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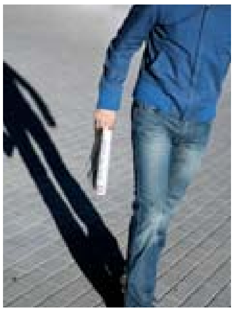
DnB NOR Bank Annual Report **2010**



DnB NOR

Important events in 2010

First quarter

- DnB NOR presented new financial targets at its Capital Markets Day in London
- DnB NOR Bank initiated an evaluation of the shareholder agreement relating to DnB NORD

Second quarter

- The merger between Nordito and the Danish company PBS Holding was completed
- The Board of Directors decided to unite the DnB NOR Group under one brand and to discontinue the use of the Postbanken brand
- The bank established its own Facebook page
- DnB NOR Eiendom launched a property search application for Iphone

Third quarter

- DnB NOR Bank exercised the option entitling the banking group to purchase the remaining 49 per cent of the shares in DnB NORD
- DnB NOR climbed seven places in Synovate's annual corporate reputation ranking and was among the best banks
- For the second consecutive year, DnB NOR qualified for inclusion in the Dow Jones World Sustainability Index and was thus among the top 10 per cent within its industry worldwide in terms of sustainability

Fourth quarter

- Standard & Poor's ranked DnB NOR as the eleventh best capitalised bank among the 75 largest international banks worldwide
- DnB NOR's score in the annual Greenwich survey, measuring customer satisfaction in the large corporate segment, improved from 59 points in 2009 to 74 points in 2010
- DnB NOR was ranked as one of the best banks in the category "home mortgages above NOK 2 million" by Dine Penger, a Norwegian personal finances magazine
- The banking group launched special home mortgages for young people
- The bank introduced 24/7 customer service

	2010	**2009**
Pre-tax operating profits before write-downs (NOK million)	19 412	18 094
Profits for the year (NOK million)	11 685	6 139
Total assets at year-end (NOK billion)	1 638	1 616
Return on equity (per cent)	14.8	10.0

For a more detailed table of key figures, see page 110.

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Directors' report

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

Pursuant to Section 3-9 of the Norwegian Accounting Act, DnB NOR Bank prepares consolidated annual accounts in accordance with IFRS, International Financial Reporting Standards, approved by the EU. The statutory accounts of DnB NOR Bank ASA have been prepared in accordance with Norwegian IFRS regulations.

Operations in 2010

The DnB NOR Bank Group [1] recorded profits of NOK 11 685 million in 2010, a major improvement from NOK 6 139 million in 2009. Higher income and lower write-downs on loans had a positive effect on profits. Profit figures for 2010 also reflected non-recurring income. Pre-tax operating profits before write-downs rose from NOK 18 094 million in 2009 to NOK 19 412 million in 2010.

Net interest income rose by NOK 275 million or 1.2 per cent from 2009 to 2010. Lending volumes increased by 4.9 per cent from year-end 2009 to end-December 2010, while deposits rose by 8.2 per cent from year-end 2009. Lending spreads remained unchanged from 2009, but increased towards the end of 2010. Relative to the 3-month money market rate, deposit spreads widened by 0.02 percentage points.

At the start of 2009, the banking group recorded particularly high income from hedging transactions related to foreign exchange and interest rate products due to the turbulent market situation in the wake of the financial crisis. Such income returned to a more normalised level in 2010. In the second quarter of the year, the banking group recorded gains of NOK 1.2 billion in connection with the merger between the payment services company Nordito and the Danish PBS Holding. In addition, there was brisk activity in many units in the banking group along with a high level of operating income. Net other operating income rose by a total of NOK 1 243 million from 2009 to 2010.

The banking group's cost programme helped ensure significant cost reductions during the period from 2008 through 2010. The cost programme compensated for wage and price inflation and for the increase in market activities during the period. The programme measures include the streamlining of the branch structure, IT systems, procurement and internal processes.

The improved macroeconomic situation contributed to a 61 per cent reduction in write-downs, from NOK 7 710 million in 2009 to NOK 2 997 million in 2010. The low write-downs confirmed the DnB NOR Bank Group's sound portfolio quality. Write-downs in DnB NORD nevertheless remained relatively high in 2010, but markedly lower than in 2009. Individual write-downs in DnB NORD were down 32 per cent from 2009.

Return on equity was 14.8 per cent in 2010, up 4.8 percentage points from 2009.

