806 076	533 670	57	303 707	24 297	24 395
Total credit risk	2 628 958	2 146 977	39	833 941	66 715	64 158

Developments in risk-weighted assets for the IRB portfolio

Risk-weighted assets (RWA) increased by NOK 32 billion in 2014. Finanstilsynet's requirement that LGD for retail mortgages shall be minimum 20 per cent gave a NOK 45 billion increase. Growth in the retail mortgage portfolio resulted in a NOK 3.5 billion increase. Growth in the corporate portfolio resulted in a NOK 37 billion increase in risk-weighted assets, of which NOK 19 billion was due to exchange rate movements. Net impaired commitments were brought down by NOK 3.5 billion during 2014. Risk-weighted assets were thus reduced by NOK 29 billion. An improved LGD for corporates gave a further reduction in RWA of NOK 14 billion. There were insignificant effects of changes in the PD and maturity (M).

DEVELOPMENT IN RISK-WEIGHTED ASSETS FOR CREDIT RISK, IRB PORTFOLIO

NOK BILLION



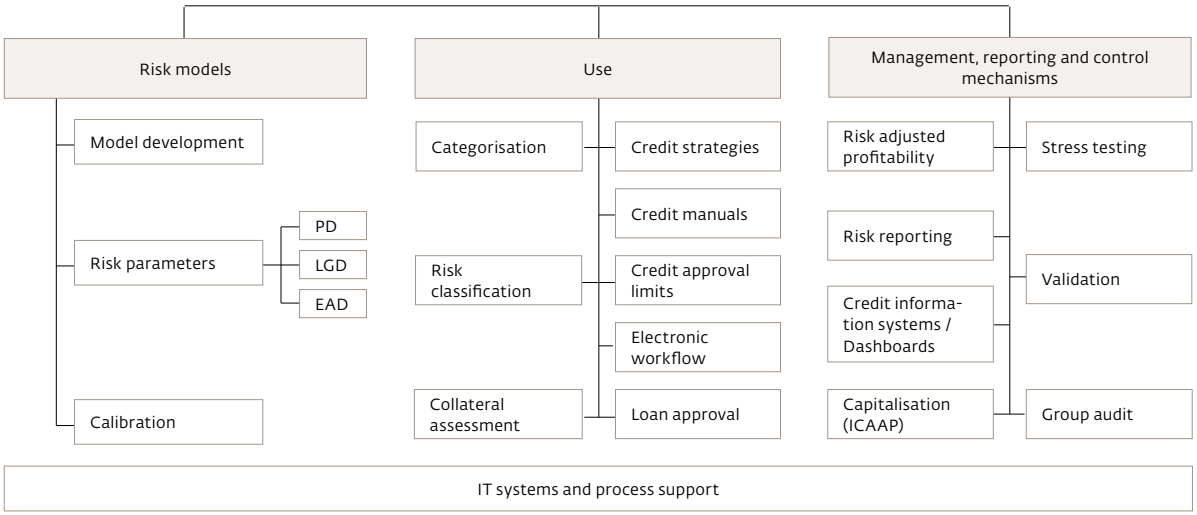
On 1 July 2014, Finanstilsynet (the Financial Supervisory Authority of Norway) announced additional requirements for the retail mortgage models of IRB banks. Among other things, the minimum requirement for banks' PD estimates for individual loans increases to 0.2 per cent. In addition, the average long-term PD level increases. The banks will report capital adequacy figures according to the recalibrated model as from the first quarter of 2015. The total effect of the changes is that the risk weight for retail mortgages will be approximately 25 per cent. This will result in an increase in DNB's risk-weighted assets of NOK 55 billion.

IRB SYSTEM

The purpose of the IRB regime is to ensure sound risk management and make sure that the capital adequacy requirements are fulfilled. To succeed, quality and transparency must be secured throughout the value chain. The 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.

The diagram shows the IRB system in DNB. The IRB system is defined as the models, work processes, decision making processes, control mechanisms, IT systems and internal guidelines and routines used to classify and quantify credit risk. The IRB system thus affects a major part of the Group's operations, also across business areas and support and staff units.

The IRB system in DNB



DNB started using internal risk models in 1995 and had several years of experience with central elements in the IRB system before the bank received its first permission to use the IRB approach in early 2007. Most risk models used in the bank's IRB system have now been approved by Finanstilsynet. The calculations from the IRB system are fully integrated in internal management tools.

The IRB models have various areas of application. The most important are:
- Capital adequacy calculations
- Decision-support in the credit process
- Credit rules and credit strategies
- Risk measurement and ongoing reporting
- Pricing of risk and measurement of portfolio profitability

In 2014, the bank received permission to use the IRB approach for simulation models used for large corporates in cases where cash flows are considered to be more relvant for the risk analysis than accounting data. Examples of this are shipping companies with few assets and property companies. The bank is in dialogue with Finanstilsynet to implement the terms and conditions given in connection with the permission and expects to start using the IRB approach in capital adequacy calculations for this portfolio during 2015.

The table shows the parts of the credit portfolio for which DNB has permission to use IRB models in its reporting. DNB uses the advanced IRB (IRBA) only for its corporate portfolios. The foundation IRB (IRBF) is not in use by DNB.

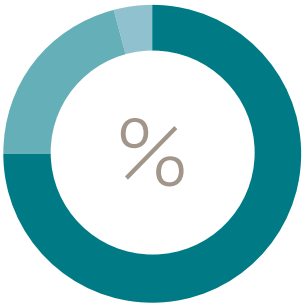
IRB IMPLEMENTATION PLAN

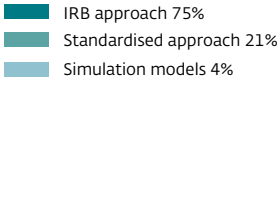
	Reporting methods for credit risk in capital adequacy calculations	
Portfolios	31 Dec. 2014	31 Dec. 2015 [1]
Retail:		
- mortgage loans, DNB Bank and DNB Boligkreditt	IRB [2]	IRB [2]
- qualifying revolving retail exposures, DNB Bank [3]	IRB [2]	IRB [2]
- loans in DNB Finans Norway	IRB [2]	IRB [2]
Corporates:		
- small and medium-sized corporates, DNB Bank	Advanced IRB	Advanced IRB
- large corporate clients (scorecard models), DNB Bank	Advanced IRB	Advanced IRB
- large corporate clients (simulation models), DNB Bank and DNB Næringskreditt	Standardised	Advanced IRB
- leasing, DNB Bank	Advanced IRB	Advanced IRB
- corporate clients, DNB Næringskreditt	Advanced IRB	Advanced IRB
Securitisation positions:		
- international bond portfolio, DNB Markets	IRB [2]	IRB [2]
Institutions:		
- banks and financial institutions, DNB Bank [1]	Standardised	Advanced
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 Securitization there is only IRB approach.
3) Revolving credits is reported as retail

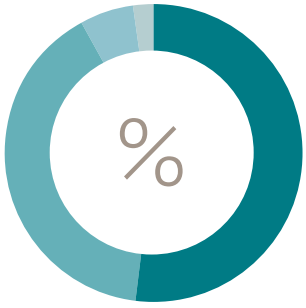
75 per cent of the portfolio, in terms of EAD, was reported according to IRB models at year-end 2014. When the simulation models which have been approved, but not implemented, are taken into account, 79 per cent of the credit portfolio is approved for IRB reporting.

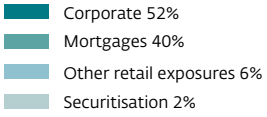
REPORTING METHODS FOR CREDIT RISK, EAD, DECEMBER 2014





ASSET CLASSES IN IRB PORTFOLIO, EAD, DECEMBER 2014





The estimated capital requirements for the portfolios reported according to the IRB approach are shown in the chapter on capital adequacy.

CREDIT RISK MODELS AND RISK CLASSIFICATION

DNB divides its portfolio into ten risk grades based on the PD for each commitment. Credits that are considered to be doubtful and exposures that are overdue more than 90 days are classified are categorised as non-performing and assigned a PD of 100 per cent.

DNB's CREDIT 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	8.00	40.00	B3, Caa/C	B÷, CCC/C

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.

MODELS USED IN THE IRB-REPORTING, DECEMBER 2014

Commitment category	Customer segment	PD-model	EAD-model	LGD-model
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 (QRRE)	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 (GP) with commitment < 50 MNOK	PD GP		
	Sole Proprietorship (SP) with commitment < 20 MNOK	PD SP		
	Norwegian commercial real estate companies (CRE) with total assets < 250 MNOK	PD CRE		LGD CRE
	Norwegian companies in DNB Finans with turnover under NOK 20 million and total assets under NOK 20 million.	PD SME	EAD SME/SP	LGD SME/SP
	Limited companies in DNB Finans with turnover < 1000 MNOK. Property companies with total assets < 200 MNOK.	PD SME		
	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

*) SPV, special purpose vehicle

DNB's models reflect that different variables give the best explanations for risk in the various portfolios. As far as possible, DNB's IRB models are developed on the basis of historical data using statistical methods. This is the case for the models used for retail mortgages and small and medium-sized enterprises. Normally, access to data will be more limited the further we go back in time. Thus, a distinction is often made between the underlying documentation for model development and for model calibration. In the large corporate portfolio, there are far fewer customers and few events of default. The models are therefore developed as expert models, whereby the static adaptation of the models is based on developing models that best reproduce expert ratings.

While PD models should reflect the expected average normalised default frequency over a business cycle, the EAD and LGD models should reflect exposure at default and loss given default during an economic recession to the extent this represents a more conservative approach. DNB is required to include the Norwegian banking crisis during the 1988-1993 period in the calibration of the IRB models.

In order to make sure that risk-weighted assets are not sensitive to cyclical fluctuations, the PD models should ideally be through-the-cycle models. This means that the estimates should not be affected by the economic situation. Point-in-time models will generate estimates based on expectations and thus include all relevant information. A number of factors that turn out to have explanatory power will vary over a business cycle and introduce cyclicality into the models. In practice, the models will often be a cross between through-the-cycle and point-in-time.

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 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 PD, EAD and 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 grade 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 grade 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 or 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.

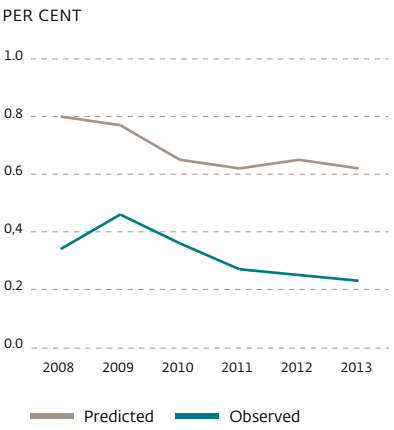
In the qualitative validation, both the design of the IRB system and the IRB process are tested. When validating the design of the IRB system, the assumptions underlying the IRB models are reviewed, including the development of the classification method, data quality and the stability of the classification 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.

The most recent validation report shows that most of the models have good predictive ability. This especially applies to the models classifying existing personal customers. Two of the models used for risk classification of asset financing will be reviewed in 2015 because they do not distinguish satisfactorily between good and less good customers. Two new models for risk classification of credit card customers and a new model for small companies are being developed. A need to review the choice of the discount rate used both in model development and in the validation of LGD calculations was also identified.

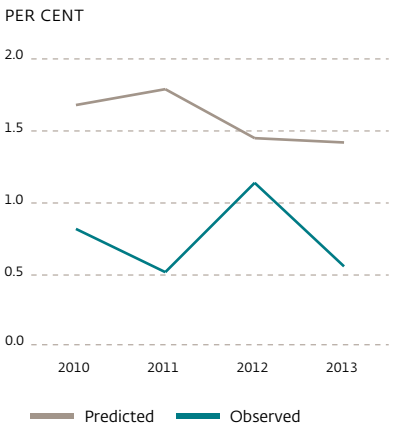
Risk parameters versus actual outcome

The validation results for 2014 were being processed as the Pillar 3 report was published. Updated results from the 2014 validation is presented in the attachment and in the separate Excel spread sheet. Comments to and the main findings in the report are summarised below. The diagrams below show the predicted PD at the beginning of the year compared with the observed PD in the course of 2013.

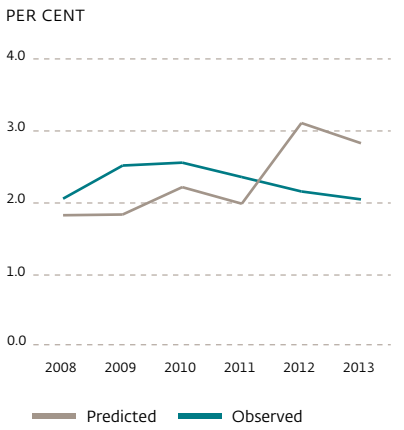
COMPARISON OF PREDICTED AND OBSERVED PD FOR RETAIL MORTGAGE PORTFOLIO



COMPARISON OF PREDICTED AND OBSERVED PD FOR LARGE CORPORATES MODELS



COMPARISON OF PREDICTED AND OBSERVED PD FOR SMALL AND MEDIUM SIZED COMPANIES



As shown in the diagrams, the actual (observed) PD is well below the predicted PD throughout this period for the portfolios for which models for personal customers and large corporates are used. The increase in the predicted PD for small and medium-sized limited companies from 2.0 to 3.1 per cent between 2011 and 2012 is due to a recalibration of the model in 2012. The recalibration took place after the validation report for 2011 identified deficiencies in underlying data for the calibration of the regional model. Thus, it was necessary to adjust the regional model, which was the original model for small and medium-sized enterprises, and to address the aspects pointed out in the validation report.

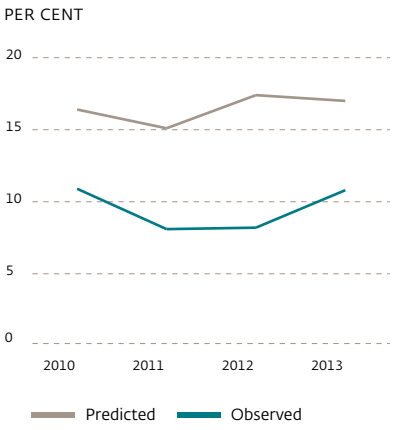
There are different conversion factors for the various types of products included in calculations of the predicted EAD. With respect to binding offers, the EAD is calculated based on a set acceptance ratio calculated on the basis of the previously registered customer acceptance ratio.

Assessments of the conversion factors for EAD 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 attachment.

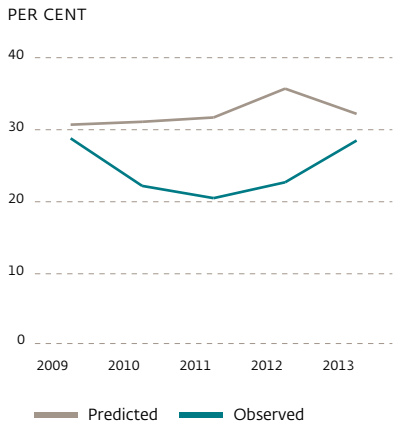
The table for LGD shows the predicted LGD at the start of the year compared with the actual LGD for events of default that occurred in the course of the year. The predicted values are based on the non-performing portfolio, which normally gives somewhat higher average figures than if the entire portfolio is used.

COMPARISON OF PREDICTED AND OBSERVED LGD RETAIL MORTGAGE PORTFOLIO



COMPARISON OF PREDICTED AND OBSERVED LGD FOR LARGE CORPORATES MODELS

COMPARISON OF PREDICTED AND OBSERVED LGD FOR SMALL AND MEDIUM SIZED COMPANIES



The diagrams with the results from the validation of some of the LGD models show that, just as for PD, the observed LGD is lower than the predicted LGD in the models for both real property and small and medium-sized enterprises. The high observed LGD in 2012 for the large corporate model is still an uncertain estimate, as a large number of the customers are still in default. In addition, due to few events of default, the default of individual customers has a significant impact.

The same effect can be seen in the observed LGD for general partnerships, which shows a significant increase. The increase from 8.0 to 24.4. per cent from 2011 to 2012 is mainly due to the limited size of the portfolio, whereby small changes in losses have a large effect on the percentage share.

ACTUAL VALUE ADJUSTMENTS

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

EXPECTED AND ACTUAL VALUE ADJUSTMENTS ACCORDING TO RISK PARAMETERS FOR RETAIL MORTGAGE PORTFOLIO

EXPECTED AND ACTUAL VALUE ADJUSTMENTS ACCORDING TO RISK PARAMETERS FOR CORPORATES

The expected loss (EL) for the retail mortgage portfolio was reduced during 2014, while actual value adjustments/impairment were virtually unchanged, and at a significantly lower level. In the calculation of expected loss, the internal LGD is used, which does not include the 20 per cent LGD floor.

In the corporate portfolio, the expected loss was reduced somewhat, while actual value adjustments were significantly lower. As described above, this was due to the fact that a number of commitments subject to impairment in 2013 were returned to performing. In addition, a large commitment subject to impairment was sold. Futher information can be found in the attachment.

TOTAL EXPOSURE FOR APPROVED IRB PORTFOLIOS

The table shows EAD for the retail market and corporate portfolios according to risk grade. EAD is the total of the amount drawn and the unutilised credit line multiplied by a conversion factor, CCF. For the corporate portfolio, the average maturity is also shown. The PD for the total portfolio is weighted by EAD and includes only risk grades 1–10.

IRB KEY FIGURES, RETAIL MORTGAGE PORTFOLIO

	2014						2013					
Risk grade	Unutilised credit lines, NOK million	CCF %	EAD, NOK million	PD %	LGD %	Risk weight %	Unutilised credit lines, NOK million	CCF %	EAD, NOK million	PD %	LGD %	Risk weight %
1	-	-	-	-	-	-	-	-	-	-	-	-
2	25 769	100	260 173	0.16	20	7	23 288	100	241 767	0.17	11	4
3	14 039	100	184 874	0.37	20	13	13 265	100	175 316	0.37	11	8
4	3 426	100	65 741	0.62	20	20	3 413	100	62 344	0.62	12	11
5	4 412	100	83 879	0.99	20	27	4 051	100	79 612	0.99	12	16
6	1 579	100	37 033	1.61	20	37	1 521	100	37 032	1.61	12	22
7	384	100	11 973	2.47	21	50	370	100	12 650	2.48	13	31
8	147	100	5 596	3.90	22	66	126	100	5 668	3.95	14	41
9	31	100	2 249	6.35	22	85	36	100	2 141	6.44	13	52
10	9	100	1 106	12.09	21	106	11	100	875	12.24	14	70
Defaulted	9	100	2 064	100.0	24	180	14	100	2 008	100.0	16	94
Total	49 804	100	654 688	0.57	20	17	46 096	100	619 414	0.59	12	10

The increase in LGD for home mortgage loans in 2014 reflect Finanstilsynet's (the Financial Supervisory Authority of Norway) minimum 20 per cent floor, which was introduced in the first quarter of 2014. Consequently, risk weights were also increased. The weighted PD declined somewhat during the same period.

IRB KEY FIGURES, OTHER RETAIL

	2014						2013					
Risk grade	Unutilised credit lines, NOK million	CCF %	EAD, NOK million	PD %	LGD %	Risk weight %	Unutilised credit lines, NOK million	CCF %	EAD, NOK million	PD %	LGD %	Risk weight %
1	-	-	-	-	-	-	-	-	-	-	-	-
2	52 264	71	47 008	0.17	33	13	50 227	71	44 801	0.17	33	13
3	7 177	77	11 907	0.37	34	22	7 255	76	11 551	0.37	34	21
4	3 060	80	6 241	0.62	36	31	3 246	79	6 235	0.62	35	30
5	2 588	79	5 600	0.99	35	38	2 780	77	5 653	0.99	34	37
6	1 809	81	4 367	1.61	37	47	1 943	79	4 426	1.61	36	47
7	1 803	78	3 516	2.49	36	52	1 933	77	3 596	2.49	36	52
8	1 554	85	3 891	3.97	36	55	1 566	84	3 880	3.97	36	55
9	422	85	1 659	6.40	36	58	405	85	1 646	6.40	35	56
10	1 147	86	4 180	16.96	40	88	1 104	86	4 208	16.98	39	86
Defaulted	355	88	1 809	100.0	34	112	329	87	1 699	100.0	39	123
Total	72 179	73	90 177	1.52	34	28	70 788	73	87 694	1.57	34	28

The Other retail portfolio includes portfolios from DNB Finans. The major part of this portfolio, 78 per cent, is unsecured consumer loans in credit cards. Amounts drawn in this portfolio totalled NOK 18 billion. The weighted PD improved somewhat during 2014. Overall, the other key figures are unchanged.

IRB KEY FIGURES, CORPORATES

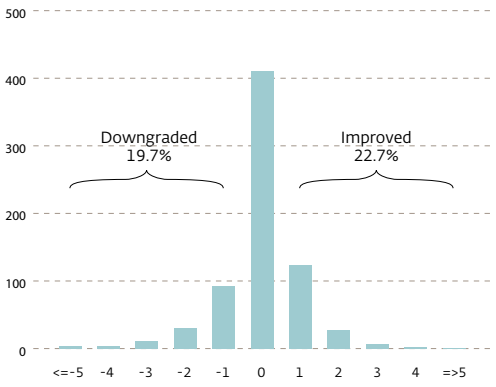
	2014							2013						
Risk grade	Unutilised credit lines, NOK million	CCF %	EAD, NOK million	PD %	LGD %	Risk weight %	Maturity, years	Unutilised credit lines, NOK million	CCF %	EAD, NOK million	PD %	LGD %	Risk weight %	Maturity, years
1	70 115	55	64 108	0.05	28	13	2.4	75 538	54	61 300	0.05	30	14	2.6
2	105 747	56	109 312	0.17	28	26	2.7	94 248	58	103 582	0.17	28	26	2.6
3	101 309	61	164 541	0.39	23	34	2.9	67 144	60	116 491	0.38	25	35	2.9
4	53 733	64	124 343	0.60	23	39	2.7	65 840	56	121 358	0.62	25	44	2.7
5	50 254	62	135 244	0.96	23	49	2.8	46 063	65	119 670	0.96	25	52	2.7
6	35 955	68	121 234	1.61	23	57	2.6	28 933	65	99 719	1.60	25	62	2.7
7	12 755	68	54 515	2.46	24	63	2.7	10 925	77	48 046	2.42	26	70	2.8
8	4 238	57	21 456	3.73	27	74	2.4	4 792	62	28 249	3.81	27	79	2.7
9	1 205	72	7 662	6.35	28	95	3.1	1 307	59	7 299	6.27	28	95	2.9
10	2 389	54	13 550	14.26	26	110	2.3	1 757	61	9 397	13.47	28	124	2.5
Defaulted	935	60	14 193	100.00	34	157	2.1	1 199	71	17 270	100.00	23	298	2.7
Total	438 636	60	830 157	1.15	25	45	2.7	397 745	59	732 381	1.14	26	52	2.7

There has been a significant reduction in risk weights due to the decline in non-performing and doubtful commitments in addition to a slight improvement in LGD. There are only marginal changes in other key figures.

An overview of the portfolio of specialised lending can be found in the attachment. The volume for specialised lending represented 0.4 per cent of the total IRB portfolio, NOK 6 billion. There was an increase in volume of 66 per cent from 2013, though exchange rate movements towards the end of 2014 were the main reason for the increase. The quality of the portfolio improved, while maturities and risk weights were reduced during 2014. An overview of this portfolio can be found in the attachment.