On 2 August 2010, DnB NOR Bank exercised the option entitling the banking group to purchase 100 per cent of the shares in DnB NORD. After negotiations, a purchase price of EUR 160 million was agreed on. DnB NORD was already fully consolidated in the DnB NOR Bank Group's accounts before the transaction, and the acquisition thus had no significant effect on the income statements and balance sheets. The DnB NOR Bank Group is in the process of integrating DnB NORD's operations into the banking group.

During 2010, the DnB NOR Bank Group stepped up customer and market activities, aiming to strengthen its market position in all segments. The market activities underpin the Group's vision and values. DnB NOR climbed seven places in Synovate's annual corporate reputation ranking in 2010, and was among the best banks. In addition, DnB NOR improved its scores in other reputation and customer satisfaction surveys. Thus, the Group's reputation was markedly enhanced during 2010. During the year, a new Internet portal was developed, and with effect from 1 January 2011, the Group's customer service phone is open 24 hours a day seven days a week. These measures have been well received by customers.

Sickness absence in the banking group's Norwegian operations was 4.2 per cent in 2010, a reduction from 5.1 per cent in 2009. The low sickness absence rate is a result of several targeted measures.

For the second consecutive year, DnB NOR qualified for inclusion in the Dow Jones Sustainability World Index, DJSI World, in 2010. This means that DnB NOR is regarded as being among the top 10 per cent within its industry worldwide in terms of sustainability.

Due to its strong position, the DnB NOR Bank Group had ample access to funding in 2010, though prices were much higher than before the financial crisis.

Due to the banking group's healthy performance in 2010 and the approval of several IRB portfolios, the Tier 1 capital ratio rose from 8.4 per cent at year-end 2009 to 9.2 per cent at end-December 2010. Based on full implementation of internal risk models, IRB measurement, the banking group would have had a potential Tier 1 capital ratio of 11.5 per cent at year-end 2010. The Board of Directors considers the banking group to be well capitalised in relation to current regulatory requirements and its Nordic competitors. At year-end 2010, Standard & Poor's ranked DnB NOR as the eleventh best capitalised bank among the 75 largest international banks worldwide and best of the large Nordic banks.

In consequence of the financial crisis, the market and the authorities have presented requirements for higher capitalization and lower liquidity risk in the financial industry. The DnB NOR Bank Group is preparing for the announced regulatory requirements. The Norwegian authorities are also considering further measures for the financial industry, based, among other things, on recommendations from the Financial Crisis Commission, which were circulated for public consultation in early 2011. One of the Board of Directors' key concerns is that the same competitive terms be established for all market participants.

The Board of Directors would like to thank all employees for their willingness and ability to put into practice the strategy of greater customer orientation, which will result in more satisfied customers and greater profitability.

Strategy and targets

The strategy of the DnB NOR Bank Group is an integral part of the DnB NOR Group's targets and strategy. The strategy of the DnB NOR Group is described below.

[1] *DnB NOR Bank ASA is a subsidiary of DnB NOR ASA and part of the DnB NOR Group. The DnB NOR Bank Group, hereinafter called "the banking group", comprises the bank and the bank's subsidiaries. Other companies owned by DnB NOR ASA, including Vital Forsikring and DnB NOR Kapitalforvaltning, are not part of the banking group. Operations in DnB NOR ASA and the total DnB NOR Group are not covered in this report but described in a separate report and presentation.*

DnB NOR's vision and values put the customer in focus. The aim to achieve stronger customer orientation throughout the Group is reflected in DnB NOR's vision, "Creating value through the art of serving the customer". A uniform corporate culture based on the Group's values, "helpful, professional and show initiative", will contribute to improving customer satisfaction. DnB NOR's three strategic ambitions to strengthen and consolidate its position in Norway, achieve profitable international growth and be among the most productive banks in Europe remain unchanged. DnB NOR is devoted to continual improvement and has initiated a number of measures to improve its customer service and product offering, while streamlining processes across the Group.

DnB NOR has a unique platform in the Norwegian market by virtue of its large customer base, distribution power and wide range of products. DnB NOR will strengthen and consolidate its position in Norway by offering an extensive distribution system and an attractive and complete range of products which meet customer needs and create values.

DnB NOR will achieve profitable international growth by building on its long-term relationships with its largest corporate clients. The Group's core competencies in selected industry sectors and product areas are a central part of the international customer initiatives within shipping, energy and seafood.

DnB NORD, which has its core operations in the Baltic region and Poland, became wholly owned by DnB NOR at year-end 2010. Full control of these operations offers opportunities for closer integration. Performance in DnB NORD, especially in the Baltic region, has been negatively influenced by the recession, though there were clear signs of recovery in 2010. In the longer term, growth in the region is expected to surpass average European levels, and DnB NOR's operations in the Baltic States and Poland are expected to contribute to the Group's long-term growth and profitability.

High priority is given to streamlining operations, and DnB NOR's goal is to be one of the most cost-effective market players in Europe. Important measures to reach this goal are specified in the Group's cost programme and include the coordination and streamlining of central processes within procurement, IT and other staff and support functions.

DnB NOR will give priority to long-term value creation for its shareholders and aims to achieve a return on equity and a market capitalisation which are competitive in relation to its Nordic peers. The successful implementation of DnB NOR's strategy will result in the Group reaching its long-term financial targets, which are:

- a return on equity above 13 per cent
- cost saving measures with an annual effect of NOK 2 billion by the end of 2012
- an ordinary cost/income ratio below 46 per cent from 2012.

Profit performance in 2010 shows that DnB NOR is well on the way to reaching the long-term targets.

DnB NOR is adequately capitalised, and the Group's ambitions are reflected in its capitalisation target and dividend policy:

- DnB NOR to be among the best capitalised financial groups in the Nordic region
- AA level ratings for long-term debt for DnB NOR Bank ASA
- dividend payments representing approximately 50 per cent of annual profits.

Dividends will be determined on the basis of expected profit levels in a normal situation, external parameters and the need to maintain capital adequacy at a satisfactory level.

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Review of the annual accounts

Net interest income

Amounts in NOK million	2010	Change	2009
Net interest income	23 387	275	23 112
Lending and deposit spreads		98	
Lending and deposit volumes		907	
Exchange rate movements		(508)	
Equity and non-interest-bearing items		173	
Long-term funding costs		(570)	
Other net interest income		174	

Net interest income rose by 1.2 per cent compared with 2009, while the average lending volume declined by 1.4 per cent. However, there was an increase in lending from year-end 2009. Adjusted for exchange rate movements, the average lending volume increased by 1.4 per cent. The underlying volume growth reflects both the improved economic situation and greater market activity.

Relative to the 3-month money market rate, average lending spreads were unchanged from 2009, but widened towards the end of 2010. After the financial crisis, the real cost of required long-term funding is significantly higher than the 3-month money market rate. Thus, it will be necessary to increase lending spreads as and when lower-priced funding raised in previous periods must be replaced by new, higher-priced funding.

Average deposit volumes rose by NOK 31.1 billion from 2009, while deposit spreads widened by 0.02 percentage points. The banking group stepped up its initiatives in the savings market, though the competition for deposits remained strong.

Net other operating income

Amounts in NOK million	2010	Change	2009
Net other operating income	13 067	1 243	11 824
Gain, Nordito		1 170	
Net stock market-related income		775	
Increased income from IT services to Insurance and Asset Management [1]		523	
Net other commissions and fees		276	
Unrealised losses on investment property in 2009		109	
Profit from associated companies		87	
Real estate broking		87	
Net gains on foreign exchange and interest rate instruments [2]		(1 972)	
Other operating income		188	

1) *IT operations in DnB NOR were coordinated in a central unit in the bank in the second half of 2009.*
2) *Excluding guarantees.*

Net other operating income increased by 10.5 per cent from 2009. Excluding gains from the merger between Nordito and the Danish PBS Holding, other operating income rose by 0.6 per cent. The improvement in the Norwegian economy compared with 2009 gave a rise in operating income. There was a major reduction in trading income in DnB NOR Markets in consequence of a normalisation of such income compared with the extraordinarily high level after the financial crisis.

Operating expenses

Amounts in NOK million	2010	Change	2009
Total operating expenses	17 042	201	16 841
Cost programme		(607)	
Wage and price inflation		491	
IT expenses [1)]		806	
Operational leasing		177	
Pensions		(487)	
Impairment losses for goodwill and intangible assets		(206)	
Other operating expenses		26	

1) *A key factor behind the rise in IT expenses was the integration of the Group's IT operations in a central unit in the bank in the second half of 2009.*

Operating expenses increased by 1.2 per cent from 2009 to 2010. Due to a change of strategy for home mortgage activity in Sweden, impairment losses for goodwill of NOK 194 million were recorded. In addition, IT systems in DnB NORD were written down by NOK 346 million after new IT infrastructure plans in DnB NORD were approved. In 2010, DnB NOR Bank decided to discontinue the use of the Postbanken brand. Thus, the value of the brand was written down by NOK 51 million. Total write-downs thus came to NOK 591 million. In 2009, corresponding write-downs came to NOK 796 million.