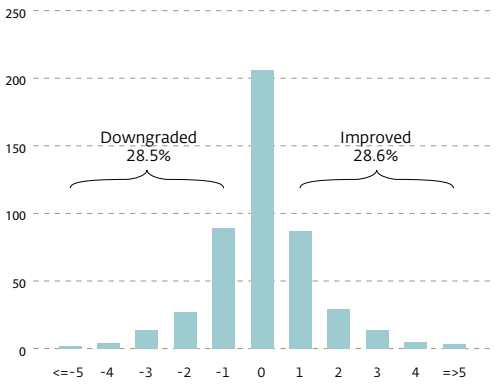
YEAR-ON-YEAR MIGRATION IRB CORPORATE, EAD, DECEMBER 2014

NOK BILLION



YEAR-ON-YEAR MIGRATION IRB RETAIL MORTGAGES, EAD, DECEMBER 2014

NOK BILLION



All customers granted credit must be classified according to risk at least once a year. The diagrams above show how volumes, in terms of EAD, in the IRB portfolios Corporate and retail mortgages migrated between risk classes during 2014. The diagrams show the volumes that have migrated and how many classes they have migrated over in a positive or negative direction. Positive figures indicate migration to better risk classes. Migration is measured for customers with an exposure to the bank throughout the year. New customers included in the portfolio in the course of the year, are not included.

The tables below show the performing IRB portfolios by industry segment.

IRB PORTFOLIO BY INDUSTRY SEGMENT, RISK GRADE 1 TO 10

	2014					2013				
	EAD, NOK billion	Risk weight %	PD %	LGD %	Maturity, years	EAD, NOK billion	Risk weight %	PD %	LGD %	Maturity, years
Mortgages	652.6	16	0.57	20	-	617.4	10	0.59	12	-
Other retail	88.4	26	1.52	34	-	86.0	26	1.57	34	-
Transportation by sea and pipelines and vessel construction	188.4	50	1.25	23	2.8	146.4	57	1.53	25	2.9
Real estate	134.8	37	1.09	21	3.3	125.3	43	1.16	22	3.4
Manufacturing	100.0	42	1.44	24	2.3	77.0	45	1.02	27	2.3
Services	86.4	48	1.25	25	2.6	85.7	49	1.15	27	2.5
Trade	49.7	52	1.61	29	2.1	43.0	57	1.67	30	2.3
Oil and gas	78.7	33	0.55	26	2.8	59.2	36	0.49	28	2.8
Transportation and communication	46.9	40	0.93	25	2.8	42.1	38	0.80	27	2.5
Building and construction	53.9	48	1.47	27	2.0	51.2	46	1.33	27	2.2
Power and water supply	48.8	26	0.33	28	2.3	54.9	27	0.34	30	2.6
Seafood	21.4	44	1.25	23	3.1	21.0	50	1.21	25	2.6
Hotels and restaurants	5.7	49	1.72	24	2.4	5.3	54	1.67	25	3.1
Agriculture and Forestry	7.3	44	1.57	24	3.3	7.7	45	1.53	24	3.5
Other corporates	0.3	48	1.59	28	2.0	0.2	53	2.19	27	2.3
Total Portfolio	1563.3	31	0.93	23	-	1422.3	29	0.92	20	-
Total Corporate Portfolio	822.3	43	1.15	24	2.7	718.9	46	1.13	26	2.7
Total Retail Portfolio	741.0	17	0.69	22	-	703.4	12	0.71	14	-

The risk weight has been reduced from 46 to 43 per cent in the corporate portfolio. However, there is variation between the different industry segments. The shipping and real estate segment has had the most significant change. The increased risk weight for retail mortgages is a result of Finanstilsynet's new minimum LGD requirement.

A survey of the non-performing portfolio by industry segment can be found in the attachment. The volume in this portfolio has been reduced by 16 per cent. The return of commitments to current status and restructuring of some non-performing commitments are the main reasons for the improvement in risk weights and LGD.

The increase in impairment within shipping is mainly due to an increase in impairment for two non-performing commitments in 2014 parallel to a reduction in the total EAD for the non-performing portfolio. The same applies to the oil and gas segment, where impairment refers to a small customer whose commitment has been fully written off.

The tables below show the performing IRB portfolio by geography. DNB has no exposure to Ukraine and very limited to Russia.

CORPORATE IRB PORTFOLIO BY GEOGRAFY, RISK GRADE 1 TO 10

	2014					2013				
	EAD, NOK billion	Risk weight %	PD %	LGD %	Maturity, years	EAD, NOK billion	Risk weight %	PD %	LGD %	Maturity, years
Norway	490.2	44	1.33	25	2.7	443.9	47	1.27	26	2.8
Sweden	57.7	41	0.81	23	2.6	55.0	40	0.78	25	2.4
United Kingdom	30.9	42	0.66	25	3.0	24.1	44	0.58	28	2.6
Rest of Europe	89.5	42	0.93	25	2.8	78.5	47	1.05	25	2.8
- of which Greece, Italy, Portugal and Spain	8.1	56	1.29	27	2.9	8.9	56	1.13	28	3.2
North America	116.9	35	0.86	24	2.7	88.9	43	0.75	27	2.7
Asia & Pacific	18.6	48	1.22	26	2.8	14.2	55	1.78	29	2.6
Arab States	1.9	33	0.80	32	2.0	2.1	48	1.81	31	2.1
South/Latin America	13.4	56	1.13	26	3.1	8.0	51	1.07	29	2.3
Africa	3.2	56	1.21	23	3.3	4.2	58	1.40	24	3.4
Total Corporate Portfolio	822.3	43	1.15	24	2.7	718.9	46	1.13	26	2.7

Approximately 60 per cent of the portfolio is in Norway. Growth in countries other than Norway during 2014 was mainly due to exchange rate movements towards the end of the year, as described above.

An overview of the non-performing portfolio by geography can be found in the attachment. A significant part of this portfolio, 37 per cent, is in Norway. LGD and risk weights were reduced during the year, while impairment relative to EAD increased somewhat. This is due to the same factors as commented on for the non-performing portfolio for the industry segments above.

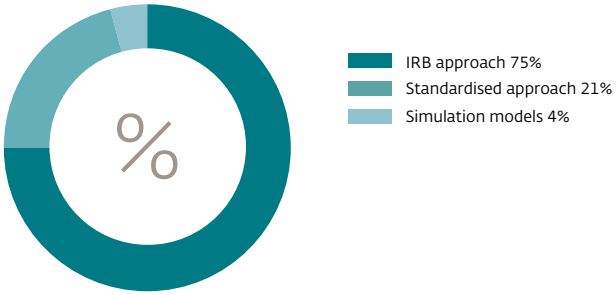
STANDARDISED APPROACH FOR CREDIT RISK

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.

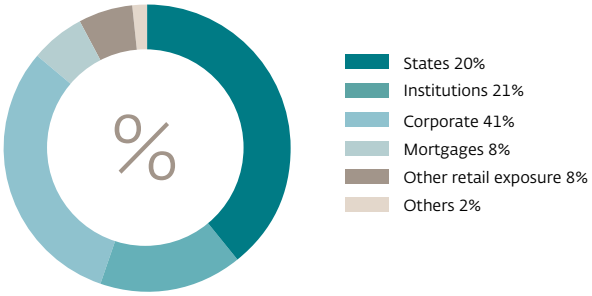
Portfolios reported according to the standardised approach comprise governments, central banks and institutions. Other portfolios reported according to the standardised approach are regarded as temporary exceptions. These include portfolios awaiting IRB permission and portfolios for which the bank has not yet applied for IRB permission, e.g. corporate and retail mortgage portfolios in DNB's subsidiaries in the Baltics and Poland. DNB's securitisation investments are reported according to the IRB approach, while Eksportfinans' portfolio is reported according to the standardised approach.

Estimated risk-weighted assets and capital requirements for the portfolios reported according to the standardised approach are shown in the paragraph on capital requirements.

REPORTING METHODS FOR CREDIT RISK, EAD, DECEMBER 2014



ASSET CLASSES IN STANDARD PORTFOLIO, EAD, DECEMBER 2014



External ratings are used for foreign government risk and public administration outside Norway as well as international banks and credit institutions included in the segments 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

DNB enters into derivative transactions on the basis of customer demand and to hedge positions resulting from such activity. In addition, derivatives are used to hedge positions in the trading portfolio and take positions in the interest rate, currency, commodity and equity markets. Derivatives are traded in portfolios where balance sheet products are also traded. Derivatives are generally traded "over the counter", which means that individual contracts are agreed upon by the parties. 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 measurement. Such measurement and follow-ups take place on a daily basis. In order to minimise counterparty risk for individual counterparties, netting agreements and bilateral guarantee agreements have been entered into. In addition, various interest rate products are cleared via so-called clearing houses, such as the LCH. Clearnet. The counterparty risk for an individual party is thus transferred to the clearing house.

CSA agreements (Credit Support Annex) have been entered into with most major bank counterparties and a large number of other counterparties. This means that the market value of all derivatives entered into between DNB and the counterparty is settled either daily or weekly, whereby counterparty risk is largely eliminated. These transactions are generally backed by cash collateral, though Treasury bills and covered bonds are also used. The collateral agreements are normally not based on rating triggers, but for a few agreements, the minimum exposure level will be reduced if DNB is downgraded. The effects of a possible downgrade are very limited. Equity forward contracts, securities issues and currency trading for private individuals are monitored and margined on a daily basis. By entering into CSA agreements, capital requirements are reduced. When calculating capital requirements, the market value method is used.

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 mean reversion model, while the FX model is a GBM-model (Geometrical Brownian Motion 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 below 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 table shows exposure and risk-weighted assets for counterparty risk. 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 assets.

COUNTERPARTY RISK, FINANCIAL DERIVATIVES

	Nominal amount		Replacement cost MTM		Credit equivalent/EAD		Risk-weighted assets	
NOK million	31 Dec. 2014	31 Dec. 2013	31 Dec. 2014	31 Dec. 2013	31 Dec. 2014	31 Dec. 2013	31 Dec. 2014	31 Dec. 2013
Gross amount before netting	6 636 044	6 162 176	210 518	102 103	279 966	177 439	95 641	62 711
Net amount after netting	243 897	508 325	128 036	52 180	149 262	86 373	57 716	38 484

CREDIT DERIVATIVES USED FOR HEDGING

	Bought	Sold	Bought	Sold
NOK million	31 Dec. 2014	31 Dec. 2014	31 Dec. 2013	31 Dec. 2013
CDS - Credit Default Swaps	0	74	0	61
CLN - Credit Linked Notes	74	0	61	0
Total credit derivatives	74	74	61	61

There has not been any buying or selling of credit derivatives through out 2014. Due date is 2017. The changes in nominal amount is due to the depreciation of the Norwegian krone towards the end of the year. The actual amount is US Dollar 10 thousand.

INVESTMENT IN SECURITISATION

The topic is discussed in chapter Liquidity risk.

8

MARKET RISK

8 MARKET RISK

GENERAL INFORMATION ABOUT MARKET RISK

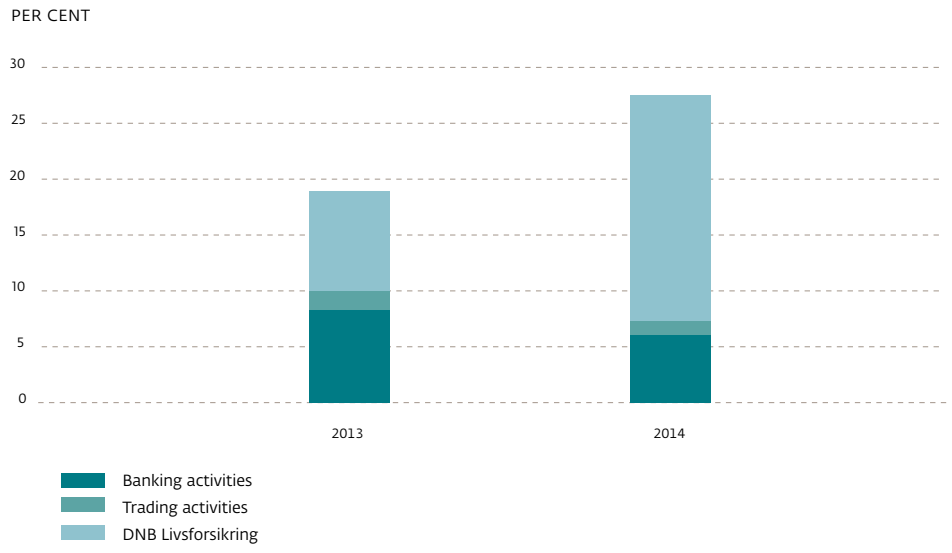
Market risk is the risk of losses due to unhedged positions in the foreign exchange, interest rate, commodity and equity markets. The risk arises in consequence of fluctuations in profits due to changes in market prices or exchange rates. Market risk includes both risk that arises through ordinary trading activities and risk that arises as part of banking activities and other business operations. In addition, market risk arises in DNB Livsforsikring AS, reflecting the risk that the return on financial assets will not be sufficient to meet the obligations specified in insurance policies.

This chapter is about market risk in banking activities. Market risk in insurance activities is described in a separate chapter about DNB Livsforsikring.

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 and is in its entirety assumed by Markets.

Market risk in banking activities arises in connection with the bank's financing activities, liquidity management and asset and liability management, as well as through 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. Management of the bank's liquidity buffers gives rise to credit spread risk from investments in corporate bonds. 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 market results in short-term fluctuations in the Group's income statement.

RISK-ADJUSTED CAPITAL FOR MARKET RISK AS A SHARE OF TOTAL RISK-ADJUSTED CAPITAL



The diagram shows developments in market risk, measured as the share of total risk-adjusted capital. This share increased from 19 to 27 per cent in 2014. The strong increase mainly reflects the effect of the low interest rate levels on risk measurement in life insurance operations. Market risk in the banking group declined somewhat in 2014, primarily due to the sale of the shares in Nets.

DEVELOPMENTS IN MARKET RISK IN 2014

Market risk in the banking group was stable during most of 2014. The fall in oil prices made its mark on the last few months of the year. Due to the oil dependence of the Norwegian

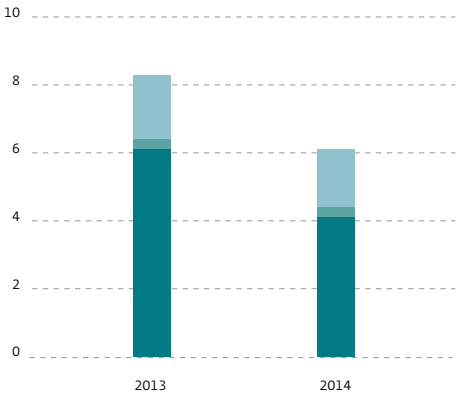
economy, this resulted in great volatility in the domestic financial market. The Norwegian krone depreciated significantly against the euro and the US dollar and had not been this volatile since the central bank initiated measures to defend the exchange rate in the 1980s. Parallel to this, Norwegian interest rates declined to record-low levels.

Financial market developments reflected the expansionary global monetary policy and falling interest rate levels in 2014. Increased liquidity helped raise asset values and reduced risk premiums in the market. The credit spread on corporate bonds is now at the same low level as prior to the financial crisis.

The diagrams show developments in market risk for trading and banking activities in terms of risk-adjusted capital. Equity investments are down due to the sale of shareholdings. Basis swap risk has also been reduced due to less volatility in international markets. No increase in market risk exposure is planned for 2015.

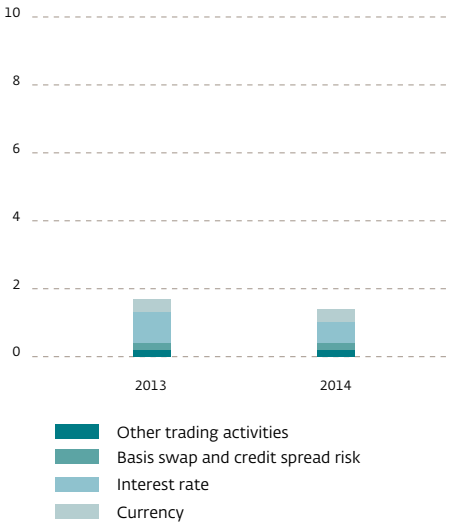
MARKET RISK IN BANKING ACTIVITIES AS A SHARE OF TOTAL RISK-ADJUSTED CAPITAL

PER CENT



MARKET RISK IN TRADING ACTIVITIES AS A SHARE OF TOTAL RISK-ADJUSTED CAPITAL

PER CENT



MANAGEMENT AND MEASUREMENT OF MARKET RISK

Total market risk in DNB must be within the risk appetite limit determined by the Board of Directors on an annual basis. Market risk in the risk appetite framework is measured as a share of total risk-adjusted capital. The limit covers market risk within both banking and insurance.

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 expire if they are not renewed. In connection with the renewal of limits and review of guidelines for 2015, property risk was defined as a separate risk type, subject to a sensitivity limit of NOK 12 billion. The limits are delegated to the business areas and to the units which assume risk. 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.

The group guidelines contain principles for market risk management in DNB to ensure that all market risk in the Group is monitored in a consistent and holistic manner.

Market risk exposures are reported in the Group's quarterly risk report to the Board of Directors. In addition, risk exposure is reported to the group management team each month. 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 which are responsible for following up risk, report independently of the respective business area's management teams.

The Group's Treasury function handles interest rate risk on the banking book. Currency risk is centralised, as all units must hedge their positions with DNB Markets. Primary responsibility for following up, developing and reporting all investments in equity instruments rests with the Group's CFO, with the exception of trading positions in DNB Markets. The unit handling equity investments is also responsible for repossessed assets and companies acquired due to defaulted credits.

DNB uses various risk measures to manage and monitor market risk. The measurement methods have different risk identification properties. Value at Risk (VaR) and risk-adjusted capital are the two most important statistical risk measures. In addition, sensitivity analyses and stress tests are used as supplementary risk measures.

VaR is based on a 99 per cent confidence level over a one-day time horizon. VaR is used to compare risk across asset classes and to follow up the risk level of each risk type. VaR is calculated for interest rate, equity and currency risk in both banking activities and trading activities.

Sensitivity targets are used to report and follow up exposures against limits for each risk type and in some case at risk factor level, i.e. limits on yield curve intervals. The sensitivity measures are an important element in qualitative risk assessments. Sensitivity measures are also used as input to probability measures for overall market risk. Basis point value and market value are commonly used sensitivity measures. Basis point value measures the change in market value for a given exposure by one basis point change in interest rate or spread level.

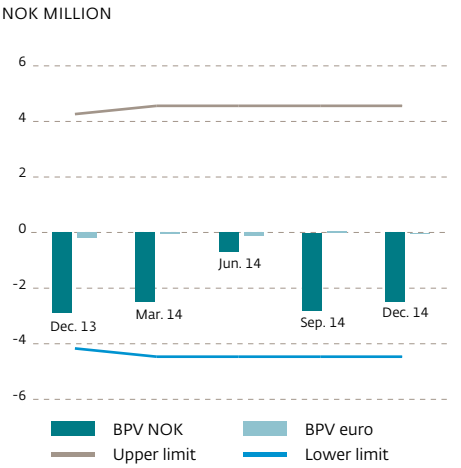
Stress testing is used to identify exposures and losses which could arise under extreme, but probable market conditions. The calculation of losses under various future economic scenarios makes it possible to uncover potential losses that are not identified based on statistical models.

MARKET RISK IN BANKING ACTIVITIES

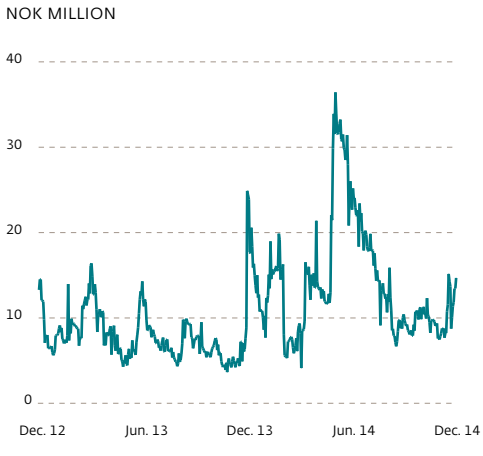
Interest rate and currency risk

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. The banking group's securities holdings are included in the calculation of interest rate risk. Derivatives are used to reduce interest rate risk. The limit for total interest rate risk in banking activities was NOK 4.55 million for each basis point change in interest rate levels in 2014. In addition, separate limits have been set for each currency and for intervals on the yield curve. Interest rate risk in banking activities is measured and reported on a daily basis. All currency risk in banking activities is hedged against DNB Markets and the trading activities.

INTEREST RATE EXPOSURE IN THE BANKING ACTIVITIES, BASIS POINT VALUE



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



The total interest rate exposure in banking activities in terms of basis point value was stable at a moderate level through 2014. The increase in VaR in the course of the year was due to a higher exposure to long-term interest rates and increased interest rate volatility. The interest rate risk in banking activities in terms of VaR ranged between NOK 4 million and NOK 37 million.

Equity risk

Equity risk outside the trading portfolio can be divided into equity risk in consolidated subsidiaries and direct equity exposures. Investments are divided into four categories:

- Strategic investments are investments which are defined as strategic for the Group.
- Financial investments are 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 comprises holdings in companies which have defaulted on their obligations to the bank. The purpose of the portfolio is to secure or recover the value of credit exposures through ownership and subsequent sale.
- Property portfolio comprises properties and property projects taken over by DNB in consequence of default. The purpose of the portfolio the same as for the rest of the credit portfolio, as decribed above.

Limits for financial investments are determined each year. There are no limits for the other categories.

EQUITY-POSITIONS, SHAREHOLDINGS NOT IN THE TRADING PORTFOLIO

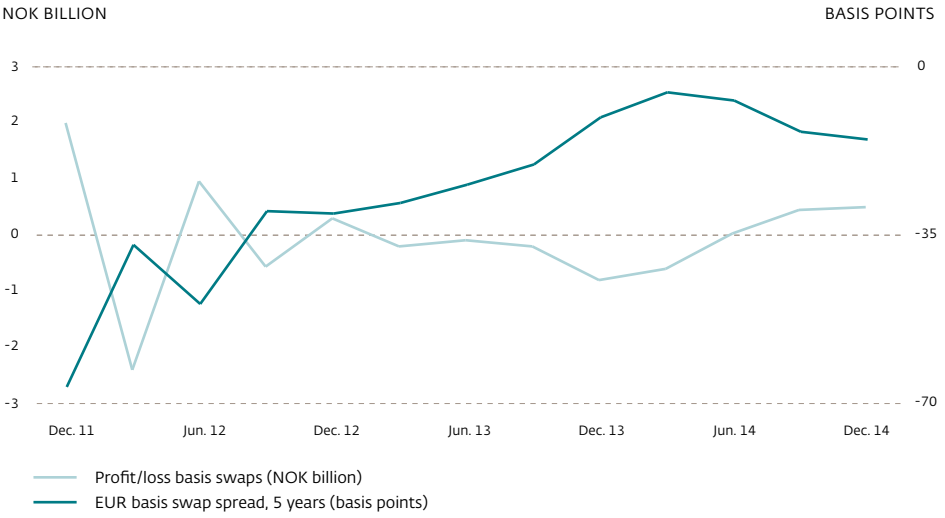
NOK million	31 Dec. 2014	31 Dec. 2013
Financial Institutions	313	0
Norwegian companies [1)]	1 353	294
Companies based abroad	156	2 671
Mutual funds [2)]	773	930
Shareholdings DNB Bank og Investment (designated as at fair value)	2 595	3 894
Net gains on shareholdings, designated as at fair value (DNB Bank og Kapitalforvaltning)	135	729
1) Of which listed on a stock exchange	-	-
2) Of which investments in Private Equity Funds	503	457

Exposure to market risk includes the investments' market value plus any future committed amounts. 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 financial statement. In accordance with IFRS 7, equities are carried at fair value in the financial statement.

Basis 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. Basis risk that is of significance to DNB is monitored by establishing separate market risk limits. The most pronounced basis risk in DNB arises in connection with currency hedging of future cash flows in foreign currency, so-called basis swap risk. Future cash flows in various currencies are priced differently in the basis swap market. The price differential is the basis for basis swap risk.

BASIS SWAP RISK



Profits from the basis swaps are sensitive to and negatively correlated with the euro basis swap spread. Profits from basis swaps have been considerably less volatile over the past three years.

Basis swaps are used by the Group Treasury and DNB Boligkreditt to hedge funding in foreign currency converted to Norwegian kroner. Basis swaps are carried at fair value, while the loans are recognised at carrying value. The use of different valuation principles for funding and for hedging instruments results in volatility in group profits. There is no limit for basis swap exposure in the banking portfolio as such swaps are used only for currency hedging of funding in foreign currency and thus only for risk mitigation. No risk-adjusted capital is calculated for basis risk in banking activities.

Credit spread risk

Credit spread risk is the risk of fluctuations in the market value of securities and derivatives as a result of changes in credit and liquidity risk. The liquidity portfolio represents the most significant credit spread risk for banking activities. The total limit for credit spread risk is NOK 45 million basis point value for the liquidity portfolio. See the chapter on liquidity risk and asset and liability management for more information.

MARKET RISK IN TRADING ACTIVITIES

Trading activities include trading in financial instruments in connection with market trading and other proprietary trading. The market value principle is used as the accounting principle for trading activities, which are subject to capital adequacy requirements for market risk.

The table below shows the various types of market risk and related limits for 2014. In addition, there are limits for basis swaps, intervals on the yield curve and interest rate, currency and equity derivatives.

MARKET RISK LIMITS FOR TRADING ACTIVITIES, DECEMBER 2014

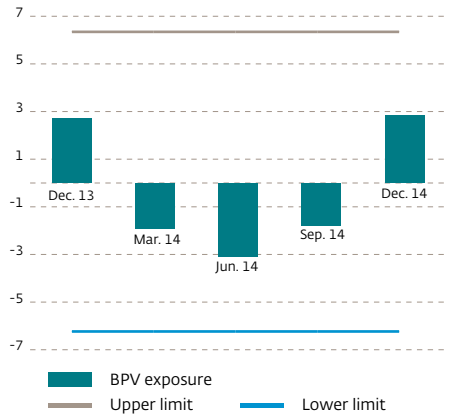
Risk category	Limit, NOK million	Description
Currency risk	5000	Market value limit
Interest rate risk	6.34*	Sensitivity limit
Equity risk	2500	Market value limit
Commodities risk	300	Market value limit

*per basis point value

Value at Risk (VaR) is used in the daily monitoring of market risk in DNB Markets. The diagram below shows aggregated VaR per risk category for trading activities in 2014.

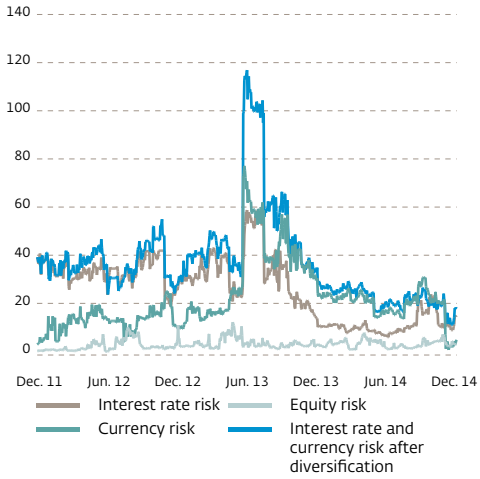
INTEREST RATE EXPOSURE IN TRADING ACTIVITIES, BASIS POINT VALUE

NOK MILLION



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

NOK MILLION



Interest rate exposure in trading activities was at a stable, moderate level throughout 2014. During the year, the risk level for currency and interest rate risk in trading activities in DNB Markets in terms of VaR ranged between NOK 9 million and NOK 28 million. The annual average was NOK 21 million, which is within the historically normal level for trading activities. The largest exposure at year-end 2014 was to Norwegian fixed-income instruments.

CAPITAL REQUIREMENTS FOR MARKET RISK

DNB reports market risk according to the standardised approach.

CAPITAL REQUIREMENTS FOR MARKET RISK

NOK million	31 Dec. 2014	31 Dec. 2013
Position risk, debt instruments	1 380	2 239
Position risk, equity instruments	39	104
Currency risk	0	0
Commodity risk	9	9
Credit value adjustment risk (CVA)	601	0
Total market risk	2 029	2 352

During 2014, extensive efforts were made to reduce capital usage for market risk. Measures included the optimisation of netting between different time zones and changes in the structure of the bond portfolio based on risk-weighted amounts. Though a requirement to allocate capital to CVA (Credit Value Adjustment) was introduced in 2014, the capital requirement for market risk declined by just over NOK 300 million from 2013 to 2014.

THE GROUP'S OWN PENSION COMMITMENTS

DNB's pension schemes are established in DNB Livsforsikring. There are two types of pension schemes for DNB's employees, a defined-contribution scheme and a defined-benefit scheme. The risk relates to pension commitments to employees in the defined-benefit schemes. No new members have been enrolled in the defined-benefit scheme since 31 December 2010. Pension entitlements for salaries in excess of 12 G (the National Insurance basic amount) are not funded.

The valuation of the defined-benefit pension commitments must be based on financial and

demographic assumptions. The assumptions are in line with the guidance on pension assumptions issued by the Norwegian Accounting Standards Board. The risk relating to pension commitments stems from the following factors:

- The investments give a lower return than assumed in the calculations.
- Changes in assumptions, e.g. interest rates or inflation, result in higher pension expenses.
- Changes in life expectancy or the insurance company's costs.

Pension commitments are sensitive to changes in the discount rate. If the discount rate is reduced by 1 percentage point, pension expenses will increase by approximately 24 per cent. A corresponding increase in excess of the anticipated rise in salaries will result in a 12 per cent rise in expenses.

The costs relating to the pension entitlements are recognised in the income statements for the relevant accounting year. Changes in pension commitments due to changes in the discount rate or other actuarial assumptions, are recorded in other comprehensive income and thus also affect the Group's equity and Tier 1 capital ratio.

Net pension commitments, which is the difference between pension funds and pension commitments, are recognised as liabilities/assets in the balance sheet. Commitments are calculated based on updated premium rates for mortality. The above changes will affect the cost of pension entitlements and net pension commitments. In turn, this will have an impact on the Group's capital adequacy.

Total net pension expenses were NOK 0.9 billion in 2014, of which NOK 0.2 billion related to defined-contribution pensions. Total pension commitments were NOK 18.9 billion, while pension funds came to NOK 13 billion. NOK 10.7 billion of the pension funds were placed in DNB Livsforsikring.

Members in the defined-benefit scheme, pensioners and disability pension recipients represent 82 per cent at year-end 2014, a reduction from 86 per cent a year earlier.

Further information about pensions can be found in note 27 to the annual accounts.

9

OPERATIONAL RISK

9 OPERATIONAL RISK

GENERAL INFORMATION ABOUT OPERATIONAL RISK

Operational risk is the risk of losses due to deficiencies or errors in processes and systems, human errors or external events. Operational risk also includes compliance risk, which is the risk of losses caused by breaches of laws and regulations or similar obligations, and legal risk, which is often related to the documentation and interpretation of contracts and different legal practices in countries where the bank is operating.

Unlike most other types of risk, operational risk normally does not give higher expected returns the higher the risk. The Group's quality assurance process shall help DNB reach its low operational risk target.

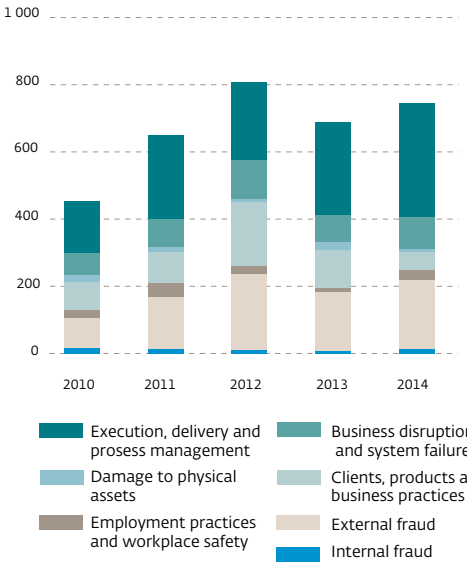
DEVELOPMENTS IN OPERATIONAL RISK IN 2014

A total of 745 events were registered in 2014. Net losses totalled NOK 130 million. Adjusted for two extraordinary events in 2013, losses were on the same level. In 2014, only one event resulted in a loss of more than NOK 10 million. This was an external fraud case that took place in the third quarter and resulted in an estimated loss of NOK 21 million. Operational losses have been low and stable for a long period, and the total risk level is considered to be within acceptable established threshold limits, including the Group's risk appetite framework.

The operational stability of the Group's IT systems has been challenging. Extensive measures have been initiated, including the outsourcing of services and change of system operator, to mitigate the risk. The Group is implementing a comprehensive and complex moving process from seven data processing centres to a single, large centre, including emergency preparedness routines, during 2015. Once the move is completed, the Group's IT operations security is expected to improve significantly. The project is on schedule, and the prevailing risk analysis shows no significant risks that have not been handled in a satisfactory manner. Nevertheless, the operational risk of the project is consistently high due to the complexity and scope of the technical activities. Data security requirements are gradually becoming stricter, not least due to improved IT expertise among criminals. High priority is therefore given to securing data and confidential information.

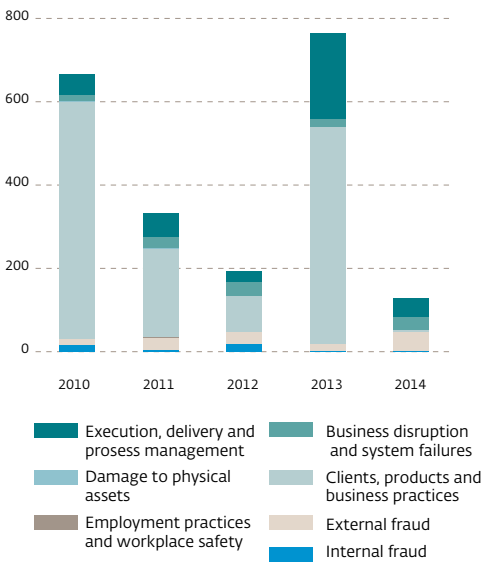
OPERATIONAL EVENTS

NUMBER OF EVENTS



OPERATIONAL LOSSES

NOK MILLION



MANAGEMENT AND MEASUREMENT OF OPERATIONAL RISK

The risk appetite framework specifies certain maximum limits for operational risk. Operational risk in DNB shall be characterised by few and small operational loss events. Total annual losses resulting from operational events shall have no pronounced effect on the Group's return on equity. Critical IT-events are reported as a separate risk appetite statement, focusing on identifying and following up risk-mitigating measures.

DNB has laid down group guidelines for the management of operational risk in the Group. There shall be sound operational risk management in the Group, which will be reflected in higher-quality operations and customer service and lower risk, and thereby stronger financial performance and increased shareholder values.

Operational risk management and compliance at group level is organised in a separate unit within Group Risk Management. A group committee, Advisory Group Operational Risk, has overall responsibility for management and control in this field. The committee's main responsibility is to help develop relevant group processes.

Special groups have been established in all of the Group's business areas and support units to support management in managing operational risk. Responsibilities include assessing and reporting identified risks and helping to prevent operational losses. To ensure independence relative to business operations, these persons are organised in the business areas' respective staff units. Their work also includes making sure that operations are in compliance with relevant laws and regulations. All reporting is a two-way process, both through the line organisation and through the Group's central risk unit.

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. Plans are updated on an ongoing basis, and regular drills are carried out.

For a long time, DNB has quantified the number of events and net losses for the individual business areas. 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. Compliance breaches are registered in the database irrespective of the resulting financial loss.

The annual status report is a key element in the Group's operational risk management. All of the Group's business areas and staff and support units carry out an extensive self-assessment of their current status in this field, combined with a process to identify areas of risk that more units may have in common. Thereafter, concrete risk-mitigating measures are identified. These processes are part of the Group's internal control reporting. In addition, developments in operational risk are reported each quarter to group management and the Board of Directors as an element in the Group's risk reporting.

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.

ANTI-MONEY LAUNDERING AND SANCTIONS

Due to the increasing complexity of international regulations, DNB established the AML/Sanctions Division in 2014 to strengthen the Group's work on anti-money laundering, counter-financing of terrorism and sanctions compliance. The division is organised in Group Risk

Management and reports to the Chief Risk Officer. The main responsibility of the division is to ensure that the DNB Group complies with anti-money laundering and sanctions regulations. The reorganisation means that professional responsibility for this field and for the development of analytical models and reporting of the risk situation is gathered in the new division.

The quality of customer data is a key element in the work on anti-money laundering and compliance with sanctions regulations. Further improvement of customer due diligence is required, along with training to ensure that enough and appropriate information is collected. Inadequate information about beneficial owners increases the risk that the bank could be exploited for money laundering or financing of terrorism. The Group's IT systems will be continuously upgraded to provide the support required to meet the ever increasing need for good data quality. DNB has established various measures in an action plan for the entire Group that defines the most important tasks for the coming three years in order to improve data quality at all levels.

DNB's anti-corruption guidelines were approved in March 2014, stating that the DNB Group has zero tolerance to corruption. In this field, the compliance function represents the bank's second line of defence and shall ensure compliance with external laws and regulations relating to corruption. In addition, the group compliance officer, GCO, was given overall professional responsibility for this field in 2014. During the year, all business areas and international units completed special risk assessments focusing on anti-corruption.

ETHICS IN DNB

The purpose of the DNB Group's guidelines for ethics (the code of ethics) is to increase awareness of, and compliance with, the high ethical standards required of all DNB employees. The code of ethics should support efforts to combat corruption, extortion, bribery, money laundering, fraud, terrorist financing and the financing of criminal activities. DNB continues to focus strongly on providing training in and increasing awareness of key areas of ethical risk.

DNB has appointed a Head of Ethics for the entire Group who employees can contact if they are faced with ethical dilemmas. The Head of Ethics has her own information page on the Group's Intranet which contains contact information. All queries to the Head of Ethics are treated confidentially. Queries often focus on the duty of confidentiality and right of privacy, notification culture, the treatment of employees, as well as concerns as to whether customer communication is open and honest.

CAPITAL REQUIREMENTS FOR OPERATIONAL RISK

The DNB Group reports operational risk mainly according to the standardised approach and uses the foundation approach for some smaller units.

CAPITAL REQUIREMENTS FOR OPERATIONAL RISK

NOK million	Risk weights	31 Dec. 2014	31 Dec. 2013
Corporate finance	18%	90	78
Trading and sales	18%	965	1 076
Retail brokerage	12%	79	66
Commercial banking	15%	2 678	2 694
Retail banking	12%	2 114	1 889
Payment end settelments	18%	160	146
Agency services	15%	17	9
Asset management	12%	44	45
Total standardised approach		6 146	6 003
Total basic indicator approach	15%	400	405
Total operational risk		6 546	6 408

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BUSINESS RISK

10 BUSINESS RISK

GENERAL INFORMATION ABOUT BUSINESS RISK

Business risk is the risk of profit fluctuations 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 generally handled through the strategy process and through ongoing work to safeguard and improve the Group's reputation. When determining and following up the Group's risk appetite, reputational risk is treated separately.

DEVELOPMENTS IN BUSINESS RISK IN 2014

The Group's quantified business risk showed a relatively stable trend in 2014, increasing slightly due to rising business volumes and income. According to relevant indicators, the Group experienced a certain weakening of its reputation and had an average reputation score of 68 points at year-end 2014. This is down from 70 points a year earlier. The decrease in the reputation score was most pronounced in the first half of the year, reflecting extensive media coverage of banks' interest rate spreads and earnings, as well as executive pay.

The financial crisis has led to a completely new and strict regulatory environment for banks. Some banks have been forced to change their business models significantly. This is, however, not the case for DNB. The banking operations of DNB remain rather "old fashioned", with emphasis on relationship banking, and loans have been kept on the balance sheet. The business model "originate and sell" has not been widely used, except for in the large corporate area, where syndication is a normal procedure. DNB has not relied on securitisation for funding or capital purposes. Customer activities represent the main activities for DNB Markets, and proprietary trading has been limited. Hence, the business models of the bank are assessed to be robust in the new regulatory environment.

Within life insurance, old products such as defined-benefit pension schemes with high interest guarantees, will most likely not be viable in the long term. DNB will adapt by winding up its public sector occupational pension operations and will no longer accept transfers of traditional paid-up policies. Marketing efforts will focus on the new products, which offer the customer the option to choose investment mix.

BUSINESS RISK MANAGEMENT AND MEASUREMENT

The risk appetite framework specifies maximum limits for reputational risk. DNB will not be associated with operations which may harm its reputation.

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.

11

DNB LIVSFORSIKRING

11 DNB LIVSFORSIKRING

GENERAL INFORMATION ABOUT DNB LIVSFORSIKRING

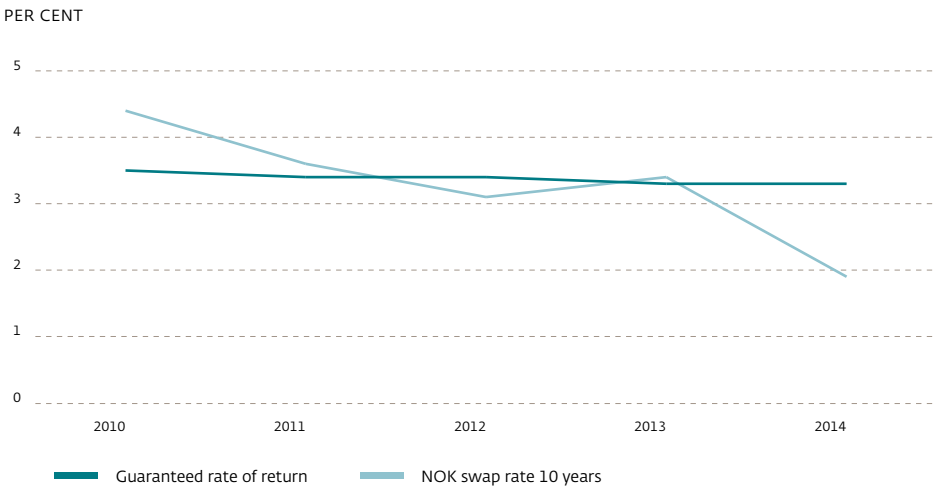
DNB Livsforsikring AS is a wholly-owned subsidiary of DNB ASA. DNB Livsforsikring sells insurance and pension products to companies, associations and private individuals. Assets under management at year-end 2014 were NOK 288 billion. The company had just over one million personal customers within individual and group policies and some 23 000 agreements with companies, municipalities and public enterprises at year-end 2014. The market share of policy-holders' funds in Norway was 25 per cent at end-September 2014. The company had a market share of 40 per cent for defined-benfit schemes in the private sector, including paid-up policies.

DNB Livsforsikring follows the Group's principles for risk management and control and aims to maintain a low risk profile. Sound risk management shall contribute to increased risk-adjusted profitability.

DEVELOPMENTS IN DNB LIVSFORSIKRING IN 2014

There was a negative trend in the company's risk situation through 2014. This was due to the decline in long-term interest rates, with a 145 basis point reduction in the 10-year swap rate, from 3.37 to 1.92 per cent. The annual average guaranteed rate of return on DNB Livsforsikring's guaranteed rate products is 3.17 per cent. Lower interest rates increase the risk relating to the company's ability to meet the guaranteed rate of return. The diagram below shows developments in the 10-year swap rate in Norwegian kroner and the average guaranteed rate of return.

GUARANTEED RATE OF RETURN AND INTEREST RATE



In connection with the introduction of new solvency regulations, Solvency II, in March 2014, the EU approved permanent measures and transitional rules. In September 2014, Finanstilsynet (The Financial Supervisory Authority of Norway) released its assessment of how the transitional rules and measures should be applied by Norwegian companies. The transitional rules will moderate the regulatory capital requirement that enters into force as of 1 January 2016.

On 27 March 2014, the Ministry of Finance sent a letter to Finanstilsynet in connection with the escalation plans and the use of profits to cover mandatory reserves for higher life expectancy. The increase in reserves must take place over a period of seven years starting in 2014. At year-end 2014, the company had built up reserves of NOK 7.0 billion, and the remaining required increase in reserves is estimated at NOK 5.3 billion. The shareholder contribution is estimated at NOK 2.2 billion of this.

Provisions for higher life expectancy were NOK 2.9 billion in 2014. Additional statutory reserves came to NOK 0.9 billion. The market value adjustment reserve was increased by NOK 0.2 billion. Profits for the year, after tax, came to NOK 1.9 billion and were retained in the company. Overall, this increased the company's solvency capital by NOK 5.9 billion in 2014.

In June 2013, DNB Livsforsikring decided to wind up its public sector operations. This process is ahead of schedule, and the remaining portfolio totalled NOK 17.5 billion at year-end 2014. An additional NOK 14 billion was transferred from the company with effect from 1 January 2015.

A process is underway to gather all of the Group's non-life insurance activities in DNB Skadeforsikring. Selected ancillary benefits products with terms of one-year will be transferred from DNB Livsforsikring to DNB Skadeforsikring.

RISK MANAGEMENT AND MEASUREMENT IN DNB LIVSFORSIKRING

The DNB Group's risk appetite framework includes two statements that concern the risk level in DNB Livsforsikring: the solvency margin measured according to Solvency II and market risk in terms of risk-adjusted capital. In addition, DNB Livsforsikring has established a separate risk appetite framerwork to ensure that risk management is an integral part of the company's governance processes. The risk appetite framework in DNB Livsforsikring consists of the following risk dimensions:

- Profitability and earnings
- Capitalisation
- Market risk
- Insurance risk
- Operational risk

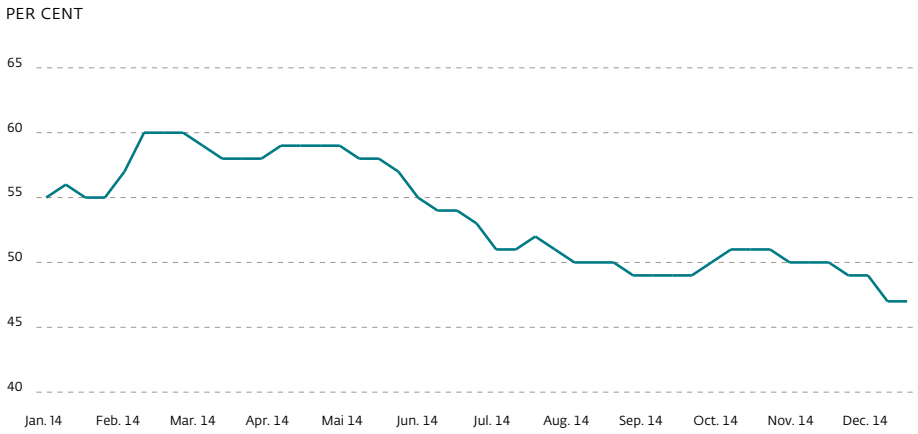
Solvens II presents requirements to governance and control in insurance companies. These requirements are taken into account in DNB Livsforsikring's risk management system. Statutory requirements must be met by the risk management, actuary, compliance and internal audit functions. The head of the risk management function in DNB Livsforsikring reports directly to the Group's CRO in addition to the CEO of DNB Livsforsikring. The risk management function is responsible for identifying, measuring, monitoring and reporting the company's total risk. The unit is independent of the company's financial management and business areas. The unit prepares a quarterly risk report to the company's management and Board of Directors. Compliance with the limits and guidelines is reported on a monthly basis.

MARKET RISK

Market risk in DNB Livsforsikring 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 on which the calculation of premiums is based. If this is not the case, additional statutory reserves 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 changes in the value of investments in the common portfolio.

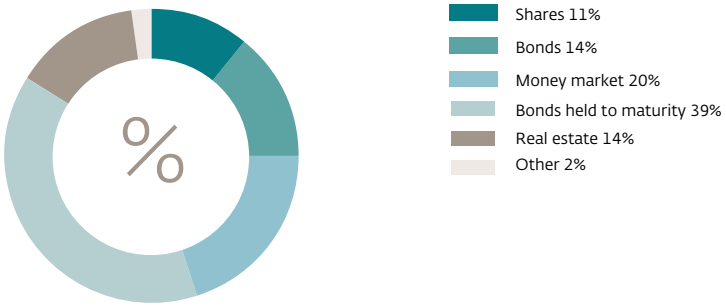
A limit has been set for the use of buffer capital for market risk in the common portfolio. The limit is measured in the form of a risk limit for asset management, which shows losses from a stress test in per cent of the company's buffer capital. A risk limit for asset management of 100 per cent implies that DNB Livsforsikring could potentially breach regulatory capital requirements in one out of 20 years due to market risk in the common portfolio. There has been a reduction in market 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.