Adjusted for impairment losses for goodwill and intangible assets, expenses rose by 2.5 per cent. The cost/income ratio increased from 45.9 per cent in 2009 to 47.6 per cent in 2010. The banking group's cost programme compensated for the effects of wage and price inflation and partially for the increase in market activities during 2010. Moreover, there were extraordinary effects from the restructuring of pension schemes and the closing of the former contractual pension, CPA, scheme. There was a rise in IT expenses due to the banking group's strong focus on new products and solutions, and adjustments to the systems portfolios.

Write-downs on commitments

Write-downs on loans totalled NOK 2 997 million in 2010, down 61 per cent from NOK 7 710 million in 2009.

The decline in collective write-downs reflected the improved economic situation and better credit quality.

Excluding DnB NORD, individual write-downs came to NOK 1 811 million in 2010, down 33 per cent from 2009. Large Corporates and International recorded the largest reduction, though write-downs also declined in Retail Banking.

Individual write-downs in DnB NORD came to NOK 2 262 million in 2010, down from NOK 3 346 million in 2009. The reduction reflected a more stable macroeconomic trend in the Baltic region.

Net non-performing and doubtful commitments totalled NOK 18.4 billion at end-December 2010, down NOK 0.7 billion from year-end 2009. There was a rise in non-performing commitments in the first quarter of 2010, while the rest of the year saw a reduction. Net non-performing and doubtful commitments represented 1.55 per cent of lending volume as at 31 December 2010, a reduction from 1.71 per cent a year earlier.

Taxes

The DnB NOR Bank Group's total tax charge for 2010 was NOK 4 827 million, up NOK 476 million from 2009. Relative to pre-tax operating profits, the tax charge declined from 41.8 to 29.4 per cent from 2009 to 2010. The main factors behind the reduction were significant tax-exempt gains on shares within the EEA and reduced losses in DnB NORD. The latter provides no basis for recording deferred tax assets in the balance sheet related to losses carried forward, as the losses cannot be expected to reduce tax on future profits within a reasonable time horizon. Losses in DnB NORD were much higher in 2009 than in 2010.

Balance sheet, liquidity and funding

Total assets in the banking group's balance sheet were NOK 1 638 billion at year-end 2010 and NOK 1 616 billion a year earlier.

Net lending to customers increased by NOK 55 billion or 4.9 per cent from year-end 2009 to end-December 2010. Customer deposits rose by NOK 50 billion or 8.2 per cent during the corresponding period. The banking group's ratio of customer deposits to net lending to customers increased from 54.4 per cent at end-December 2009 to 56.1 per cent a year later. The banking group aims to increase the ratio of deposits to lending. The ratio of deposits to lending in DnB NOR Bank ASA was 93.3 per cent at year-end 2010, which proved that loans which were not financed through DnB NOR Boligkreditt, were largely financed through customer deposits.

In order to keep the banking group's liquidity risk at a low level, the majority of loans are financed through customer deposits, long-term securities, subordinated loan capital and equity. The banking group has a self-imposed limit whereby such long-term or stable funding must represent minimum 90 per cent of customer lending. At year-end 2010, this share was 104.6 per cent. With respect to short-term funding, conservative limits have been set for refunding requirements. The banking group stayed well within the established liquidity limits through 2010.

Throughout 2010, the short-term funding markets were sound and stable for banks with good credit ratings, and the access to funding with different maturities was close to normal. Competition for short-term funding increased during 2010, reflecting improved credit ratings for an increasing number of banks.

Financially strong banks generally had good access to long-term funding. At times, however, uncertainty regarding European sovereign debt had pronounced effects on price levels. Funding costs remained at a high level in 2010, partly because banks, due to new funding requirements, need to prepare for a larger share of long-term funding. The cost of long-term funding in 2010 remained considerably higher than during the period prior to the financial crisis for both the DnB NOR Bank Group and its competitors.

The Basel Committee's proposal for new, global standards for quantitative regulation of liquidity and funding in the banking sector, Basel III, will change the existing regulatory framework. The implementation of the new standards may present a challenge for many banks and will require major changes to the banks' balance sheet structure. The DnB NOR Bank Group is in the process of preparing for the announced regulatory requirements.