RISK IN ASSET MANAGEMENT



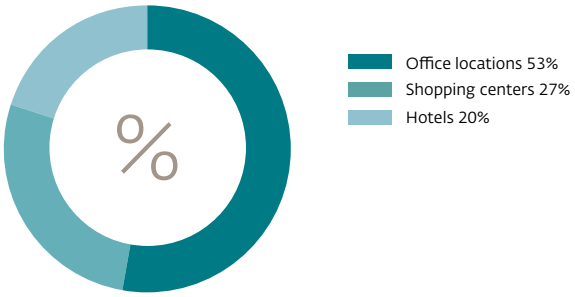
A significant portion of DNB Livsforsikring's financial investments represents assets that generate strong, stable and predictable returns. The diagram shows the composition of the common portfolio at year-end 2014. 39 per cent of the portfolio represented hold-to-maturity bonds. This portfolio is well-diversified and generated a recorded return of 4.7 per cent in 2014.

INVESTMENTS IN COMMON PORTFOLIO, DECEMBER 2014

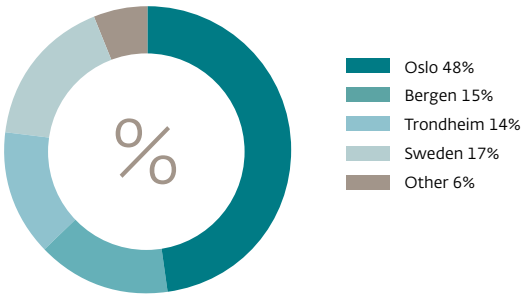


Real estate represented approximately 14 per cent (NOK 31 billion) of the common portfolio and generated a return of 7.4 per cent in 2014. In addition, the corporate portfolio included real estate valued at NOK 1.1 billion. Sales were completed or sales contracts entered into for properties with a total sales value of NOK 5.2.billion in 2014. The gains realised on these transactions totalled NOK 298 million. The diagrams below show DNB Livsforsikring's real estate portfolio according to type of property and geographical location.

COMMERCIAL REAL ESTATE PORTFOLIO, DECEMBER 2014



COMMERCIAL REAL ESTATE PORTFOLIO SPLIT BY GEOGRAPHY, DECEMBER 2014



Bonds at fair value, which represented 14 per cent of the portfolio, generated a return of 7.8 per cent. Equities represented 11 per cent of the portfolio and gave a total return of 6.1 per cent.

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. Maximum sums insured have been set, and standards have been established for the processes to develop and launch new products. Risk results are regularly followed, and long-term trends are reflected in prices, product design and market strategies. The need for provisions is considered on an ongoing basis. The table below shows DNB Livsforsikring's risk result at year-end 2013 and 2014, respectively.

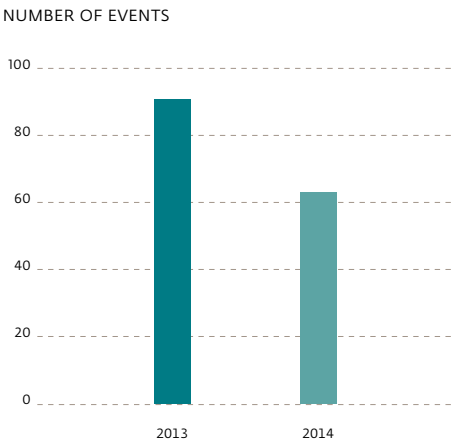
RISK RESULT DNB LIVSFORSIKRING

	Risk result schemes, defined-benefit pension			Individual annuity and pension insurance			
NOK million	Private sector	Public sector	Group association insurance	Annuity and pension insurance	Endow-ment insurance	Other sectors	Total
Risk result in 2014 [1)]	388	144	14	77	84	(1)	706
Risk result in 2013	413	(57)	(4)	(8)	90	19	452
Sensitivities - effect on the risk result							
5 per cent reduction in mortality rate	(20)	(9)	(1)	(10)	2	3	(36)
10 per cent increase in disability rate	(132)	(18)	(1)	(9)	(7)	(15)	(181)
1) Of which mortality risk	(20)	25	9	(1)	58	1	72
Of which pure endowment risk	(11)	57	(3)	20	(1)	(2)	59
Of which disability rate	356	85	10	61	20	2	534
Of which claims rate	69	0	0	0	6	0	75
Other	(5)	(23)	(1)	(3)	1	(1)	(34)

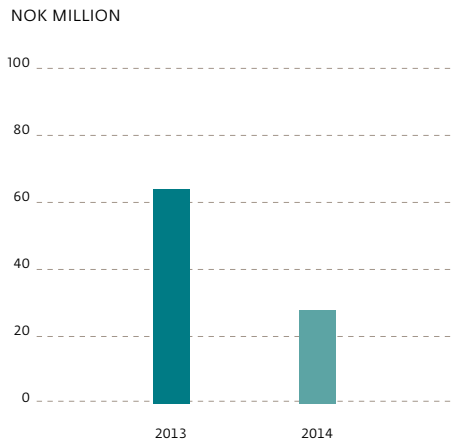
OPERATIONAL RISK

Developments in the number of events and operational losses are shown in the diagram below. Both the number of events and losses in Norwegian kroner showed a positive trend in 2014.

OPERATIONAL EVENTS DNB LIVSFORSIKRING



OPERATIONAL LOSSES DNB LIVSFORSIKRING



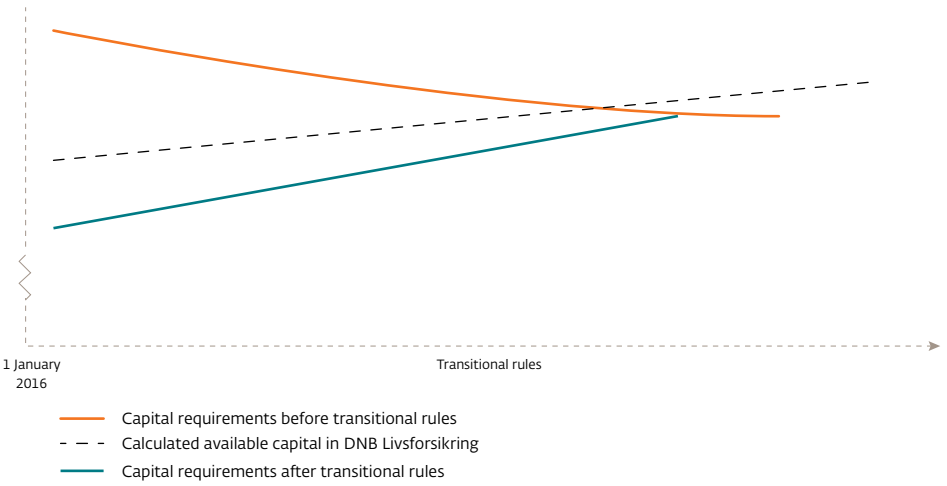
DNB Livsforsikring and the DNB Group are facing significant changes with a different division of work tasks as parts of operations and work processes will be transferred from DNB Livsforsikring to other units in the Group. DNB Livsforsikring is responsible for risk management and internal control of outsourced operations. In order to avoid an unintended increase in operational risk resulting from the changes in work tasks, risk assessments have been carried out along with related measures.

CAPITAL REQUIREMENTS FOR DNB LIVSFORSIKRING

At year-end 2014, the company's capital adequacy ratio was 21.9 per cent, while the minimum requirement is 8 per cent. The solvency margin according to Solvency I was 245 per cent. Solvency capital totalled NOK 22.9 billion, while the solvency margin requirement was NOK 9.4 billion.

The Solvency II regulations enter into force on 1 January 2016, whereby capital requirements for insurance operations will be tightened considerably. The approved transitional rules give a 16-year phase-in period for measuring liabilities at fair value and will have the most pronounced effect in a low interest rate environment. Another result of the transitional rules is a reduction in the capital requirement for equity exposures. The company will apply the transitional rules and will be adequately capitalised when the Solvency II regulations enter into force. The diagram below illustrates the effect of the transitional rules, showing how the capital requirement without the transitional rules will decline somewhat in the longer term, while the capital requirement with the transitional rules will gradually increase. The Group's capital adequacy ratio is expected to be comfortably above the minimum requirement.

SOLVENSY II CAPITAL REQUIREMENTS BEFORE AND AFTER TRANSITIONAL RULES



DNB Livsforsikring's solvency margin, calculated according to the new Solvency II regulations and based on the transitional rules, was approximately 140 per cent at year-end 2014. This is NOK 9 billion above the requirement. DNB Livsforsikring will apply to Finanstilsynet for permisssion to use the transitional rules as of 1 January 2016. Profits for 2014 strengthened the company's primary capital, as did a subordinated loan of NOK 4 billion raised by the company in 2015.

CAPITAL ADEQUACY DNB LIVSFORSIKRING

NOK million	31 Dec. 2014	31 Dec. 2013
Paid-in capital	5 966	5 496
Other retained earnings	13 619	12 353
Equity	19 584	17 849
Perpetual subordinated bonds	225	225
Risk equalisation fund	(1 253)	(1 013)
Over-funding of pension commitments	0	0
Goodwill and othert intangible assets	(255)	(269)
Other deductions	(13)	(12)
Core capital	18 288	16 780
Perpetual subordinated loan capital	1 210	1 110
Ordinary subordinated loan capital	0	0
Net additional capital	1 210	1 110
Deductions	0	0
Total eligible primary capital	19 498	17 889
Risk-weigthed volume	89 085	95 119
Ownership interest in per cent	21.9	18.8
Core capital adequacy in per cent	20.5	17.6

12

DNB SKADEFORSIKRING

12 DNB SKADEFORSIKRING

GENERAL INFORMATION ABOUT DNB SKADEFORSIKRING

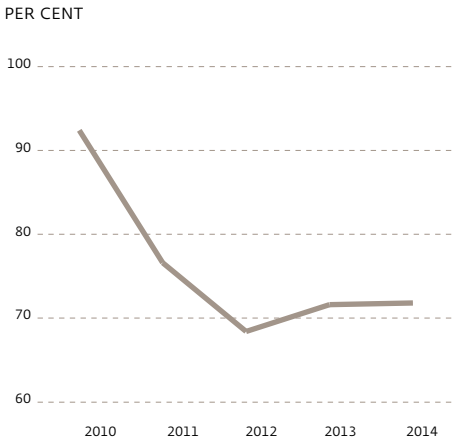
DNB Skadeforsikring AS is a wholly-owned subsidiary of DNB ASA and offers insurance to the Group's personal customers through the bank's distribution channels. Its main products are motor vehicle, home and travel insurance. DNB Skadeforsikring's strategic goal is to underpin the DNB Group's strategy while achieving profitable growth for the company's insurance activities.

The company's market shares have risen steadily over the past few years. At year-end 2014, the company's share of the Norwegian non-life insurance market for private individuals was approximately 6 per cent.

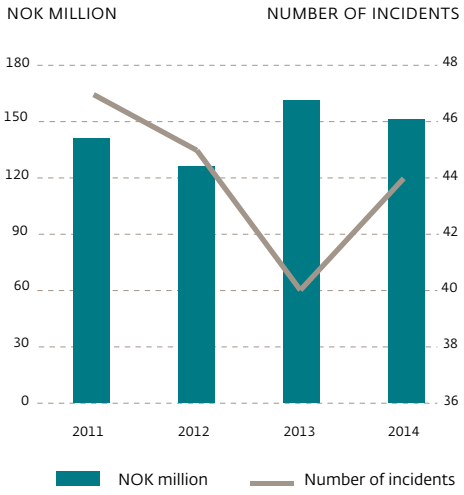
DEVELOPMENTS IN DNB SKADEFORSIKRING IN 2014

The claims ratio for own account, that is claims payable as a percentage of premium income, was 72 per cent in 2014, roughly on a level with 2013. The results vary between the different products, and motor vehicle insurance is the most profitable main product. Overall, there was sound profitability in the insurance portfolio in 2014.

DNB SKADEFORSIKRING – DEVELOPMENT IN THE CLAIMS RATIO



DNB SKADEFORSIKRING – LARGE LOSSES OVER 1 NOK MILLION



During the company's first years of operation, DNB Skadeforsikring struggled to make a decent profit. Various measures were implemented to remedy the situation, and profitability has since steadily increased, with a stable claims ratio of around 70 per cent.

10-15 per cent of claims payments normally relate to individual insurance events where the amount of compensation exceeds NOK 1 million.

The chart above shows that, on an annual basis, the trend for large claims is relatively stable. Still, the figures vary significantly from month to month. Large claims are the main reason why profits fluctuate in the course of the year.

The damage caused by flooding in Hordaland and Sogn & Fjordane in October represented the most serious natural damage in 2014. The Norwegian Financial Services Association has estimated that claims payments came to NOK 250 million. DNB Skadeforsikring is required to cover 3 per cent of this through the Norwegian Natural Perils Pool .

A process is underway to gather all of the Group's non-life insurance activities in DNB

Skadeforsikring. Selected ancillary benefits products with terms of one-year that entitle policy-holders to a lump sum compensation under health insurance policies, will be transferred from DNB Livsforsikring to DNB Skadeforsikring. The latter company will change its name to DNB Forsikring. Finanstilsynet gave its approval in December 2014, and the company's licence will be expanded to include pure risk life insurance. The approval also applies to the transfer of products from DNB Livsforsikring to DNB Skadeforsikring.

RISK MANAGEMENT AND MEASUREMENT IN DNB SKADEFORSIKRING

Based on the Group's risk appetite framework, DNB Skadeforsikring has established a set of rules to ensure that risk management is an integral part of the company's governance processes. DNB Skadeforsikring's risk appetite framework is determined by the company's Board of Directors and stipulates absolute requirements for the company's key target areas.

The risk appetite framework in DNB Skadeforsikring consists of the following risk dimensions:
- Profitability and earnings
- Capitalisation
- Market risk
- Insurance risk
- Operational risk
- Counterparty risk

The company's risks are managed and monitored in accordance with the Group's management and control structure. A distinction is made between executive, monitoring and controlling units. See chapter 4 Risk management and control in DNB.

The company's general risk trends, risk appetite and guidelines are monitored by means of the Group's governance model and in DNB Skadeforsikring's quarterly risk report.

DNB Skadeforsikring is exposed to insurance, market, counterparty and operational risk. Market risk is low due to a conservative allocation of the portfolio. The chart below shows risks in DNB Skadeforsikring based on FSA's stress test for insurance companies.

COMPOSITION OF RISK, DNB SKADEFORSIKRING, DECEMBER 2014

INSURANCE RISK

DNB Skadeforsikring is mainly exposed to insurance risk, which represented 83 per cent of the company's potential losses at year-end 2014. Risk related to individual entities/objects is controlled and limited by means of statistical pricing models and selection processes which ensure that insurance premiums are proportionate to the risk premiums.

Large individual claims, typically in excess of NOK 1 million, are difficult to predict using statistical models. The company reduces its risk exposure to such claims though a reassurance programme that limits the company's liability for damages for individual events to maximum NOK 10 million.

The reassurance programme also reduces the company's exposure to natural damage risk.

Natural damage events are a frequent cause of large claims. The company is a member of the Norwegian Natural Perils Pool and is thus liable for natural damage affecting buildings and movables covered by fire insurance in Norway. The company's liability corresponds to a proportion of its market share within fire insurance, irrespective of whether the natural damage actually affects DNB Skadeforsikring's customers. The company currently has a negative natural disaster fund. However, the Natural Perils Pool is covered by reassurance that limits the members' joint liability for individual events to NOK 1 billion.

In addition, reserve risk is an important driver which could have a significant impact on profits. Reserve risk reflects the uncertainty in estimated provisions for any future liability for damages. Actuaries use recognised statistical models to estimate expected future claims.

OPERATIONAL RISK

Independent operational risk management and compliance units have been established in DNB Skadeforsikring. These units monitor both internal and outsourced operations. DNB Skadeforsikring generally has satisfactory management and control of operational risk and compliance. Governance processes and operations are of good quality, even in a challenging year with high levels of activity in a number of areas.

CAPITAL REQUIREMENTS FOR DNB SKADEFORSIKRING

At year-end 2014, the company's primary capital totalled approximately NOK 500 million, which gave a capital adequacy ratio of just below 93.1 per cent. Primary capital in excess of the requirement was NOK 452 million. The solvency margin capital requirement corresponded to NOK 287 million at year-end 2014, and the company's capital exceeded this requirement by NOK 307 million. The company's capital situation under current Solvency I regulations is thus considered to be satisfactory. Capital adequacy for DNB Skadeforsikring can be found in the attachment.

When the Solvency II regulations enter into effect, the company plans to calculate the solvency capital requirement according to the standard approach. The company expects to also be well capitalised in relation to the Solvency II requirement, though there is still some uncertainty about some of the rules.

Based on a simplified Solvency II calculation, the solvency capital requirement for DNB Skadeforsikring came to NOK 692 million at the end of 2014.

The table below shows the capital adequacy requirements at year-end 2013 and 2014 based on simplified Solvency II calculations, distributed over various risk categories.

CAPITAL REQUIREMENTS BASED ON SIMPLIFIED SOLVENCY II FOR DNB SKADEFORSIKRING

NOK million	31 Dec. 2014	31 Dec. 2013
Market risk	51	59
Insurance risk	601	518
Health insurance risk	55	21
Counterparty risk	29	17
Operational risk	57	54
Diversification effects	-100	-69
Total DNB Skadeforsikring	692	600

Based on a simplified Solvency II calculation, DNB Skadeforsikring's capital adequacy ratio at year-end 2014 corresponded to 111 per cent of the capital requirement. The reduction reflected the fact that parts of annual profits were ceded as a group contribution. This reduced the buffer capital by NOK 146 million. As shown in the chart, the company's capital situation has generally improved over the past few years. The positive trend reflects the healthy level of profits which were transferred in their entirety to the company's equity.

DEVELOPMENT IN CAPITALISATION ACCORDING TO SIMPLIFIED SOLVENCY II CALCULATION

The company completed its first ORSA report in 2014 and is planning to expand this work in connection with the 2015 ORSA process.

The ORSA process will be under continuous development and consists of a number of small-scale projects that identify and test the company's risk profile and capital situation in both the short and long term.

13

NEW REGULATORY FRAMEWORK

13 NEW REGULATORY FRAMEWORK

Over the last few years, a number of new regulations setting requirements for the financial services industry have been introduced or announced. The Norwegian authorities have introduced stricter capital requirements and earlier implementation compared with the EU. The financial services industry supports the principal lines in the international process to implement new and stricter banking regulation. The new requirements significantly affect Norwegian banks' operations and competitive position.

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

INTRODUCTION OF NEW EU CAPITAL REQUIREMENTS

The new EU capital requirements regulations, called the CRR/CRD IV regulations, entered into force on 1 January 2014. CRR is the regulation, while CRD IV is the directive. The regulations are based on the Basel Committee's recommendations from December 2010 on new and stricter capital and liquidity standards, Basel III. The CRR/CRD IV regulations entail significantly higher own funds requirements and new requirements for long-term funding and liquidity reserves. The regulations are intended to apply to all banks and investment firms within the EEA and will be implemented gradually up to 2019.

EUROPEAN BANKING UNION A REALITY

In 2014, the EU established a single, supranational supervisory authority for banks in the eurozone. The European Central Bank, ECB, exercises direct supervision of the approximately 130 largest banks in the eurozone. Countries outside the eurozone may join the banking union, though both Great Britain and Sweden have stated that this will not be a relevant option in the foreseeable future. Denmark has adopted a wait-and-see attitude, but does not seem likely to join the union in the course of the next few years.

The purpose of the banking union is to remove the correlation between banking crises and sovereign debt crises, and thereby help avoid taxpayer bail-outs of failed banks in the future. There is a good deal of speculation about the long-term effects of the banking union, which will, among other things, entail more common supervision. Norway will not be directly affected, but if supervisory practices are more harmonised in the long term and there is less scope for solutions that are unique to individual countries, this may also have consequences for Norwegian authorities and banks.

WINDING-UP AND CRISIS MANAGEMENT REGULATIONS FOR BANKS

The financial crisis demonstrated the need for better solutions for the winding-up and restructuring of banks. On 1 January 2015, the EU introduced regulations in this field, the Bank Recovery and Resolution Directive, BRRD. The directive also applies to Norway through the EEA agreement. The purpose of the BRRD is to facilitate the winding-up of even the largest banks without an injection of government funds. It should be possible to ensure the continuity of systemically important functions through the recapitalisation of the entire or parts of a bank by writing down or converting into share capital the bank's subordinated loans and unsecured senior debt. The authorities have been given extensive powers to restructure banks which are considered to be "non-viable". The regulations include:

- Crisis management fund which can finance crisis solutions
- Bail-in rules imply that unsecured senior debt can be written down or converted into equity as part of a crisis solution without involving investors.
- Crisis plans, including recovery plans

INTRODUCTION OF NEW CAPITAL REQUIREMENTS IN NORWAY

Due to the agreement on European Supervisory Authorities, the CRR/CRD IV regulations have not been included in the EEA agreement. Read more about this below. Nevertheless, Norway introduced new capital requirements as of 1 July 2013 as the first step in the adaptation to CRR/CRD IV. The capital requirements in Norway imply a gradual increase in capital requirements up till 1 July 2016. These rules will be effective until the EU regulations are included in the EEA agreement and implemented in Norwegian law. Other requirements in the CRR/CRD IV regulations have not yet been introduced in Norway.

The capital adequacy requirements for Norwegian banks imply that the minimum common equity Tier 1 capital requirement has been increased to 4.5 per cent. The minimum Tier 1 capital requirement, of which up to 1.5 per cent may consist of hybrid capital, has thus been increased to 6 per cent. The minimum capital adequacy requirement has been retained at 8 per cent, of which Tier 2 capital can represent maximum 2 per cent. Under Basel III, there are much stricter requirements governing the actual loss absorbing capacity of hybrid capital than under the current regulatory framework.

The system entails that the banks will be required to hold significantly more capital than the minimum requirement in the form of various buffers. Under particularly unfavourable market conditions, the banks may draw on the buffers, while under normal market conditions, they will be required to maintain these additional buffers while meeting the minimum requirements. These buffers must consist of common equity Tier 1 capital.

The international regulations require that all banks maintain a 2.5 per cent capital conservation buffer. In addition, national authorities may introduce buffer requirements based on special risk factors in the economy or in the banking sector. Norway introduced a 3 per cent systemic risk buffer requirement as of 1 July 2014. In addition, a special buffer of up to 1 per cent will be introduced for systemically important institutions with effect from 1 July 2015 and be increased to maximum 2 per cent as of 1 July 2016. Three Norwegian banks, including DNB, are designated as systemically important and are subject to special requirements in addition to the buffer requirement of up to 2 per cent. Further, a counter-cyclical capital buffer requirement has also been introduced, ranging between 0 and 2.5 per cent, reflecting economic developments. Based on advice from Norges Bank, the Ministry of Finance has introduced a 1 per cent counter-cyclical buffer requirement as of 30 June 2015. Thus, the common equity Tier 1 capital requirement will increase by as much as 2 percentage points at the end of June/beginning of July 2015.

The Ministry of Finance has stipulated that total risk-weighted volume shall be used when calculating buffer requirements. This means that both Norwegian and international exposures shall be included in risk-weighted volume for systemically important banks.

If the maximum counter-cyclical buffer requirement is applied, the total capital requirement will represent 18 per cent of risk-weighted assets. Of this, 8 percentage points represents the minimum primary capital requirement, while the buffer requirements that must be met exclusively by common equity Tier 1 capital constitute 10 percentage points.