Corporate governance

The management of the DnB NOR Bank Group is based on the Norwegian Accounting Act and the Norwegian Code of Practice for Corporate Governance.

During the year, the Board of Directors held 18 meetings. The banking group's strategy, future development and structure were high on the agenda, in addition to the capitalisation of the banking group in the wake of the financial crisis and announced changes in external parameters for the financial services industry.

Risk and capital adequacy

The DnB NOR Bank Group quantifies risk by measuring risk-adjusted capital, which is a guiding factor for the banking group's capital requirement. Net estimated risk-adjusted capital declined by NOK 3.7 billion from year-end 2009, to NOK 52.4 billion.

Due to improved credit quality, risk-adjusted capital for credit declined by NOK 5.4 billion. Measured in Norwegian kroner, there was a moderate increase in credit volumes. The US dollar rate remained virtually unchanged from year-end 2009 to end-December 2010, thus the increase in credit exposure reflected actual growth. The rise in market risk reflects greater equity exposure and somewhat higher interest rate risk limits. Higher business volumes explain the developments in other risk categories.

Risk-adjusted capital for the DnB NOR Bank Group

Amounts in NOK billion	31 Dec. 2010	31 Dec. 2009
Credit risk	45.5	50.9
Market risk	4.9	3.7
Operational risk	5.8	5.4
Business risk	3.9	3.4
Gross risk-adjusted capital	60.1	63.3
Diversification effect [1)]	(7.7)	(7.2)
Net risk-adjusted capital	52.4	56.1
Diversification effect in per cent of gross risk-adjusted capital [1)]	12.8	11.4

1) *The diversification effect refers to the effect achieved by the banking group in reducing risk by operating within several risk categories where unexpected losses are unlikely to occur at the same time.*

Credit volumes in the corporate market increased somewhat both in Norway and internationally in 2010, while credit quality improved throughout the year in terms of both reduced probability of default and lower estimated write-downs. Shipping losses remained low in spite of significant deliveries of new vessels in most segments. China and other Asian countries maintained economic growth and ensured satisfactory utilisation of the fleet.

Credit quality also improved in that part of the portfolio which depends on developments in the Norwegian economy, primarily loans to private individuals and small and medium-sized businesses in Norway. The international financial crisis had little impact on Norwegian households. 2010 saw continued low unemployment, healthy wage growth, low housing loan rates and an increase in housing prices. There was stable growth in the home mortgage portfolio during 2010.

The banking group was to some extent still affected by the weak trend in the international economy, especially in the Baltic States. However, write-downs in DnB NORD were reduced in 2010, and the Baltic economies show signs of stabilisation. Still, the uncertainty relating to DnB NORD must be expected to continue, and economic developments in the Baltic States will be vital to the level of write-downs. There was a generally low level of write-downs in the banking group's Norwegian operations.

During 2010, the banking group made extensive efforts to ensure the value of problem commitments. A number of problem commitments were restructured, with a positive result.

There were extensive movements in share prices and exchange rates, as well as in various interest rate add-ons, through 2010. The DnB NOR Bank Group has moderate limits for its own direct market exposure, thus the effects on profits were correspondingly small. Due to large fluctuations in money market rates and in the relative margins between various currencies, however, there were significant changes in the value of derivative positions relative to the banking group's funding when one currency is used to fund loans in another currency. These changes in value are generally of a temporary nature and will be reversed over time. The derivative contracts are considered to serve as hedges for the banking group's funding costs, and the changes in value are not included in the calculations of risk-adjusted capital for market risk.

A total of 352 operational loss events were registered during 2010, causing an overall net loss of NOK 92 million. Potential losses relating to the same events represented NOK 1.2 billion, roughly on a level with previous years. The majority of events and the largest losses were in the category "processing and routine errors" relating to the banking group's products and services. The banking group is working continually to increase the quality of processes and routines. As in 2009, there was a continued rise in the number of fraud-related events. However, the effects of most of these events were recorded as credit losses even though operational risk constitutes the underlying cause.

The DnB NOR Bank Group enjoyed a sound liquidity situation at end-December 2010. The average remaining term to maturity for the portfolio of senior bond debt was 3.6 years at year-end, an increase from 3.0 years a year earlier. The banking group aims to achieve a sound and stable maturity structure for funding over the next five years.