As a supplement to the risk-weighted capital requirements and as a measure to counter creative adjustments and gaps in the regulations, a non-risk based capital requirement, "leverage ratio", will also be introduced. The final requirement is still under consideration internationally, but the proposed requirement implies that Tier 1 capital must be minimum 3 per cent of the total of balance sheet items and off-balance sheet risk exposure. The Ministry of Finance has asked Finanstilsynet (the Financial Supervisory Authority of Norway) to consider when and how a non-risk based capital requirement and related definitions can be introduced in Norway and to prepare prospective rules by June 2015.

Just like the EU, the Norwegian authorities have chosen to retain the so-called Basel I floor. In the capital adequacy regulations, the Ministry of Finance has specified that the Basel I floor in Norway is a floor for calculating risk-weighted assets. In the EU regulation, however, the Basel

I floor is unambiguously defined as a minimum level of own funds. This supervisory practice implies that Norwegian banks appear more weakly capitalised than if the EU's version of the Basel I floor definition had been used.

AGREEMENT ON EUROPEAN SUPERVISORY AUTHORITIES

Due to a stipulation in the Norwegian Constitution on limited access to yield sovereignty, it has not been possible to incorporate the EU regulations establishing the European supervisory authorities into the EEA agreement. As a result of this, some 90 relevant EU legislative acts in the area of financial services, granting the supervisory authorities the competence to exercise direct supervisory powers over enterprises, have not been included in the EEA agreement. The situation has gradually caused great inconveniences in the form of lack of harmonisation and reduced competitive strength for Norwegian market players. In the autumn of 2014, Norway and the EU agreed on a solution. According to the agreement, the EFTA Surveillance Authority, ESA, will be granted competence to make legally binding decisions addressed to national supervisory authorities and individual institutions in Norway, Liechtenstein and Iceland. Decisions will be based on drafts prepared by the relevant EU supervisory authority. The Norwegian government will probably present a proposition about this matter in the first half of 2015. Since competence will be transferred to an EEA body, a three-quarter majority will be required in Stortinget, the Norwegian parliament. Not until this proposition has been approved can CRR/CRD IV and the other legislative acts be incorporated in the EEA agreement and Norwegian legislation.

HIGHER CAPITAL REQUIREMENTS FOR RETAIL MORTGAGES

For systemic risk reasons, the Norwegian authorities have increased capital requirements for retail mortgages when these are calculated according to internal models. With effect from the first quarter of 2014, the minimum requirement for the model parameter loss given default, LGD, was increased from 10 to 20 per cent in the capital adequacy regulation. The minimum requirement applies to the average retail mortgage portfolio. On 1 July 2014, Finanstilsynet announced additional calibration requirements for the retail mortgage models of IRB banks. Among other things, the minimum requirement for banks' probability of default (PD) estimates for individual loans increases to 0.2 per cent. In addition, the average long-term PD level increases. The banks report capital adequacy figures according to the recalibrated model as from the first quarter of 2015.

As at 31 December 2013, the average risk weight on retail mortgages in DNB was 9.9 per cent. As a result of the model calibration, the average risk weight increased to 16.6 per cent as at 31 December 2014.

In comparison, the Swedish authorities have introduced a 25 per cent risk weight floor. The floor has, however, been introduced as part of Finansinspektionen's, the Swedish financial supervisory authority, overall capital adequacy assessment of companies through supervisory review and evaluation, Pillar 2. For Swedish banks, the higher capital requirement will thus result in higher capital adequacy ratios, while the Norwegian authorities require more capital to maintain the same capital adequacy ratios, Pillar 1. Thus, Swedish banks appear to be as well-capitalised as they were before, while the Norwegian solution has a negative impact on banks' reported capital adequacy.

LIQUIDITY REQUIREMENTS FOR BANKS

The CRR/CRD IV regulations include the Basel III framework's liquidity requirements for banks: a short-term requirement, Liquidity Coverage Ratio, LCR, and a long-term requirement, Net Stable Funding Ratio, NSFR. The LCR requires that banks hold sufficient eligible liquid assets to cover, as a minimum, total net payments over a 30-day period under stressed conditions. Net payments thus reflect a possible loss of deposits from customers, public entities and central banks. This requirement will be introduced on 1 October 2015, with a gradual increase to full effect as of 1 January 2018.

The European Commission has decided that up to 70 per cent of the LCR buffer can be in the form of covered bonds, compared with 40 per cent in previous proposals. This generally gives banks greater flexibility in composing their liquidity portfolios, and their need for holding covered bonds is thus reduced. Still, it is important that Norway avails itself of the options in the EU regulations

for countries with small capital markets. A too high LCR requirement in Norwegian kroner could increase systemic risk due to a too high concentration of covered bonds in the banks' liquidity reserves, limit access to liquid funds in Norwegian kroner and even result in greater volatility. Against this background, Norges Bank has recommended that the LCR requirement in local currency be set at 60 per cent.

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

Finanstilsynet has been given a mandate from the Ministry of Finance to consider how the LCR and NSFR requirements can be implemented in Norway and to prepare a proposal by end-May 2015.

OTHER IMPORTANT CHANGES IN THE REGULATORY FRAMEWORK

- New payment services directive and regulation on interchange fees for card-based payment transactions
- Regulatory framework for life insurance companies
- Important IFRS amendments
- Taxes and fees for the financial services industry

14

INFORMATION ABOUT DNB'S REMUNERATION SCHEME

14 INFORMATION ABOUT DNB's REMUNERATION SCHEME

Pursuant to Section 6-16a of the Norwegian Public Limited Companies Act, the Board of Directors will present the following statement on remunerations to the Annual General Meeting for voting:

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 and subsequent amendments, 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. The information in this note, including the Board of Directors' statement on the stipulation of salaries and other remunerations to senior executives below, repre¬sents 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 compen¬sation for the responsibilities and requirements assigned to each position, as well as its complexity, while variable salary should encourage strong performance and desired conduct.

Group guidelines for variable remuneration

To ensure compliance with the remuneration regulations and the circular from Finanstilsynet on remuneration schemes in financial institutions, investment firms and management companies for mutual funds, 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.

The purpose of DNB's guidelines for variable remuneration is to reward conduct and develop a corporate culture which ensures long-term value generation. The guidelines for variable remuneration have been approved by the Board of Directors' Compensation Committee.

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 variable remuneration 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.

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. There may be challenges of a legal nature in cases where the Norwegian regulations do not corre¬spond 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.

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 in general and in the financial industry in particular, and on remuneration levels for comparable positions.

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, he will still be entitled to a pension 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 in general and in the financial industry in particular.

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.

Target structure 2015

The Compensation Committee approves principal criteria, principles and limits for variable remuneration. The Compensation Committee has decided that return on equity and the common equity Tier 1 capital ratio should constitute the Group's key figures for 2015. 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 2015. 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 2015.

Determination of variable remuneration for 2015

The variable remuneration for 2015 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, excluding DNB Markets and DNB Eiendom, 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.

With respect to DNB Markets, a special limit will be determined for variable remuneration based on the risk-adjusted profits achieved by the unit and an overall assessment, which is in line with

market practice for this type of operations. Correspondingly, the remuneration model in DNB Eiendom is consistent with market practice, with a high share of variable remuneration based on individual performance.

Special rules for senior executives, identified risk takers and employees responsible for independent control functions

DNB has prepared and implemented special rules for identified risk takers, employees responsible for independent control functions and senior executives, hereinafter called risk takers. The special rules supplement the general group guidelines for variable remuneration and have been formulated in compliance with the remuneration regulations and the related circular from Finanstilsynet.

In accordance with new requirements, DNB has surveyed the entire organisation to identify risk takers based on new criteria resulting from the circular and the EU regulation.

For risk takers, the following main principles apply to variable remuneration:

- A two-year service period.
- Variable remuneration cannot exceed the agreed fixed remuneration.
- 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 estab¬lished 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.

15

DEFINITIONS AND EXPLANATIONS OF TERMS

15 DEFINITIONS AND EXPLANATIONS OF TERMS

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.

Credit 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, primarily loans, but also liabilities in the form of other extended credits, guarantees, interest-bearing securities, approved, undrawn credits and interbank deposits, as well as counterparty risk arising through derivative trading. In addition, there are significant elements of counterparty risk in the settlement risk which arises in connection with payment transfers and settlement of contracts entered into.

Market risk is the risk of losses due to unhedged positions in the foreign exchange, interest rate, commodity and equity markets. The risk reflects potential fluctuations in profits due to volatility in market prices and exchange rates. Market risk includes both risk which arises through ordinary trading activities and risk which arises as part of banking activities and other business operations. In addition, market risk arises in DNB Livsforsikring ASA through the risk that the return on financial assets will not be sufficient to meet the obligations specified in agreements with customers.

Operational risk is the risk of losses due to due to deficiencies or errors in processes and systems, human errors or external events. Operational risk also includes compliance risk, which is the risk of losses caused by breaches of laws and regulations or similar obligations, and legal risk, which is often related to the documentation and interpretation of contracts and different legal practices in countries where the bank is operating.

Insurance risk is risk associated with operations in DNB Livsforsikring ASA and DNB Skadeforsikring AS and refers to changes in insurance obligations due, inter alia, to changes in life expectancy and disability rates within life insurance. Within non-life insurance, insurance risk relates to the frequency and size of claims payments the company is obliged to make.

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. Sound liquidity is a prerequisite for financial operations, but this risk category will often be of a conditional nature, as it will not become obvious until other events give reason to worry about the Group's ability to meet its obligations.

Business risk is the risk of profit fluctuations 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 generally handled through the strategy process and through ongoing work to safeguard and improve the Group's reputation. When determining and following up the Group's risk appetite, reputational risk is treated separately.

In addition to the above risk categories, the Group is exposed to strategic risk, which can be defined as the risk of a decline in income if the Group fails to exploit the strategic opportunities which are offered. The Group's strategic risk is not measured or reported, but is on the agenda in discussions concerning annual strategy processes.

Basis risk is a part of part of Market 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 form of basis risk in DNB, which arises in connection with currency hedging of future cash flows in foreign currency, so-called basis swap risk.

EXPLANATIONAS OF TERMS

Basel III
Basel III is a global, voluntary regulatory standard on bank capital adequacy, stress testing and market liquidity risk. The regulations are implemented in Norway through local regulations, where Finansieringsvirksomhetsloven and Kapitalkravsforskriften are the most important CRD IV and CRR implement Basel III in EU and EEA.

- One of the two legal acts comprising the new Capital Requirements Directives (CRD IV). The CRD is the legal framework for the supervision of credit institutions, investment firms and their parent companies in all Member States of the European Union and the EEA.
- Second of the two legal acts comprising the new Capital Requirements Directives (CRD IV). The CRD is the legal framework for the supervision of credit institutions, investment firms and their parent companies in all Member States of the European Union and the EEA.

Countercyclical capital buffer
A capital buffer, prescribed by regulators under Basel III, which aims to ensure that capital requirements take account of the macro-financial environment in which banks operate.

CCF, Credit conversion factor
CCFs are used in determining the EAD in relation to credit risk exposures. The CCF is an estimate of the proportion of undrawn commitments expected to have been drawn at the point of default.

Defined benefit pension plan
Type of pension plan in which an employer commits to a specified monthly benefit upon retirement. It is predetermined by a formula based on the employee's wage history, length of service and age, rather than depending directly on individual investment returns, as would be the case for defined contribution pension plan.

Defined contribution pension plan
Type of pension plan in which the employer, employee or both make contributions on a regular basis to the retirement fund. Only employer contributions to the account are guaranteed, not the future benefits, as the benefits will fluctuate on the basis of investment earnings.

EAD, Exposure at default
EAD is allocated share of commitment that is expected to be drawn at any future default.

EL, Expected loss
EL indicates the average annual expected losses over an economic cycle. EL = PD * LGD * EAD

ICAAP, Internal Capital Adequacy Assessment Process
Process outlined in Pillar 2 of the capital requirements, by which the Group verifies its capital adequacy with regard to all risks incurred.

IRB approach, Internal Ratings-Based approach
Approach to measure risk-weighted assets (RWA) for credit risk. By applying the IRB approach, RWA is determined according to internal credit ratings. Advanced IRB is a method of calculating credit risk capital requirements using internal PD, LGD and EAD models.

Leverage ratio
The leverage ratio is defined as tier 1 capital as a percentage of total exposure calculated according to the CRR. The leverage ratio does not take into account that various activities on credit institutions' balance sheets may have differing degrees of risk.

LGD, Loss given default
LGD represents the percentage of the Exposure at Default (EAD), which you expect to lose if a counterparty goes into default.

LCR, Liquidity coverage ratio
This ratio is intended to promote short-term resilience of a bank's liquidity risk profile. The LCR requires banks to hold risk-free assets that may be easily liquidated on markets in order to meet required payments for outflows net of inflows during a thirty-day crisis period without central bank support.

LTV, Loan-to-value
The amount of a mortgage balance outstanding as a percentage of the total appraised value of the property.

Model validation
The process of assessing the effectiveness of a credit risk model using a pre-defined set of criteria, such as the model's discriminatory power, the appropriateness of the inputs and expert opinions.

NSFR, Net stable funding ratio
This ratio aims to promote resilience over a longer time horizon by creating additional incentives for banks to fund their activities with more stable sources of funding.

PD, Probability of default
The probability that a customer will go into default. PD is calculated based on financial and non-financial factors and forms the basis for risk classification of credit exposures.

Regulatory capital
Regulatory capital consists of Tier 1 and Tier 2 capital. Common equity Tier 1 (CET1) capital consists of shareholders' equity after certain statutory supplements and deductions. Additional Tier 1 capital consists of loans that form part of Tier 1 capital. This means that it can be used to cover a loss of shareholders' equity. Tier 2 capital consists of subordinated debt subject to certain restrictions.

Risk-adjusted capital (economic capital)
The internally calculated capital requirement, which is deemed necessary by the Group to support the risks to which it is exposed. Risk-adjusted capital in DNB is calculated using an internal model, called the Total risk model. DNB has stipulated that risk-adjusted capital should cover 99.97 per cent of potential unexpected losses within a one-year horizon.

RWA, Risk-weighted assets
The risk exposure calculated for credit risk, market risk and operational risk in accordance with the Norwegian FSA's rules on capital adequacy.

Solvenvcy II
The Solvency II Directive is an EU Directive that codifies and harmonises the EU insurance regulation. Primarily this concerns the amount of capital that EU insurance companies must hold to reduce the risk of insolvency. Solvency II is somewhat similar to the banking regulations of Basel II. Solvency II framework has three main areas (pillars):

- Pillar 1 consists of the quantitative requirements: MCR (minimum capital requirement ans SCR (solvency capital requirement).
- Pillar 2 sets out requirements for the governance and risk management of insurers, as well as for the effective supervision of insurers.
- Pillar 3 focuses on disclosure and transparency requirements.

Standardised approach
Method for calculating capital requirements using supervisory risk weights or rates.

Systemic risk
Systemic risk is the risk of collapse of an entire financial system or entire market.

VaR, Value at Risk
For a given portfolio, the value-at-risk is an estimate of the potential future loss (in terms of market value) that, under normal market conditions, will not be exceeded in a defined period of time and with a defined confidence level.

LIST OF CHARTS AND TABLES

ATTACHMENT

DNB Risk and capital management (Pillar 3) - Attachment

Capital adequacy, DNB Bank ASA, DNB Bank Group, DNB Group

Primary Capital

	DNB Bank ASA		DNB Bank Group		DNB Group	
Amounts in NOK million	31 Dec.14	31 Dec.13	31 Dec.14	31 Dec.13	31 Dec.14	31 Dec.13
Share capital	18 314	18 314	18 314	18 314	16 273	16 278
Other equity	109 406	96 276	122 938	108 093	142 599	125 949
Non-eligible capital	-	-	-	-	(1 253)	(1 013)
Total equity	127 720	114 591	141 253	126 407	157 619	141 214
Deductions						
Pension funds above pension commitments	(7)	0	(7)	(4)	(7)	(25)
Goodwill	(2 963)	(2 956)	(2 979)	(3 654)	(4 714)	(5 482)
Deferred tax assets [1]	0	(4 145)	(514)	(1 093)	(514)	(1 111)
Other intangible assets	(831)	(955)	(1 224)	(1 425)	(1 460)	(1 643)
Dividends payable etc.	0	0	(4 000)	(5 000)	(6 189)	(4 398)
Unrealised gains on fixed assets	0	0	0	(30)	0	(30)
50 per cent of investments in other financial institutions	-	(2)	-	(2)	-	(2)
Expected losses exceeding actual losses, IRB portfolios [2]	(1 466)	(610)	(2 075)	(712)	(2 075)	(712)
Value adjustments due to the requirements for prudent valuation	(509)	-	(917)	-	(917)	-
Adjustments for unrealised losses/(gains) on debtrecorded at fair value	278	240	646	281	646	281
Adjustments for unrealised losses/(gains) arising from the institution's own credit risk related to derivative liabilities	(821)	-	(268)	-	(266)	-
Minimum requirement reassurance allocation	-	-	-	-	(16)	(21)
Common equity Tier 1 capital	121 402	106 162	129 915	114 770	142 108	128 072
Perpetual subordinated loan capital securities	4 028	3 515	4 028	3 515	4 028	3 515
Tier 1 capital	125 430	109 677	133 944	118 285	146 136	131 587
Perpetual subordinated loan capital	4 792	4 011	4 792	4 011	4 792	4 011
Term subordinated loan capital	19 322	17 822	19 322	17 850	19 322	17 850
Deductions						
50 per cent of investments in other financial institutions	-	(2)	-	(2)	-	(2)
Expected losses exceeding actual losses, IRB portfolios [2]	-	(610)	-	(712)	-	(712)
Additions						
45 per cent of unrealised gains on fixed assets	0	0	0	18	0	18
Tier 2 capital	24 115	21 221	24 115	21 165	24 115	21 165
Total eligible primary capital	149 545	130 898	158 058	139 450	170 251	152 752
Risk-weighted assets, transitional rules	919 238	933 433	1 038 396	1 004 716	1 120 659	1 089 114
Minimum capital requirement, transitional rules	73 539	74 675	83 072	80 377	89 653	87 129
Common equity Tier 1 capital ratio, transitional rules (%)	13.2	11.4	12.5	11.4	12.7	11.8
Tier 1 capital ratio, transitional rules (%)	13.6	11.7	12.9	11.8	13.0	12.1
Capital ratio, transitional rules (%)	16.3	14.0	15.2	13.9	15.2	14.0

1) As a result of adaptations to CRD IV/CRR, only deferred tax assets that are not due to temporary differences are deducted from common equity Tier 1 capital as of 30 September 2014.

2) As a result of adaptations to CRD IV/CRR, the entire amount is deducted from common equity Tier 1 capital as of 30 September 2014. Up until 30 September 2014, 50 per cent of the amount was deducted from common equity Tier 1 capital and 50 per cent from Tier 2 capital.

Capital adequacy subsidiaries, DNB Boligkreditt AS, DNB Næringskreditt AS

Primary Capital	**DNB Boligkreditt AS**		**DNB Næringskreditt AS**	
Amounts in NOK million	31 Dec.14	31 Dec.13	31 Dec.14	31 Dec.13
Share capital	3 077	2 727	550	550
Other equity	26 330	22 439	5 056	4 971
Total equity	29 407	25 166	5 606	5 521
Deductions				
Deferred tax assets	0	0	(5)	(3)
Expected losses exceeding actual losses, IRB portfolios [1]	(766)	(159)	(7)	(4)
Value adjustments due to the requirements forprudent valuation	(398)	-	(0)	-
Adjustments for unrealised losses/(gains) on debtrecorded at fair value	157	(74)	0	0
Adjustments for unrealised losses/(gains) arising from the institution's own credit risk related to derivative liabilities	(13)	0	0	0
Group contributions payable	(748)		(240)	(155)
Common equity Tier 1 capital	27 640	24 932	5 354	5 359
Term subordinated loan capital	4 850	4 850	0	0
Deductions				
Expected losses exceeding actual losses, IRB portfolios [1]	-	(159)	-	-
Tier 2 capital	4 850	4 691	0	0
Total eligible primary capital	32 490	29 623	5 354	5 359
Risk-weighted assets, transitional rules	217 886	222 032	20 710	18 625
Common equity Tier 1 capital ratio, transitional rules (%)	12.7	11.2	25.9	28.8
Capital ratio, transitional rules (%)	14.9	13.3	25.9	28.8

1) As a result of adaptations to CRD IV/CRR, the entire amount is deducted from common equity Tier 1 capital as of 30 September 2014. Up until 30 September 2014, 50 per cent of the amount was deducted from common equity Tier 1 capital and 50 per cent from Tier 2 capital.

Capital adequacy subsidiaries, Baltics and Poland

DNB Baltics and Poland Primary capital	DNB Latvia		DNB Lithuania		DNB Estonia		DNB Poland	
Amounts in NOK million	31 Dec. 2014	31 Dec. 2013	31 Dec. 2014	31 Dec. 2013	31 Dec. 2014	31 Dec. 2013	31 Dec. 2014	31 Dec. 2013
Share capital	1 717	1 602	1 708	1 592	84	78	2 642	2 534
Other equity	392	231	2 016	1 769	796	708	85	210
Total equity	2 109	1 833	3 724	3 361	880	786	2 727	2 744
Deductions								
Goodwill	(27)	(20)	(34)	(29)	(26)	(12)	(58)	(60)
Deferred tax assets	0	0	0	0	0	0	0	0
Other deductions	(69)	0	0	0	0	0	0	0
Additions	0	0	0	0	0	0	0	0
Common Equity Tier 1 capital	2 013	1 813	3 690	3 332	854	774	2 668	2 684
Perpetual subordinated loan capital securities	0	0	0	0	0	0	0	0
Term subordinated loan capital	0	0	0	0	0	0	0	0
Additions	0	0	0	0	0	0	0	0
Tier 2 capital	0	0	0	0	0	0	0	0
Total eligible primary capital	2 013	1 813	3 690	3 332	854	774	2 668	2 684
Risk-weighted assets	14 437	14 751	22 097	20 006	4 115	4 254	18 547	17 575
Minimum capital requirement	1 155	1 180	1 768	1 600	411	425	1 484	1 406
Common Equity Tier 1 capital ratio (%)	13.9	12.3	16.7	16.7	20.8	18.2	14.4	15.3
Capital ratio (%)	13.9	12.3	16.7	16.7	20.8	18.2	14.4	15.3

Capital adequacy subsidiaries, DNB Livsforsikring og DNB Skadeforsikring

Capital adequacy and solvency margin capital [1)]

	DNB Livsforsikring	
Amounts in NOK million	31 Dec. 2014	31 Dec. 2013
Capital adequacy [2)]		
Total eligible primary capital	19 498	17 889
Capital adequacy ratio (%)	21.9	18.8
Core capital	18 288	16 780
Core capital (%)	20.5	17.6
Risk-weighted assets	89 085	95 119
Solvency margin capital [3)]		
Solvency margin capital	89 085	20 946
Solvency margin capital exceeding the minimum requirement	13 578	10 846
Solvency margin capital in per cent of the solvency margin capital requirement (%)	245	207

Capital adequacy and solvency margin capital [1)]

	DNB Skadeforsikring	
Amounts in NOK million	31 Dec. 2014	31 Dec. 2013
Capital adequacy [2)]		
Total eligible primary capital	495	553
Capital adequacy ratio (%)	93.1	90.5
Core capital	445	503
Core capital (%)	83.6	82.3
Risk-weighted assets	532	611
Solvency margin capital [3)]		
Solvency margin capital	594	633
Solvency margin capital exceeding the minimum requirement	307	393
Solvency margin capital in per cent of the solvency margin capital requirement (%)	207	264

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.

Specification of risk-weighted assets and capital requirements, DNB Bank

Specification of risk-weighted assets and capital requirements **DNB Bank ASA**

Amounts in NOK million	Nominal exposure 31 Dec.14	EAD [1] 31 Dec.14	Average risk weights in per cent 31 Dec.14	Risk-weighted assets 31 Dec.14	Capital requirements 31 Dec.14	Capital requirements 31 Dec.13
IRB approach						
Corporate	855 009	689 255	45.6	314 476	25 158	26 560
Specialised Lending (SL)	4 986	4 943	33.8	1 670	134	153
Retail - mortgage loans	90 477	90 475	19.4	17 522	1 402	1 169
Retail - other exposures	109 313	90 177	27.9	25 195	2 016	1 984
Securitisation	31 927	31 927	71.2	22 747	1 820	2 380
Total credit risk, IRB approach	1 091 713	906 777	42.1	381 610	30 529	32 246
Standardised approach						
Central government	80 386	89 180	0.0	33	3	1
Institutions	991 658	798 415	20.9	166 968	13 357	13 033
Corporate	191 456	155 398	97.0	150 748	12 060	13 055
Retail - mortgage loans	5 235	4 774	38.2	1 822	146	469
Retail - other exposures	66 580	26 136	75.2	19 663	1 573	1 070
Equity positions	81 531	81 531	100.3	81 782	6 543	5 936
Other assets	8 742	8 742	151.4	13 235	1 059	712
Total credit risk, standardised approach	1 425 587	1 164 176	37.3	434 252	34 740	34 275
Total credit risk	2 517 300	2 070 952	39.4	815 862	65 269	66 521
Market risk						
Position risk, debt instruments				20 757	1 661	2 622
Position risk, equity instruments				492	39	104
Currency risk				0	0	0
Commodity risk				107	9	9
Credit value adjustment risk (CVA)				12 706	1 016	0
Total market risk				34 063	2 725	2 734
Operational risk				69 313	5 545	5 455
Deductions				0	0	(36)
Total risk-weighted assets and capital requirements before transitional rules				919 238	73 539	74 675
Additional capital requirements according to transitional rules [2]				0	0	0
Total risk-weighted assets and capital requirements				919 238	73 539	74 675

1) EAD, exposure at default.

2) Due to transitional rules, the minimum capital adequacy requirements cannot be reduced below 80 per cent of the corresponding figure calculated according to the Basel I regulations.

Specification of risk-weighted assets and capital requirements, DNB Bank Group

Specification of risk-weighted assets and capital requirements **DNB Bank Group**

Amounts in NOK million	Nominal exposure 31 Dec.14	EAD [1] 31 Dec.14	Average risk weights in per cent 31 Dec.14	Risk-weighted assets 31 Dec.14	Capital requirements 31 Dec.14	Capital requirements 31 Dec.13
IRB approach						
Corporate	1 020 495	830 157	447.2	371 240	29 699	30 362
Specialised Lending (SL)	6 456	6 358	352.1	2 239	179	153
Retail - mortgage loans	654 690	654 688	166.2	108 813	8 705	4 884
Retail - other exposures	109 313	90 177	279.4	25 195	2 016	1 984
Securitisation	31 927	31 927	712.4	22 747	1 820	2 380
Total credit risk, IRB approach	1 822 882	1 613 308	328.7	530 233	42 419	39 763
Standardised approach						
Central government	90 494	104 283	2.2	229	18	4
Institutions	314 067	124 850	290.2	36 235	2 899	2 036
Corporate	267 964	216 932	933.3	202 454	16 196	16 996
Retail - mortgage loans	43 265	41 264	502.0	20 715	1 657	1 867
Retail - other exposures	88 366	44 421	775.9	34 466	2 757	2 249
Equity positions	2 595	2 595	1096.8	2 846	228	308
Securitisation	2 746	2 746	301.1	827	66	44
Other assets	8 658	8 658	1117.4	9 674	774	1 012
Total credit risk, standardised approach	818 154	545 749	563.3	307 446	24 596	24 517
Total credit risk	2 641 037	2 159 056	388.0	837 680	67 014	64 280
Market risk						
Position risk, debt instruments				17 248	1 380	2 239
Position risk, equity instruments				492	39	104
Currency risk				0	0	0
Commodity risk				107	9	9
Credit value adjustment risk (CVA)				7 527	602	-
Total market risk				25 375	2 030	2 352
Operational risk				81 977	6 558	6 382
Deductions				0	0	(60)
Total risk-weighted assets and capital requirements before transitional rules				945 033	75 603	72 953
Additional capital requirements according to transitional rules [2]				93 364	7 469	7 424
Total risk-weighted assets and capital requirements				1 038 396	83 072	80 377

1) EAD, exposure at default.

2) Due to transitional rules, the minimum capital adequacy requirements cannot be reduced below 80 per cent of the corresponding figure calculated according to the Basel I regulations.

Specification of risk-weighted assets and capital requirements, DNB Group

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

Amounts in NOK million	Nominal exposure 31 Dec.14	EAD [1] 31 Dec.14	Average risk weights in per cent 31 Dec.14	Risk-weighted assets 31 Dec.14	Capital requirements 31 Dec.14	Capital requirements 31 Dec.13
IRB approach						
Corporate	1 020 495	830 157	44.7	371 240	29 699	30 362
Specialised Lending (SL)	6 456	6 358	35.2	2 239	179	153
Retail - mortgage loans	654 690	654 688	16.6	108 813	8 705	4 884
Retail - other exposures	109 313	90 177	27.9	25 195	2 016	1 984
Securitisation	31 927	31 927	71.2	22 747	1 820	2 380
Total credit risk, IRB approach	1 822 882	1 613 308	32.9	530 233	42 419	39 763
Standardised approach						
Central government	90 494	104 283	0.2	229	18	4
Institutions	303 519	114 301	29.9	34 125	2 730	1 837
Corporate	267 424	216 393	93.3	201 915	16 153	17 055
Retail - mortgage loans	43 265	41 264	50.2	20 715	1 657	1 867
Retail - other exposures	88 366	44 421	77.6	34 466	2 757	2 249
Equity positions	2 865	2 865	105.0	3 007	241	321
Securitisation	2 746	2 746	30.1	827	66	44
Other assets	7 397	7 397	113.9	8 423	674	1 019
Total credit risk, standardised approach	806 076	533 670	56.9	303 707	24 297	24 395
Total credit risk	2 628 958	2 146 977	38.8	833 941	66 715	64 158
Market risk						
Position risk, debt instruments				17 248	1 380	2 239
Position risk, equity instruments				492	39	104
Currency risk				0	0	0
Commodity risk				107	9	9
Credit value adjustment risk (CVA)				7 518	601	-
Total market risk				25 367	2 029	2 352
Operational risk				81 830	6 546	6 408
Net insurance, after eliminations				85 351	6 828	6 982
Deductions				-	-	(60)
Total risk-weighted assets and capital requirements before transitional rules				1 026 489	82 119	79 840
Additional capital requirements according to transitional rules [2]				94 170	7 534	7 289
Total risk-weighted assets and capital requirements				1 120 659	89 653	87 129

1) EAD, exposure at default.
2) Due to transitional rules, the minimum capital adequacy requirements cannot be reduced below 80 per cent of the corresponding figure calculated according to the Basel I regulations.

Specification of risk-weighted assets and capital requirements, DNB Boligkreditt AS and DNB Næringskreditt AS

Specification of risk-weighted assets and capital requirements, 31 December 2014 **DNB Boligkreditt AS**

Amounts in NOK million	Nominal exposure	EAD	Average risk weights in per cent	Risk-weighted assets	Capital requirements
IRB approach					
Corporate	6 279	6 279	57.6	3 616	289
Retail - mortgage loans	564 213	564 213	16.2	91 291	7 303
Total credit risk, IRB approach	570 492	570 492	16.6	94 906	7 592
Standardised approach					
Institutions	20 867	20 867	50.0	10 433	835
Corporate	16 877	16 852	35.4	5 970	478
Retail - mortgage loans	12 519	11 656	37.0	4 308	345
Other assets	8	8	100.0	8	1
Total credit risk, standardised approach	75 434	75 433	25.9	19 551	1 564
Total credit risk	620 357	620 356	11.2	69 719	5 578
Credit value adjustment risk (CVA)				1 410	113
Operational risk				9 499	760
Total risk-weighted assets and capital requirements before transitional rules				126 534	10 123
Additional capital requirements according to transitional rules				91 352	7 308
Total risk-weighted assets and capital requirements				217 886	17 431

Specification of risk-weighted assets and capital requirements, 31 December 2014 **DNB Næringskreditt AS**

Amounts in NOK million	Nominal exposure	EAD	Average risk weights in per cent	Risk-weighted assets	Capital requirements
IRB approach					
Corporate	12 962	12 962	31.4	4 064	240
Total credit risk, IRB approach	12 962	12 962	23.1	2 998	240
Standardised approach					
Institutions	193	193	50.0	97	8
Corporate	12 952	12 952	100.0	12 952	1 036
Other assets	1	1	100.0	1	0
Total credit risk, standardised approach	13 146	13 146	99.3	13 049	1 044
Total credit risk	26 108	26 108	122.4	16 047	1 284
Credit value adjustment risk (CVA)				232	19
Operational risk				623	50
Total risk-weighted assets and capital requirements before transitional rules				17 968	1 437
Additional capital requirements according to transitional rules				2 741	219
Total risk-weighted assets and capital requirements				20 710	1 657

Specification of risk-weighted assets and capital requirements, Baltics and Poland

Specification of risk-weighted assets and capital requirements, 31 December 2014

DNB Baltics and Poland	DNB Latvia		DNB Lithuania		DNB Estonia		DNB Poland	
Amounts in NOK million	Risk-weighted assets	Capital requirements	Risk-weighted assets	Capital requirements	Risk-weighted assets	Capital requirements	Risk-weighted assets	Capital requirements
Central and regional government	64	5	0	0	2	0	139	11
Institutions	877	70	418	33	63	6	438	35
Corporate	3 663	293	10 428	834	2 438	244	6 479	518
Retail - mortgage loans	1 618	129	3 369	270	132	13	7 770	622
Retail - other exposures	5 703	456	3 565	285	1 145	114	2 161	173
Equity	7	1	6	0	0	0	5	0
Other assets	1 211	97	1 340	107	172	17	43	3
Total credit risk, standardised approach	13 143	1 051	19 126	1 530	3 952	395	17 034	1 363
Market risk, standardised approach	0	0	1 159	93	0	0	86	7
Of which:	0	0	0	0	0	0	0	0
Position risk	0	0	387	31	0	0	0	0
Currency risk	0	0	772	62	0	0	86	7
Operational risk	1 154	92	1 808	145	162	16	1 427	114
Other items	140	11	4	0	0	0	0	0
Total	14 437	1 155	22 097	1 768	4 115	411	18 547	1 484

Specification of risk-weighted assets and capital requirements, Eksportfinans

Specification of risk-weighted assets and capital requirements, 31 December 2014

Amounts in NOK million	EAD	Risk-weighted assets	Capital requirements
Standardised approach			
Central government	13 367	0	0
Institutions	39 797	16 659	1 333
Retail - mortgage loans	39	14	1
Securitisation	6 865	2 067	165
Other assets	217	217	17
Total credit risk, standardised approach	60 285	18 958	1 517
Market risk			
Position risk, debt instruments		1 907	153
Currency risk		548	44
Credit value adjustment risk (CVA)		1 419	114
Total market risk		3 874	310
Operational risk		1 848	148
Total capital requirements according to Basel III		24 680	1 974

Specification of risk-weighted assets and capital requirements, 31 December 2014, DNBs ownership

Amounts in NOK million	EAD	Risk-weighted assets	Capital requirements
Standardised approach			
Central government	5 347	0	0
Institutions	15 919	6 664	213
Retail - mortgage loans	16	5	0
Securitisation	2 746	827	26
Other assets	87	87	3
Total credit risk, standardised approach	24 114	7 583	243
Market risk			
Position risk, debt instruments		763	24
Currency risk		219	7
Credit value adjustment risk (CVA)		568	18
Total market risk		1 550	50
Operational risk		739	24
Total capital requirements according to Basel III		9 872	316

Development in capital adequacy and capital requirement in DNB Group

Development in Primary Capital [1)] **DNB Group**

Amounts in NOK million	31 Dec.14	30 Sep.14	30 Jun.14	31 Mar.14	31 Dec.13	30 Sep.13	30 Jun.13	31 Mar.13	31 Dec.12
Share capital	16 273	16 288	16 288	16 263	16 278	16 288	16 288	16 270	16 269
Other equity	142 599	120 933	121 418	125 159	125 949	108 327	108 528	111 356	111 767
Non-eligible capital	(1 253)	(1 013)	(1 013)	(1 013)	(1 013)	(900)	(900)	(900)	-
50 per cent of profits for the year to date	-	7 884	5 087	2 760	-	5 931	3 490	1 591	-
Total equity for capital adequacy purpose	157 619	144 092	141 780	143 168	141 214	129 646	127 405	128 317	128 035
Deductions	(15 511)	(8 050)	(8 834)	(13 311)	(13 142)	(9 658)	(9 135)	(12 703)	(12 408)
Common equity Tier 1 capital	142 108	136 042	132 945	129 858	128 072	119 989	118 270	115 614	115 627
Perpetual subordinated loan capital securities	4 028	3 647	3 669	3 488	3 515	3 395	3 236	3 089	3 162
Tier 1 capital	146 136	139 689	136 614	133 346	131 587	123 384	121 505	118 702	118 790
Tier 2 capital	24 115	21 878	21 148	20 634	21 165	20 050	14 342	14 129	16 278
Total eligible primary capital	**170 251**	**161 567**	**157 763**	**153 980**	**152 752**	**143 434**	**135 848**	**132 831**	**135 068**
Risk-weighted assets, basis for transitional rule, Basel I	1 294 135	1 238 489	1 259 572	1 246 067	1 252 294	1 252 575	1 258 267	1 250 961	1 226 117
80 per cent of RWA, transitional rule	1 035 308	990 791	1 007 658	996 854	1 001 835	1 002 060	1 006 614	1 000 769	980 894
Net risk-weighted assets, insurance	85 351	88 910	87 601	90 659	87 279	89 630	91 879	93 557	94 538
Risk-weighted assets, transitional rules	1 120 659	1 079 701	1 095 258	1 087 513	1 089 114	1 091 690	1 098 493	1 094 325	1 075 672
Minimum capital requirement, transitional rules	89 653	86 376	87 621	87 001	87 129	87 335	87 879	87 546	86 054
Common equity Tier 1 capital ratio, transitional rules (%)	12.7	12.6	12.1	11.9	11.8	11.0	10.8	10.6	10.7
Tier 1 capital ratio, transitional rules (%)	13.0	12.9	12.5	12.3	12.1	11.3	11.1	10.8	11.0
Capital ratio, transitional rules (%)	15.2	15.0	14.4	14.2	14.0	13.1	12.4	12.1	12.6
Risk-weighted assets, Basel III	1 026 489	973 729	974 198	978 964	997 999	1 018 466	1 044 188	1 032 169	1 024 645
Minimum capital requirement, Basel III	82 119	77 898	77 936	78 317	79 840	81 477	83 535	82 573	81 972
Common equity Tier 1 capital ratio, Basel III (%)	13.8	14.0	13.6	13.3	12.8	11.8	11.3	11.2	11.3
Tier 1 capital ratio, Basel III (%)	14.2	14.3	14.0	13.6	13.2	12.1	11.6	11.5	11.6
Capital ratio, Basel III (%)	16.6	16.6	16.2	15.7	15.3	14.1	13.0	12.9	13.2
Risk-weighted assets, full IRB	969 260	923 212	925 615	921 566	939 057	956 118	981 452	967 123	959 319
Minimum capital requirement, full IRB	77 541	73 857	74 049	73 725	75 125	76 489	78 516	77 370	76 746
Common equity Tier 1 capital ratio, full IRB (%)	14.7	14.7	14.4	14.1	13.6	12.5	12.1	12.0	12.1
Tier 1 capital ratio, full IRB (%)	15.1	15.1	14.8	14.5	14.0	12.9	12.4	12.3	12.4
Capital ratio, full IRB (%)	17.6	17.5	17.0	16.7	16.3	15.0	13.8	13.7	14.1
CET1 capital ratio, future Basel III estimate (%)	**15.1**	**15.0**	**14.4**	**14.2**	**13.6**	**12.5**	**12.1**	**12.1**	**12.1**
Leverage ratio, Basel III (%)	**6.0**	**5.7**	**5.3**	**5.1**	**5.3**	**4.3**	**4.2**	**4.3**	**4.6**

1) Primary capital and nominal amounts used in calculating risk-weighted assets 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 requirements **DNB Group**

Amounts in NOK million	31 Dec.14	30 Sep.14	30 Jun.14	31 Mar.14	31 Dec.13	30 Sep.13	30 Jun.13	31 Mar.13	31 Dec.12
IRB approach									
Corporate	29 699	27 237	26 331	27 131	30 362	30 666	30 442	29 689	29 417
Specialised Lending (SL)	179	274	280	261	153	166	169	176	192
Retail - mortgage loans	8 705	8 804	8 697	8 424	4 884	5 522	5 473	5 321	5 655
Retail - other exposures	2 016	1 996	1 956	1 994	1 984	1 935	1 907	1 982	1 939
Securitisation	1 920	1 939	2 234	2 270	2 380	1 946	1 911	1 911	1 993
Total credit risk, IRB approach	42 420	40 150	39 499	40 080	39 763	40 235	39 903	38 979	38 997
Standardised approach									
Central government	19	19	27	23	4	6	5	3	10
Institutions	2 730	2 569	2 110	2 108	1 937	2 263	2 219	2 269	2 040
Corporate	16 153	14 677	15 406	15 117	17 055	17 701	19 925	19 992	19 227
Retail - mortgage loans	1 657	1 519	1 691	1 696	1 967	2 357	2 448	2 413	2 199
Retail - other exposures	2 757	2 635	2 523	2 272	2 249	2 062	2 425	2 039	1 972
Equity positions	241	361	566	468	321	279	253	243	262
Securitisation	66	64	40	42	44	44	57	57	69
Other assets	674	616	1 037	901	1 020	905	911	888	758
Total credit risk, standardised approach	24 297	22 457	23 400	22 626	24 395	25 620	27 242	26 903	26 426
Total credit risk	66 715	62 607	62 899	62 706	64 158	65 854	67 145	65 882	65 423
Market risk									
Position risk, debt instruments	1 380	1 223	1 395	1 970	2 239	2 609	3 153	3 340	3 110
Position risk, equity instruments	39	32	32	23	104	102	102	100	104
Currency risk	0	0	233	0	0	0	0	0	0
Commodity risk	9	17	13	15	9	4	5	6	5
Credit value adjustment risk (CVA)	601	498	-	-	-	-	-	-	-
Total market risk	2 029	1 770	1 673	2 007	2 352	2 716	3 260	3 447	3 219
Operational risk	6 546	6 408	6 408	6 408	6 408	5 793	5 793	5 793	5 793
Net insurance, after eliminations	6 828	7 113	7 008	7 253	6 982	7 170	7 350	7 485	7 563
Deductions	-	-	(52)	(57)	(60)	(56)	(13)	(33)	(27)
Total capital requirements according to Basel III	82 120	77 898	77 936	78 317	79 840	81 477	83 535	82 573	81 972
Additional capital requirements according to transitional rules	7 534	8 478	9 685	8 684	7 289	5 858	4 344	4 973	4 082
Total capital requirements according to transitional rules	89 653	86 376	87 621	87 001	87 129	87 335	87 879	87 546	86 054

Subordinated loan capital and perpetual subordinated loan capital securities

Subordinated loan capital and perpetual subordinated loan capital securities **DNB Group**

Amounts in NOK million	31 Dec. 2014	31 Dec. 2013
Term subordinated loan capital, nominal amount	19 322	17 822
Perpetual subordinated loan capital, nominal amount	4 792	4 011
Perpetual subordinated loan capital securities, nominal amount	4 028	3 515
Adjustments	1 176	929
Total subordinated loan capital and perpetual subordinated loan capital securities	**29 319**	**26 276**

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

Amounts in NOK million	Balance sheet 31 Dec. 2014	Issued 2014	Matured/ redeemed 2014	Exchange rate movements 2014	Other adjustments 2014	Balance sheet 31 Dec. 2013
Term subordinated loan capital, nominal amount	19 322			1 500		17 822
Perpetual subordinated loan capital, nominal amount	4 792			782		4 011
Perpetual subordinated loan capital securities, nominal amount	4 028			514		3 515
Adjustments	1 176				247	929
Total subordinated loan capital and perpetual subordinated loan capital securities	**26 276**	**7 528**	**3 709**	**1 714**	**(346)**	**21 090**

Specification og subordinated loan capital and perpetual subordinated loan capital securities **DNB Group**

Year raised		Carrying amount in foreign currency	Interest rate	Maturity	Call date	Carrying amount in NOK
Term subordinated loan capital						
2008	GBP	400	7.25% p.a.	2020	2015	4 604
2012	EUR	750	4.75% p.a.	2022	2017	6 734
2013	NOK	1 250	3-month NIBOR	2023	2018	1 250
2013	EUR	750	3.00 % p.a.	2023	2018	6 734
Total, nominal amount						19 322
Perpetual subordinated loan capital						
1985	USD	215	3-month LIBOR + 0.25%			1 588
1986	USD	150	6-month LIBOR + 0.13%			1 477
1986	USD	200	6-month LIBOR + 0.15%			1 108
1999	JPY	10 000	4.51% p.a.		2029	619
Total, nominal amount						4 792
Perpetual subordinated loan capital securities						
2007	GBP	350	6.01% p.a.		2017	4 028
Total, nominal amount						4 028

Calculation of Leverage Ratio

Leverage ratio calculation **DNB Group**

Amounts in NOK million	Leverage ratio 31 Dec. 2014
Tier 1 capital	141 230
Leverage exposure	
Securities financing transaction (SFTs)	123 286
Derivatives market value	133 873
Potential future exposure on derivatives	15 390
Off balance sheet commitments	286 798
Loans and advances and other assets	1 831 546
Regulatory adjustments included in Tier 1 capital	(15 636)
Total leverage exposure	2 375 255
Leverage ratio (%)	5.95

Calculation of capital buffer requirements

Capital buffers	**DNB Group**
Amounts in NOK million	31 Dec. 2014
Capital conservation buffer	26 179
Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State	0
Institution specific countercyclical capital buffer	0
Systemic risk buffer	31 415
Systemical important institution buffer	0
Other Systemically Important Institution buffer	0
Combined buffer requirement	57 594

Capital buffers	**DNB Bank Group**
Amounts in NOK million	31 Dec. 2014
Capital conservation buffer	25 960
Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State	0
Institution specific countercyclical capital buffer	0
Systemic risk buffer	31 152
Systemical important institution buffer	0
Other Systemically Important Institution buffer	0
Combined buffer requirement	57 112

Total capital requirements - NOK million		**DNB Bank Group**	**DNB Group**
31 Dec. 2014	Rate		
Risk-weighted assets		1 038 396	1 120 659
Minimum capital requirements			
- Common equity Tier 1 capital	4.5 %	46 728	50 430
- Tier 1 capital	6.0 %	62 304	67 240
- Total primary capital	8.0 %	83 072	89 653
Minimum capital requirements			
Common equity Tier 1 capital		58 275	63 211
Additional Tier 1 securities		4 028	4 028
Tier 2 capital		20 768	22 413
CET1 buffer requirements			
Capital conservation buffer	2.5 %	25 960	26 179
Systemic risk buffer	3.0 %	31 152	31 415
Combined buffer requirement		57 112	57 594
Common equity Tier 1 capital vs combined capital requirements			
Common equity Tier 1 capital		129 915	142 108
Minimum capital requirement - CET1		-58 275	-63 211
Buffer capital requirements		-57 112	-57 594
Surplus / shortfall CET1		**14 528**	**21 303**

Operational risk

Standardised approach

DNB Bank ASA

Amounts in NOK million	Calculation basis Standardised approach 31 Dec.2014	Risk weights 31 Dec.2014	Capital requirements 31 Dec.2014
Corporate finance	247	18 %	44
Trading and sales	4 702	18 %	846
Retail brokerage	596	12 %	71
Commercial banking	22 090	15 %	3 313
Retail banking	9 338	12 %	1 121
Payment end settelments	533	18 %	96
Agency services	103	15 %	15
Asset management	311	12 %	37
Total operational risk	**37 006**		**5 545**

DNB Bank Group

Amounts in NOK million	Calculation basis Standardised approach 31 Dec.2014	Risk weights 31 Dec.2014	Capital requirements 31 Dec.2014
Corporate finance	499	18 %	90
Trading and sales	5 361	18 %	965
Retail brokerage	655	12 %	79
Commercial banking	18 739	15 %	2 811
Retail banking	17 617	12 %	2 114
Payment end settelments	887	18 %	160
Agency services	113	15 %	17
Asset management	371	12 %	45
Total standardised approach	44 243		6 280
Total basic indicator approach	1 858	15 %	279
Total operational risk	**46 101**		**6 558**

DNB Group

Amounts in NOK million	Calculation basis Standardised approach 31 Dec.2014	Risk weights 31 Dec.2014	Capital requirements 31 Dec.2014
Corporate finance	499	18 %	90
Trading and sales	5 358	18 %	965
Retail brokerage	655	12 %	79
Commercial banking	17 852	15 %	2 678
Retail banking	17 617	12 %	2 114
Payment end settelments	890	18 %	160
Agency services	116	15 %	17
Asset management	363	12 %	44
Total standardised approach	43 350		6 146
Total basic indicator approach	2 670	15 %	400
Total operational risk	**46 020**		**6 546**

DNB Lithuania

Amounts in NOK million	Calculation basis Standardised approach 31 Dec.2014	Risk weights 31 Dec.2014	Capital requirements 31 Dec.2014
Corporate finance	3	18 %	1
Trading and sales	121	18 %	22
Retail brokerage	6	12 %	1
Commercial banking	289	15 %	43
Retail banking	336	12 %	40
Payment end settelments	194	18 %	35
Agency services	0	15 %	0
Asset management	25	12 %	3
Total operational risk	**974**		**145**

DNB Næringskreditt AS

Amounts in NOK million	Calculation basis Standardised approach 31 Dec.2014	Risk weights 31 Dec.2014	Capital requirements 31 Dec.2014
Corporate banking	332	15 %	50

DNB Boligkreditt AS

Amounts in NOK million	Calculation basis Standardised approach 31 Dec.2014	Risk weight 31 Dec.2014	Capital requirement 31 Dec.2014
Corporate banking	6 332	12 %	760

Basic approach

Amounts in NOK million	Calculation basis Basic approach 31 Dec.2014	Risk weights 31 Dec.2014	Capital requirements 31 Dec.2014
DNB Latvia	615	15 %	92
DNB Polen	761	15 %	114
DNB Estland	87	15 %	13
DNB Kapitalforvaltning	812	15 %	122
Eksportfinans (40%)	394	15 %	59
Total operational risk	2 670		400

Loans and commitments for principal customer groups and geographical location

Loans and commitments for principal customer groups [1] **DNB Group**

	Loans and receivables		Guarantees		Unutilised credit lines		Total loans and commitments	
Amounts in NOK million	31 Dec. 2014	31 Dec.13	31 Dec.14	31 Dec.13	31 Dec.14	31 Dec.13	31 Dec.14	31 Dec.13
Private individuals	709 948	672 812	330	337	136 488	130 404	846 766	803 553
Transportation by sea and pipelines and vessel construction	123 695	123 484	11 730	10 943	38 774	30 630	174 199	165 057
Real estate	194 215	188 664	2 679	3 125	15 267	15 647	212 161	207 436
Manufacturing	77 414	57 547	26 660	16 602	56 596	32 122	160 670	106 271
Services	79 044	71 548	7 182	8 393	27 319	32 218	113 544	112 159
Trade	36 710	33 599	5 330	4 767	20 050	22 068	62 090	60 434
Oil and gas	28 591	25 349	4 987	14 310	58 146	51 048	91 724	90 707
Transportation and communication	45 280	33 396	9 033	3 098	23 937	21 478	78 251	57 972
Building and construction	49 160	47 348	13 584	12 702	20 770	20 258	83 514	80 309
Power and water supply	35 100	30 054	12 122	14 135	25 588	32 588	72 810	76 776
Seafood	17 405	18 933	202	282	6 579	5 525	24 187	24 740
Hotels and restaurants	6 961	9 208	321	409	2 094	1 598	9 377	11 215
Agriculture and forestry	8 359	8 090	69	798	3 558	4 617	11 986	13 505
Central and local government	13 020	8 085	304	297	7 054	6 855	20 379	15 237
Other sectors	11 093	11 324	1 279	3 670	44 423	67 799	56 795	82 792
Total customers, nominal amount after individual impairment	1 435 995	1 339 439	95 811	93 869	486 646	474 855	2 018 453	1 908 163
– Collective impairment, customers	2 139	2 315	-	-	-	-	2 139	2 315
+ Other adjustments	4 982	3 707	(154)	(170)	-	-	4 829	3 537
Loans to customers	**1 438 839**	**1 340 831**	**95 657**	**93 700**	**486 646**	**474 855**	**2 021 143**	**1 909 386**
*) Average	1 389 835	1 319 361	94 679	91 251	480 750	453 384	1 965 264	1 863 996
Credit institutions, nominal amount after individual impairment	373 325	180 853	7 063	5 318	25 863	13 507	406 251	199 678
+ Other adjustments	84	28	-	0	-	-	84	28
Loans to and due from credit institutions	**373 409**	**180 882**	**7 063**	**5 318**	**25 863**	**13 507**	**406 335**	**199 707**
*) Average	277 145	109 009	6 190	4 975	19 685	10 523	303 021	124 506

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

Loans and commitments by geographical location [1] **DNB Group**

	Loans and receivables		Guarantees		Unutilised credit lines		Total loans and commitments	
Amounts in NOK million	31 Dec. 2014	31 Dec.13	31 Dec.14	31 Dec.13	31 Dec.14	31 Dec.13	31 Dec.14	31 Dec.13
Oslo	253 042	239 112	12 451	39 893	91 639	90 272	357 132	369 276
Eastern and southern Norway	460 017	440 386	19 475	21 946	137 478	167 772	616 970	630 104
Western Norway	183 915	175 217	10 064	11 547	53 693	43 142	247 672	229 906
Northern and central Norway	197 778	187 912	10 426	9 374	40 388	34 848	248 593	232 134
Total Norway	1 094 752	1 042 627	52 416	82 759	323 198	336 034	1 470 367	1 461 420
Sweden	67 436	68 033	6 438	800	31 372	30 734	105 247	99 567
United Kingdom	143 118	65 868	5 087	761	18 962	14 738	167 166	81 367
Other Western European countries	289 827	161 962	10 329	5 485	37 653	30 992	337 810	198 439
Russia	1 498	2 183	162	566	253	96	1 912	2 845
Estonia	4 801	4 363	187	87	356	5	5 344	4 455
Latvia	16 575	17 028	395	445	1 879	1 747	18 849	19 220
Lithuania	26 893	23 870	1 010	980	2 970	2 270	30 872	27 120
Poland	18 133	17 569	709	1 059	2 626	2 465	21 468	21 092
Other Eastern European countries	937	502	218	105	16	9	1 171	616
Total Europe outside Norway	569 218	361 378	24 535	10 288	96 087	83 055	689 839	454 721
USA and Canada	56 260	35 374	15 041	465	74 493	56 378	145 794	92 217
Bermuda and Panama [2]	24 143	17 924	2 276	1 367	3 026	3 901	29 445	23 192
South and Central American countries	10 298	11 368	2 268	2 350	3 566	4 220	16 132	17 938
Total America	90 701	64 666	19 585	4 182	81 084	64 498	191 371	133 347
Singapore [2]	13 426	12 016	1 247	16	1 507	287	16 180	12 320
Hong Kong	5 835	3 578	0	0	63	9	5 898	3 588
Asian countries	20 278	14 022	2 832	2 151	4 123	2 993	27 233	19 166
Total Asia	39 540	29 616	4 079	2 168	5 693	3 290	49 312	35 074
Liberia [2]	9 590	15 352	1 970	57	504	753	12 064	16 161
African countries	765	490	95	16	35	11	896	516
Australia, New Zealand and Marshall Islands [2]	14 401	15 934	337	2	5 908	722	20 645	16 659
Lending and guarantees [3]	1 818 968	1 530 063	103 017	99 472	512 509	488 362	2 434 494	2 117 898
- Individual impairment	9 647	9 770	143	284	-	-	9 790	10 055
- Collective impairment	2 139	2 315	-	-	-	-	2 139	2 315
+ Other adjustments	5 066	3 735	(154)	(170)	-	-	4 912	3 565
Lending and guarantees	**1 812 248**	**1 521 713**	**102 720**	**99 018**	**512 509**	**488 362**	**2 427 478**	**2 109 093**

1) Based on the customer's address.
2) Represents shipping commitments.
3) All amounts represent gross lending and guarantees respectively before individual write-downs.

Commitments by exposure class, exposure type and residual maturity

EAD according to excposure class and exposure type, 31 December 2014 **DNB Group**

Amounts in NOK million	On balance sheet items	Off balance sheet items	Securities Financing Transactions	Derivatives	Total
IRB approach					
Corporate	516 902	263 096	297	49 862	830 157
Specialised Lending (SL)	4 270	207	0	1 881	6 358
Retail - mortgage loans	604 886	49 802	0	0	654 688
Retail - other exposures	37 134	53 043	0	0	90 177
Securitisation	31 927	0	0	0	31 927
Total credit risk, IRB approach	1 195 119	366 149	297	51 743	1 613 308
Standardised approach					
Central government	101 596	1 137	673	876	104 283
Institutions	54 860	13 540	1 225	44 676	114 301
Corporate	186 070	16 092	18	14 214	216 393
Retail - mortgage loans	40 114	1 150	0	0	41 264
Retail - other exposures	33 055	10 895	0	471	44 421
Equity positions	2 865	0	0	0	2 865
Securitisation	2 746	0	0	0	2 746
Other assets	7 397	0	0	0	7 397
Total credit risk, standardised approach	428 703	42 815	1 915	60 236	533 670
Total credit risk	1 623 822	408 963	2 212	111 980	2 146 977

EAD according to excposure class and exposure type, 31 December 2013 **DNB Group**

Amounts in NOK million	On balance sheet items	Off balance sheet items	Securities Financing Transactions	Derivatives	Total
IRB approach					
Corporate	467 813	236 035	413	28 120	732 381
Specialised Lending (SL)	2 736	61	0	1 035	3 832
Retail - mortgage loans	573 317	46 096	0	0	619 414
Retail - other exposures	35 852	51 842	0	0	87 694
Securitisation	63 087	0	0	0	63 087
Total credit risk, IRB approach	1 142 806	334 034	413	29 154	1 506 408
Standardised approach					
Central government	158 573	634	243	571	160 021
Institutions	39 177	14 786	1 026	34 630	89 619
Corporate	190 388	29 167	71	8 871	228 497
Retail - mortgage loans	41 789	1 207	0	0	42 996
Retail - other exposures	27 772	7 766	0	393	35 931
Equity positions	3 894	0	0	0	3 894
Securitisation	3 048	0	0	0	3 048
Other assets	12 735	0	0	0	12 735
Total credit risk, standardised approach	477 376	53 559	1 340	44 465	576 741
Total credit risk	1 620 182	387 593	1 754	73 619	2 083 148

Remaining maturity **DNB Group**

Amounts in NOK million	Up to 1 month	From 1 month to 3 months	From 3 months to 1 year	From 1 year to 5 years	Over 5 years	No fixed maturity	31.12.2014 Total
Lending to and deposits with credit institutions	282 050	62 797	6 091	22 376	13		373 325
Net lending to customers	159 915	86 886	78 234	292 100	822 348	(2 139)	1 437 344
Unutilised credit lines under 1 year							259 843
Unutilised credit lines over 1 year							351 903
Guarantees							103 017

DNB Group

Amounts in NOK million	Up to 1 month	From 1 month to 3 months	From 3 months to 1 year	From 1 year to 5 years	Over 5 years	No fixed maturity	31.12.2013 Total
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

Impaired loans and guarantees by principal customer groups and geografical location

Impaired loans and guarantees by principal customer groups [1] **DNB Group**

	Gross impaired loans and guarantees		Total individual impairment		Net impaired loans and guarantees	
Amounts in NOK million	31 Dec. 2014	31 Dec. 2013	31 Dec. 2014	31 Dec. 2013	31 Dec. 2014	31 Dec. 2013
Private individuals	5 368	6 410	2 297	2 928	3 071	3 482
Transportation by sea and pipelines and vessel construction	5 753	6 509	1 891	1 556	3 862	4 953
Real estate	3 864	5 475	1 347	1 767	2 517	3 708
Manufacturing	2 149	3 026	1 373	844	776	2 182
Services	1 293	1 214	620	708	673	506
Trade	1 855	818	590	431	1 265	387
Oil and gas	42	175	41	38	0	137
Transportation and communication	859	1 305	363	538	495	767
Building and construction	1 899	1 836	937	861	962	975
Power and water supply	45	113	16	45	29	68
Seafood	146	99	120	41	26	58
Hotels and restaurants	160	322	57	94	103	228
Agriculture and forestry	231	183	87	80	144	103
Other sectors	68	60	49	49	19	11
Total customers	23 733	27 545	9 790	9 980	13 943	17 565
Credit institutions [2]	0	80	0	75	0	5
Total impaired loans and guarantees	27 625	27 625	9 790	10 055	13 943	17 570
Non-performing loans and guarantees not subject to impairment	3 318	3 179	-	-	3 318	3 179
Total non-performing and impaired loans and guarantees	27 051	30 804	9 790	10 055	17 261	20 749

1) Includes loans and guarantees are subject to individual impairment and total non-performing impaired loans and guarantees. The breakdown into sectors correspond to the EU standard industrial classification, NACE Rev.2.

2) Provisions on swap contracts are reclassified from provisions for impairment losses on loans as of the second quarter of 2013. This provision was recognized in 2008.

Impaired loans and guarantees according to geografical location [1] **DNB Group**

	Gross impaired loans and guarantees		Total individual impairment		Net impaired loans and guarantees	
Amounts in NOK million	31 Dec. 2014	31 Dec. 2013	31 Dec. 2014	31 Dec. 2013	31 Dec. 2014	31 Dec. 2013
Oslo	1 784	2 472	966	633	818	1 839
Eastern and southern Norway	5 033	3 696	1 254	1 233	3 779	2 463
Western Norway	1 614	3 259	855	725	760	2 534
Northern and central Norway	2 574	2 040	711	620	1 863	1 421
Total Norway	11 006	11 468	3 786	3 211	7 220	8 257
Sweden	1 088	525	402	253	687	272
United Kingdom	14	483	3	326	11	157
Other Western European countries	4 069	3 595	684	610	3 384	2 985
Russia	58	137	5	51	52	86
Estonia	361	371	98	139	263	232
Latvia	2 669	3 328	1 314	1 827	1 355	1 501
Lithuania	3 097	3 622	1 127	1 384	1 969	2 237
Poland	1 393	2 142	772	1 133	621	1 009
Other Eastern European countries	0	0	0	0	0	0
Total Europe outside Norway	12 748	14 203	4 405	5 722	8 343	8 481
USA and Canada	335	1 950	114	373	221	1 577
Bermuda and Panama [2]	1	171	1	47	0	124
Other South and Central American countries	384	309	113	10	271	299
Total America	720	2 430	227	430	493	2 000
Singapore [2]	1 154	45	723	12	432	33
Hong Kong	1 042	978	574	409	468	569
Other Asian countries	60	37	52	24	8	13
Total Asia	2 256	1 060	1 349	446	907	615
Liberia [2]	315	919	23	0	292	919
Other African countries	3	0	0	0	3	0
Australia, New Zealand and Marshall Islands	3	723	0	246	3	478
Lending and guarantees	27 051	30 804	9 790	10 055	17 261	20 749
Of which: Credit institutions	0	80	0	75	0	5

1) Based on the customer's address.
2) Representing shipping commitments.

Past due loans not subject to impairment

Past due loans not subject to impairment **DNB Group**

	31 Dec. 2014		31 Dec. 2013	
Amounts in NOK million	Past due/ overdrawn	Outstanding balance on past due loans	Past due/ overdrawn	Outstanding balance on past due loans
10-29 days	697	12 458	728	11 732
30-59 days	526	3 347	523	3 304
60-89 days	149	608	197	751
> 90 days	203	960	433	1 269
Total	1 575	17 373	1 881	17 056

The table shows overdue amounts on loans and overdrafts on credits/deposits and the total residual debt for these loans broken down on the number of days after the due date, assuming a deterioration of customer solvency or unwillingness to pay. Past due loans and overdrafts on credits/deposits are subject to continual monitoring.
Loans and guarantees where a probable deterioration of customer solvency is identified are reviewed for impairment. Such reviews have also been carried out for the loans and guarantees included in the table for which no need for impairment has been identified.
Past due loans subject to impairment are not included in the table but are included in tables showing impaired loans and guarantees.

Impairment of loans and guarantees

Impairment of loans and guarantees for principal customer groups [1)] **DNB Group**

	2014				2013			
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	1 066	334	537	195	1 175	236	408	531
Transportation by sea and piplines and vessel construction	666	296	89	281	916	354	0	562
Real estate	450	173	5	272	454	142	4	308
Manufacturing	635	116	4	515	248	237	9	2
Services	260	62	3	195	166	60	5	101
Trade	362	34	14	314	184	64	12	108
Oil and gas	36	20	0	16	16	14	0	2
Transportation and communication	81	98	6	(23)	349	38	3	308
Building and construction	155	75	9	71	377	60	5	312
Power and water supply	48	1	0	47	51	1	1	49
Seafood	85	3	0	82	19	1	0	18
Hotels and restaurants	20	22	0	(2)	17	19	0	(2)
Agriculture and forestry	30	9	1	20	28	30	0	(2)
Central and local government	0	0	0	0	0	0	0	0
Other sectors	11	1	8	2	36	7	8	21
Total customers	3 905	1 245	677	1 984	4 037	1 263	457	2 318
Credit institutions	(4)	0	0	(4)	0	0	0	0
Changes in collective impairment of loans	-	-	-	(341)	-	-	-	(133)
Impairment of loans and guarantees	**3 901**	**1 245**	**677**	**1 639**	**4 037**	**1 263**	**457**	**2 185**
Of which individual impairment of guarantees	95	238	0	(143)	200	81	0	119

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

Impairment of loans and guarantees, development **DNB Group**

		2014				2013			
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		79	12 720	284	13 084	25	12 337	139	12 501
New impairment		0	1 831	64	1 895	0	1 340	39	1 380
Increase in impairment [1)]		0	1 153	31	1 183	50	1 480	161	1 691
Reassessed impairment		0	1 007	238	1 245	0	1 182	81	1 263
Write-offs covered by previous impairment		74	2 348	0	2 422	0	1 837	0	1 837
Changes in individual impairment of accrued interest and amortisation		(4)	(31)	-	(35)	4	1	-	5
Changes in collective impairment		0	(341)	-	(341)	0	(133)	-	(133)
Changes in group structure		0	0	0	0	0	0	0	0
Changes due to exchange rate movement		0	487	2	489	0	712	27	739
Impairment as at 31 December		1	12 464	143	12 608	79	12 720	284	13 084
Of which:	Individual impairment	1	9 646	143	9 790	75	9 695	284	10 055
	Individual impairment of accrued interest and amortisation	0	680	0	680	4	710	0	714
	Collective impairment	0	2 139	0	2 139	0	2 315	0	2 315

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.

Impairment of loans and guarantees, by individual and collective impairment **DNB Group**

	2014			2013		
Amounts in NOK million	Loans [1)]	Guarantees	Total	Loans [1)]	Guarantees	Total
Write-offs	823	0	823	966	0	966
New individual impairment	2 984	95	3 078	2 871	200	3 071
Total new individual impairment	3 806	95	3 901	3 837	200	4 037
Reassessed individual impairment	1 007	238	1 245	1 182	81	1 263
Recoveries on loans and guarantees previously written off	677	0	677	457	0	457
Net individual impairment	2 123	(143)	1 980	2 199	119	2 318
Changes in collective impairment of loans	(341)	-	(341)	(133)	-	(133)
Impairment of loans and guarantees	**1 782**	**(143)**	**1 639**	**2 066**	**119**	**2 185**
Write-offs covered by individual impairment made in previous years	2 422	0	2 422	1 837	0	1 837

1) Including impairment of loans at fair value.

IRB portfolio, total exposure

DNB Group

Retail mortgage loans

	2014						2013					
Risk grade	Unutilised credit lines, NOK million	CCF %	EAD, NOK million	PD %	LGD %	Risk weight %	Unutilised credit lines, NOK million	CCF %	EAD, NOK million	PD %	LGD %	Risk weight %
1	-	-	-	-	-	-	-	-	-	-	-	-
2	25 769	100	260 173	0.16	20	7	23 288	100	241 767	0.17	11	4
3	14 039	100	184 874	0.37	20	13	13 265	100	175 316	0.37	11	8
4	3 426	100	65 741	0.62	20	20	3 413	100	62 344	0.62	12	11
5	4 412	100	83 879	0.99	20	27	4 051	100	79 612	0.99	12	16
6	1 579	100	37 033	1.61	20	37	1 521	100	37 032	1.61	12	22
7	384	100	11 973	2.47	21	50	370	100	12 650	2.48	13	31
8	147	100	5 596	3.90	22	66	126	100	5 668	3.95	14	41
9	31	100	2 249	6.35	22	85	36	100	2 141	6.44	13	52
10	9	100	1 106	12.09	21	106	11	100	875	12.24	14	70
Defaulted	9	100	2 064	100.00	24	180	14	100	2 008	100.00	16	94
Total [1]	49 804	100	654 688	0.57	20	17	46 096	100	619 414	0.59	12	10

Other retail

	2014						2013					
Risk grade	Unutilised credit lines, NOK million	CCF %	EAD, NOK million	PD %	LGD %	Risk weight %	Unutilised credit lines, NOK million	CCF %	EAD, NOK million	PD %	LGD %	Risk weight %
1	-	-	-	-	-	-	-	-	-	-	-	-
2	52 264	71	47 008	0.17	33	13	50 227	71	44 801	0.17	33	13
3	7 177	77	11 907	0.37	34	22	7 255	76	11 551	0.37	34	21
4	3 060	80	6 241	0.62	36	31	3 246	79	6 235	0.62	35	30
5	2 588	79	5 600	0.99	35	38	2 780	77	5 653	0.99	34	37
6	1 809	81	4 367	1.61	37	47	1 943	79	4 426	1.61	36	47
7	1 803	78	3 516	2.49	36	52	1 933	77	3 596	2.49	36	52
8	1 554	85	3 891	3.97	36	55	1 566	84	3 880	3.97	36	55
9	422	85	1 659	6.40	36	58	405	85	1 646	6.40	35	56
10	1 147	86	4 180	16.96	40	88	1 104	86	4 208	16.98	39	86
Defaulted	355	88	1 809	100.00	34	112	329	87	1 699	100.00	39	123
Total [1]	72 179	73	90 177	1.52	34	28	70 788	73	87 694	1.57	34	28

Corporates

	2014							2013						
Risk grade	Unutilised credit lines, NOK million	CCF %	EAD, NOK million	PD %	LGD %	Risk weight %	Maturity, years	Unutilised credit lines, NOK million	CCF %	EAD, NOK million	PD %	LGD %	Risk weight %	Maturity, years
1	70 115	55	64 108	0.05	28	13	2.4	75 538	54.20	61 300	0.05	30	14	2.6
2	105 747	56	109 312	0.17	28	26	2.7	94 248	58	103 582	0.17	28	26	2.6
3	101 309	61	164 541	0.39	23	34	2.9	67 144	60	116 491	0.38	25	35	2.9
4	53 733	64	124 343	0.60	23	39	2.7	65 840	56	121 358	0.62	25	44	2.7
5	50 254	62	135 244	0.96	23	49	2.8	46 063	65	119 670	0.96	25	52	2.7
6	35 955	68	121 234	1.61	23	57	2.6	28 933	65	99 719	1.60	25	62	2.7
7	12 755	68	54 515	2.46	24	63	2.7	10 925	77	48 046	2.42	26	70	2.8
8	4 238	57	21 456	3.73	27	74	2.4	4 792	62	28 249	3.81	27	79	2.7
9	1 205	72	7 662	6.35	28	95	3.1	1 307	59	7 299	6.27	28	95	2.9
10	2 389	54	13 550	14.26	26	110	2.3	1 757	61	9 397	13.47	28	124	2.5
Defaulted	935	60	14 193	100.00	34	157	2.1	1 199	71	17 270	100.00	23	298	2.7
Total [1]	438 636	60	830 157	1.15	25	45	2.7	397 745	59	732 381	1.14	26	52	2.7

Corporates, Special Lending

	2014							2013						
Risk grade	Unutilised credit lines, NOK million	CCF %	EAD, NOK million	PD %	LGD %	Risk weight %	Maturity, years	Unutilised credit lines, NOK million	CCF %	EAD, NOK million	PD %	LGD %	Risk weight %	Maturity, years
1	0	100	1 745	0.05	34	22	3.8	-	-	1 308	0.05	34	22	3.9
2	8	100	1 171	0.17	16	20	4.0	-	-	-	-	-	-	-
3	34	26	1 135	0.32	26	36	3.0	1	100	811	0.32	25	39	3.7
4	150	60	1 273	0.57	33	58	2.9	84	60	1 085	0.71	45	94	3.3
5	94	100	135	0.99	47	67	1.7	-	-	-	-	-	-	-
6	6	98	781	1.47	16	44	3.6	9	100	627	1.56	15	45	4.0
7	13	5	90	2.51	20	46	3.0	-	-	-	-	-	-	-
8	0.3	100	3	3.37	19	53	4.7	-	-	-	-	-	-	-
9	-	-	2	6.34	20	54	1.9	-	-	-	-	-	-	-
10	-	-	1	14.67	36	132	1.0	-	-	-	-	-	-	-
Defaulted	-	-	22	100.00	27	15	5.0	-	-	-	-	-	-	-
Total [1]	305	68	6 358	0.46	27	35	3.4	95	64	3 832	0.54	32	50	3.7

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

IRB portfolio, by principal customer groups and geografical location

IRB portfolio by principal customer group — **DNB Group**

	2014					2013				
Risk grade 1 to 10	EAD, NOK billion	Risk weight %	PD %	LGD %	Maturity, years	EAD, NOK billion	Risk weight %	PD %	LGD %	Maturity, years
Mortgages	652.6	16	0.57	20	-	617.4	10	0.59	12	-
Other retail	88.4	26	1.52	34	-	86.0	26	1.57	34	-
Transportation by sea and pipelines and vessel construction	188.4	50	1.25	23	2.8	146.4	57	1.53	25	2.9
Real estate	134.8	37	1.09	21	3.3	125.3	43	1.16	22	3.4
Manufacturing	100.0	42	1.44	24	2.3	77.0	45	1.02	27	2.3
Services	86.4	48	1.25	25	2.6	85.7	49	1.15	27	2.5
Trade	49.7	52	1.61	29	2.1	43.0	57	1.67	30	2.3
Oil and gas	78.7	33	0.55	26	2.8	59.2	36	0.49	28	2.8
Transportation and communication	46.9	40	0.93	25	2.8	42.1	38	0.80	27	2.5
Building and construction	53.9	48	1.47	27	2.0	51.2	46	1.33	27	2.2
Power and water supply	48.8	26	0.33	28	2.3	54.9	27	0.34	30	2.6
Seafood	21.4	44	1.25	23	3.1	21.0	50	1.21	25	2.6
Hotels and restaurants	5.7	49	1.72	24	2.4	5.3	54	1.67	25	3.1
Agriculture and Forestry	7.3	44	1.57	24	3.3	7.7	45	1.53	24	3.5
Other corporates	0.3	48	1.59	28	2.0	0.2	53	2.19	27	2.3
Total Portfolio	**1 563.3**	**31**	**0.93**	**23**	**-**	**1 422.3**	**29**	**0.92**	**20**	**-**
Total Corporate Portfolio	822.3	43	1.15	24	2.7	718.9	46	1.13	26	2.7
Total Retail Portfolio	741.0	17	0.69	22	-	703.4	12	0.71	14	-

	2014				2013			
Defaulted portfolio	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	2.1	180	23	12	2.0	94	16	14
Other retail	1.8	112	37	33	1.7	123	38	32
Transportation by sea and pipelines and vessel construction	4.4	137	31	35	8.7	405	46	17
Real estate	2.5	126	32	29	2.7	173	40	33
Manufacturing	2.0	175	34	35	2.2	242	24	9
Services	1.0	183	47	45	0.7	133	40	50
Trade	1.7	234	33	24	0.3	90	44	59
Oil and gas	0.0	0	62	100	0.1	1	14	30
Transportation and communication	0.6	65	37	46	1.0	253	33	35
Building and construction	1.3	135	32	41	1.2	163	31	37
Power and water supply	0.0	151	34	33	0.0	103	29	64
Seafood	0.5	312	36	24	0.2	208	33	19
Hotels and restaurants	0.1	79	41	49	0.0	122	38	50
Agriculture and Forestry	0.2	83	32	38	0.2	89	33	37
Other corporates	0.0	114	31	31	0.0	220	30	18
Total Portfolio	**18.1**	**155**	**33**	**32**	**21.0**	**264**	**37**	**23**
Total Corporate Portfolio	14.2	157	34	34	17.3	298	40	24
Total Retail Portfolio	3.9	148	29	22	3.7	107	26	22

Corporate IRB portfolio by geografical location [1] — **DNB Group**

	2014					2013				
Risk grade 1 to 10	EAD, NOK billion	Risk weight %	PD %	LGD %	Maturity, years	EAD, NOK billion	Risk weight %	PD %	LGD %	Maturity, years
Norway	490.2	44.2	1.33	25	2.7	443.9	46.8	1.27	26	2.8
Sweden	57.7	40.6	0.81	23	2.6	55.0	39.6	0.78	25	2.4
United Kingdom	30.9	42.2	0.66	25	3.0	24.1	44.0	0.58	28	2.6
Rest of Europe	89.5	42.5	0.93	25	2.8	78.5	46.5	1.05	25	2.8
- of which Greece, Italy, Portugal and Spain	8.1	56.2	1.29	27	2.9	8.9	55.7	1.13	28	3.2
North America	116.9	35.2	0.86	24	2.7	88.9	42.9	0.75	27	2.7
Asia & Pacific	18.6	48.1	1.22	26	2.8	14.2	54.8	1.78	29	2.6
Arab States	1.9	32.8	0.80	32	2.0	2.1	47.8	1.81	31	2.1
South/Latin America	13.4	56.2	1.13	26	3.1	8.0	51.4	1.07	29	2.3
Africa	3.2	56.0	1.21	23	3.3	4.2	58.4	1.40	24	3.4
Total Corporate Portfolio	**822.3**	**42.7**	**1.15**	**24**	**2.7**	**718.9**	**45.9**	**1.13**	**26**	**2.7**

	2014				2013			
Defaulted portfolio	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	8.9	174	33	32	6.9	198	34	29
Sweden	0.4	4	21	52	0.5	58	23	45
United Kingdom	0.3	1	38	50	0.4	0	21	71
Rest of Europe	1.6	187	43	35	5.2	417	47	16
- of which Greece, Italy, Portugal and Spain	0.0	574	63	27	0.6	396	32	0
North America	0.4	143	27	29	0.9	549	47	4
Asia & Pacific	1.7	81	32	43	2.2	328	50	30
Arab States	0.3	170	24	21	0.3	244	42	23
South/Latin America	0.5	237	35	40	0.4	274	29	9
Africa	0.0	-	-	-	0.5	335	27	0
Total Corporate Portfolio	**14.2**	**157**	**34**	**34**	**17.3**	**298**	**40**	**24**

1) Geografical location is based on the customer's address.

IRB portfolio, additional information about corporate exposure

Corporate IRB portfolio by office and risk class, 31 December 2014 [1)] **DNB Group**

EAD, NOK billion	Norway	North Europe	CEMEA [2)]	Americas	Asia	Total	Total 2013
Low risk (Risk grade 1-4)	280.8	38.9	34.3	95.8	17.8	467.6	405.9
Moderate risk (Risk grade 5-7)	213.8	16.1	33.9	25.2	23.0	312.0	268.1
High risk (Risk grade 8-10 and defaulted)	46.6	1.4	1.9	3.5	3.5	56.9	62.2
Total Corporate Portfolio	541.2	56.4	70.1	124.5	44.3	836.5	736.2

Corporate IRB portfolio by office and industry segment, 31 December 2014 [1)] **DNB Group**

EAD, NOK billion	Norway	North Europe	CEMEA [2)]	Americas	Asia	Total	Total 2013
Transportation by sea and pipelines and vessel construction	79.1	-	40.2	43.6	29.9	192.8	155.1
Real estate	133.0	4.3	-	-	-	137.2	128.0
Manufacturing	52.1	26.0	2.1	19.7	2.2	102.0	79.1
Services	55.6	10.7	6.4	13.9	0.7	87.4	86.4
Trade	43.0	3.7	1.7	2.0	1.1	51.5	43.3
Oil and gas	32.2	0.1	6.9	33.4	6.1	78.7	59.3
Transportation and communication	30.8	5.5	8.2	1.9	1.0	47.5	43.2
Building and construction	51.5	3.5	-	0.2	-	55.2	52.4
Power and water supply	33.1	0.7	4.2	7.5	3.3	48.8	54.9
Seafood	19.2	-	0.5	2.2	-	21.9	21.2
Hotels and restaurants	5.0	0.8	-	-	-	5.7	5.4
Agriculture and Forestry	6.3	1.2	0.0	0.0	-	7.5	7.8
Other corporates	0.3	0.0	-	-	-	0.3	0.2
Total Corporate Portfolio	541.2	56.4	70.1	124.5	44.3	836.5	736.2

1) Based on where loan is booked.
2) Central Europe, Middle East and Africa

Corporate IRB portfolio by risk class and industry segment, 31 December 2014 **DNB Group**

EAD, NOK billion	Low risk (Risk grade 1-4)	Moderate risk (Risk grade 5-7)	High risk (Risk grade 8-10 and defaulted)	Total	Total 2013
Transportation by sea and pipelines and vessel construction	72.6	108.8	11.4	192.8	155.1
Real estate	88.0	39.0	10.2	137.2	128.0
Manufacturing	61.9	31.5	8.6	102.0	79.1
Services	46.6	35.0	5.8	87.4	86.4
Trade	24.9	20.1	6.5	51.5	43.3
Oil and gas	57.2	21.4	0.2	78.7	59.3
Transportation and communication	31.3	12.3	3.9	47.5	43.2
Building and construction	24.1	24.9	6.1	55.2	52.4
Power and water supply	42.0	6.5	0.4	48.8	54.9
Seafood	12.7	7.2	2.0	21.9	21.2
Hotels and restaurants	1.7	3.4	0.6	5.7	5.4
Agriculture and Forestry	4.5	1.9	1.1	7.5	7.8
Other corporates	0.2	0.0	0.1	0.3	0.2
Total Corporate Portfolio	467.6	312.0	56.9	836.5	736.2

IRB portfolio, comparison of risk parameters versus actual outcome

DNB Group

Asset class	PD models (per cent)	2008		2009		2010		2011		2012		2013		2014	
		Predicted	Observed	Predicted	Observed	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	0.62	0.23	0.59	0.21
Retail other	Other retail – Revolving credit [3]					2.24	1.70	2.16	1.34	1.63	1.11	1.67	1.37	1.68	1.28
	Other retail – Exposures within DNB Finans					2.74	1.74	2.57	2.31	2.42	2.16	2.08	2.23	2.11	2.09
Corporates	Small and medium-sized limited corporations [1]	1.83	2.06	1.84	2.52	2.22	2.56	1.99	2.36	3.11	2.16	2.83	2.05	2.41	2.12
	Sole proprietorship [2]	2.33	1.88	2.21	1.56	3.19	2.06	2.89	1.95	3.05	1.70	2.51	1.53	2.91	1.80
	General partnerships	1.88	1.17	1.71	1.75	1.94	1.77	1.59	1.64	1.96	1.59	1.96	1.60	1.96	2.65
	Large corporates					1.68	0.82	1.60	0.52	1.17	1.14	1.13	0.56	1.20	0.97

Asset class	EAD models (per cent)	2008		2009		2010		2011		2012		2013		2014	
		Observed/predicted	Acceptance ratio	Observed/predicted	Acceptance ratio	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		93.40	97.80	94.70	96.90	93.10	96.23	94.49	96.30	95.10	96.90	95.70	95.40	95.70
Retail other	Other retail – Revolving credit					95.50		95.70		95.10		94.30		93.50	
	Other retail – Exposures within DNB Finans						44.10		59.30		61.20		60.20		64.60
Foretak	Small and medium-sized limited corporations [1]	89.30		82.00		77.60	47.40	78.10	67.20	76.70	70.60	75.10	71.80	67.80	72.70
	Sole proprietorship [2]	89.30		82.00		77.60	36.60	78.10	58.30	76.70	63.30	75.10	60.60	67.80	62.40
	General partnerships	89.30		82.00		77.60		78.10		76.70		75.10		67.80	

Asset class	LGD modeller (per cent) [4]	2009		2010		2011		2012		2013		2014	
		Predicted	Observed	Predicted	Observed	Predicted	Observed	Predicted	Observed	Predicted	Observed	Predicted	Observed
Retail mortgages	Other retail - Residential mortgage financing			16.40	9.30	15.13	7.00	17.40	5.70	17.00	5.40	13.70	6.90
Retail other	Other retail – Revolving credit	44.50	33.80	46.30	24.50	46.35	22.30	46.10	25.10	45.90	26.90	46.00	33.10
	Other retail – Exposures within DNB Finans			25.20	17.90	27.80	13.30	28.00	13.60	29.00	14.50	29.60	16.80
Foretak	Small and medium-sized limited corporations [1]	30.69	21.30	31.10	22.50	31.70	18.80	35.70	22.50	32.24	27.10	31.90	28.40
	Sole proprietorship [2]	24.90	9.50	24.00	9.00	25.70	8.10	23.50	8.30	23.95	9.90	24.10	11.20
	General partnerships	24.20	7.50	30.60	3.80	25.70	13.00	24.20	14.90	27.20	19.50	19.90	8.30
	Large corporates			29.10	16.01	27.50	18.58	27.00	29.02	26.80	33.06	25.45	16.48

1) The results also include limited corporations with other retail exposures in DNB Finans from 2010. The models were recalibrated in 2012.
2) The results also include sole proprietorships with other retail exposures in DNB Finans from 2010.
3) PD level for the portfolio of passive credt card agreements was downgraded in 2012 compared to one year before. The revolving credit portfolio in DNB is reported as “Other retail”.
4) Predicted LGD is an average of the defaulted part of the portfolios, except for the large corporates, where the predicted LGD is an average of the total portfolio.

IRB portfolio, value adjustments

Amounts in NOK million	Total			
	2011	2012	2013	2014
Expected loss (EL), year-start	2909	3064	3183	3080
Write-downs, year-end	2021	1780	1874	1362
Expected loss(EL) at year-start, in per cent	0.25	0.24	0.24	0.22
Write-downs, new non-performing commitments at year-end in per cent of year-start	0.18	0.14	0.14	0.10

Amounts in NOK million	Retail mortgage loans				Other retail			
	2011	2012	2013	2014	2011	2012	2013	2014
Expected loss (EL), year-start	405	504	506	436	470	458	462	507
Write-downs, year-end	131	126	148	155	224	252	287	284
Expected loss(EL) at year-start, in per cent	0.08	0.09	0.09	0.07	0.71	0.63	0.57	0.59
Write-downs, new non-performing commitments at year-end in per cent of year-start	0.03	0.02	0.03	0.03	0.34	0.34	0.36	0.33

Amounts in NOK million	Corporates				Corporates, Special Lending			
	2011	2012	2013	2014	2011	2012	2013	2014
Expected loss (EL), year-start	2028	2089	2207	2131	7	12	8	6
Write-downs, year-end	1666	1403	1438	923	-	-	-	-
Expected loss(EL) at year-start, in per cent	0.35	0.31	0.34	0.30	0.31	0.16	0.18	0.15
Write-downs, new non-performing commitments at year-end in per cent of year-start	0.29	0.21	0.22	0.13	-	-	-	-

Counterparty risk and derivatives

Counterparty risk, financial derivatives — **DNB Group**

	Nominal amount		Replacement cost MTM		Credit equivalent / EAD		Weighted amount	
Amounts in NOK million	31 Dec. 2014	31 Dec. 2013	31 Dec. 2014	31 Dec. 2013	31 Dec. 2014	31 Dec. 2013	31 Dec. 2014	31 Dec. 2014
Gross amount before netting	6 636 044	6 162 176	216 355	102 103	279 966	177 439	95 641	62 711
Net amount after netting	243 897	508 325	133 873	52 180	149 262	86 373	57 716	38 484

Credit derivatives used for hedging

	Bought	Sold	Bought	Sold
Amounts in NOK million	31 Dec. 2014	31 Dec. 2014	31 Dec. 2013	31 Dec. 2013
CDS - Credit Default Swaps	0	74	0	61
CLN - Credit Linked Notes	74	0	61	0
Total credit derivatives	74	74	61	61

There were no bought or sold credit derivatives in 2014, with rest maturiting in 2017.

Equity positions - shares outside of the trading portfolio

Equity-positions, shareholdings not in the trading portfolio — **DNB Group**

Amounts in NOK million	31 Dec.14	31 Dec.13
Financial Institutions	313	0
Norwegian companies [1)]	1 353	294
Companies based abroad	156	2 671
Mutual funds [2)]	773	930
Shareholdings DNB Bank and Investments (designated as at fair value)	2 595	3 894
Net gains on shareholdings, designated as at fair value (DNB Bank and Investments)	135	729
1) Of which listed on a stock exchange	-	-
2) Of which investments in Private Equity Funds	503	457
Shareholdings in DNB Livsforsikring	16 992	33 467

International bond portfolio held to maturity

International bond portfolio, held to maturity — **DNB Group**

	Per cent	NOK million	Per cent	NOK million
	31 Dec.14	31 Dec.14	31 Dec.13	31 Dec.13
Asset class:				
Consumer credit	0	0	0	12
Residential mortgages	89	28 866	55	35 103
Corporate loans	0	15	0	55
Government related	11	3 542	45	28 516
Covered bonds	100	32 423	100	63 686
Accrued interest, amortisation effects and fair value adjustments		(496)		(599)
Total international bond portfolio, held to maturity		31 927	100	63 087

International bond portfolio, held to maturity — **DNB Group**

		EAD	RWA	EAD	RWA
NOK million		31 Dec.14	31 Dec.14	31 Dec.13	31 Dec.13
Rating					
	AAA	17 380	1 237	42494	2 615
	AA	2 740	223	8272	238
	A+	2 466	251	1872	397
	A	2 920	356	107	11
	A-	803	163	876	111
	BBB+	776	276	2375	881
	BBB	1 484	906	1254	798
	BBB-	1 079	1 097	2990	3 170
	BB+	537	1 364	849	2 250
	BB	253	1 093	425	1 915
	BB-	386	2 549	410	2 822
	Below BB-	1 104	13 232	1163	14 541
Sum		**31 927**	**22 747**	**63 087**	**29 749**

Results from EBA EU-wide stress test 2014

Results from EBA EU-wide stress test 2014

Profit & Loss		Adverse scenario		
Amounts in NOK Million	**2013**	**2014**	**2015**	**2016**
Interest income	60 713			
of which interest from loans and receivables (all IFRS portfolios)	54 359			
Interest expense (-)	-30 334			
of which cost of funding	-14 039			
Net interest income	**30 379**	**22 673**	**22 373**	**21 202**
Dividend income	405	-	-	-
Net fee and commission income	5 481	5 481	5 481	5 481
Net trading income before stress	2 708	4 486	4 486	4 486
Trading loss estimates (simplified approach)		-1 805	-1 083	-722
Net trading income after stress (simplified approach)		2 681	3 403	3 764
Other operating income	3 206	2 413	2 664	2 965
Administrative and other operating expenses (-)	-20 022	-20 022	-20 022	-20 022
Operating profit	**22 157**	**13 225**	**13 898**	**13 389**
Impairment of financial assets (-)	**-1 191**	**-12 061**	**-6 772**	**-6 115**
Impairment of financial assets NOT designated at fair value through P&L (-)	-2 007	-9 964	-5 537	-5 287
Impairment Financial assets designated at fair value through P&L (-)	816	-2 096	-1 236	-828
Impairment on non financial assets (-)	**-245**	**-1 056**	**-634**	**-423**
Pre-Tax profit	**20 730**	**-534**	**5 850**	**6 209**
Tax (-)	-5 038	-	-1 755	-1 863
Net income	**15 692**	**-534**	**4 095**	**4 346**

Capital ratios		Baseline Scenario			Adverse Scenario		
Amount in NOK Million	**2013**	**2014**	**2015**	**2016**	**2014**	**2015**	**2016**
Own Funds	137 569	147 928	158 200	169 062	135 881	138 893	142 508
CET1 capital*	114 530	124 889	135 161	146 023	112 842	115 854	119 469
Risk exposure ex transitional floor	918 916	1 001 546	1 013 666	997 025	1 046 510	1 064 403	1 056 235
Risk exposure	1 011 717	1 011 717	1 013 666	1 011 717	1 046 510	1 064 403	1 056 235
CET1 Capital ratio ex transitional floor	12.5 %	12.5 %	13.3 %	14.6 %	10.8 %	10.9 %	11.3 %
CET1 Capital ratio	11.3 %	12.3 %	13.3 %	14.4 %	10.8 %	10.9 %	11.3 %

* (net of deductions and after applying transitional adjustments)

Offsetting

					DNB Group	
Amounts in NOK million	Gross amount	Amounts offset in the statement of financial position	Carrying amount	Netting agreements	Other collateral [1]	Amounts after possible netting
Assets as at 31 December 2014						
Due from credit institutions [2]	332 675		332 675		332 675	0
Loans to customers [2]	8 948		8 948		8 948	0
Financial derivatives [3]	195 552		195 552	79 178	57 567	58 807
Liabilities as at 31 December 2014						
Financial derivatives [4]	134 378		134 378	79 178	42 661	12 539

1) Includes both securities received/transferred from/to counterparties and securities received/placed as collateral in depositories in Clearstream or Euroclear.
2) Includes reverse repurchase agreements, securities borrowing and loans collateralised by securities.
3) Recorded derivatives include collateral pledged. In the above table, the collateral has been excluded, and the stated amount thus corresponds to the derivative's market value.
4) Recorded derivatives include collateral received. In the above table, the collateral has been excluded, and the stated amount thus corresponds to the derivative's market value.

Restricted and available assets

Asset encumbrance, 31 December 2014

NOK million	31 Dec 2014	31 Dec 2013
Due to central banks	0	53 340
Repurchase agreements	16 823	14 612
Derivatives	56 718	24 068
Covered bonds issued	448 448	384 142
Total	521 989	476 162

Additional assets available for secured funding, 31 December 2014

NOK million	31 Dec 2014	31 Dec 2013
Securities	474 842	377 442
Retained covered bonds	27 508	
Cover pool overcollateralisation [1]	173 150	162 735
Cover pool eligible assets [2]	15 000	40 000
Total	690 501	580 177

1) Collateralisation in excess of the regulatory minimum. Uncommitted, rating-supportive overcollateralisation forms part of this volume.
2) Estimate.

HERE FOR YOU.
EVERY DAY.
WHEN IT MATTERS
THE MOST.

DNB

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