Risk-weighted volume included in the calculation of the formal capital adequacy requirement was NOK 919 billion at end-December 2010, down NOK 41.5 billion from 2009. The main reason for the reduction was that the banking group was granted permission in the fourth quarter of 2010 to use internal risk models, IRB measurement, for most of its large corporate and bond portfolios. However, the transitional rules, which will remain in effect through 2011, allow a maximum reduction in risk-weighted volume of 20 per cent. The transitional floor applied at year-end 2010. The Tier 1 capital ratio was 9.2 per cent at end-December 2010 and 8.4 per cent at year-end 2009, while the capital adequacy ratio was 11.7 per cent at year-end 2010.

The Basel Committee's proposal for new global standards for quantitative regulation of liquidity and funding in the banking sector, Basel III, entails stricter capital adequacy requirements. Even though the proposal was moderated somewhat during 2010, it remains conservative and may be challenging to fulfil for a number of banks. However, due to the size and structure of its capital base, the banking group will be well positioned to meet the coming requirements.

Business areas

Activities in the DnB NOR Bank Group are organised in the business areas Retail Banking, Large Corporates and International and DnB NOR Markets. The business areas operate as independent profit centres and have responsibility for serving all of the banking group's customers and for the total range of products. DnB NORD, which became wholly owned by DnB NOR Bank from year-end 2010, is also regarded as a separate profit centre.

Retail Banking delivered a sound financial performance in 2010. Pre-tax operating profits were NOK 6 719 million, down NOK 522 million or 7.2 per cent from the previous year. The relatively low and stable interest rate levels, combined with strong competition, put pressure on interest rate spreads. The weighted interest rate spread, defined as total margin income on loans and deposits relative to total loans and deposits, averaged 1.25 per cent in 2010, down from 1.30 per cent in 2009. Average lending rose by 3.9 per cent from 2009 to 2010. The rise in home mortgages was somewhat lower than in 2009, while the growth in lending to the business sector picked up through 2010. Average deposits were up 2.1 per cent, and the ratio of deposits to lending was 51 per cent in 2010. Covered bonds based on home mortgages from DnB NOR Boligkreditt are an important source of funding, and close to 90 per cent of lending volume was funded by deposits and bonds at year-end 2010. Net other operating income remained relatively stable compared with 2009. Income from real estate broking, non-life insurance and asset management gave a rise in income, while income from insurance savings and payment transfers was lower than the previous year. Strict cost control and the implementation of cost-reduction measures contributed to limiting total cost growth to 1.9 per cent compared with 2009. Net write-downs relative to average net lending remained at a low level and were reduced from 0.22 per cent in 2009 to 0.17 per cent in 2010. The quality of the loan portfolio was sound at year-end 2010.

Large Corporates and International recorded pre-tax operating profits of NOK 6 124 million in 2010, up NOK 455 million or 8.0 per cent from the previous year due to a decline in write-downs on loans. Rising activity levels throughout 2010 gave an increase in net interest income. The effects of higher funding costs were offset by widening lending spreads. Measured against the money market rate, lending spreads improved in all segments from 2009 and widened by 0.16 percentage points from 2009 to 2010 for the business area as a whole. Strong competition for deposits put pressure on deposit spreads, which narrowed by 0.05 percentage points compared with 2009. Average lending to customers declined by 6.1 per cent from 2009 to 2010, but rose by 4.4 per cent from year-end 2009 to year-end 2010 due to increasing market activity. Average deposits from customers were stable compared with 2009, but showed an increase towards the end of 2010. Other operating income showed a reduction from 2009, though higher activity levels ensured a positive trend through 2010. The brisk activity also caused a rise in costs compared with 2009, and the cost/income ratio increased from 27.9 per cent in 2009 to 30.4 per cent in 2010. Relative to average lending, net write-downs on loans were reduced from 0.30 per cent in 2009 to 0.17 per cent in 2010. The quality of the portfolio was satisfactory in all sectors and showed a significant improvement towards the end of 2010.

DnB NOR Markets achieved healthy profits in 2010, in spite of a 31.8 per cent reduction in pre-tax operating profits from 2009, to NOK 3 638 million in 2010. Extraordinary volatility in interest rates and exchange rates at the beginning of 2009 generated a high level of income. The normalisation of the markets resulted in a NOK 1.8 billion reduction in income from 2009 to 2010, of which NOK 1.4 billion represented a decline in income from market making and other proprietary trading. There was a high level of activity in 2010, especially towards the end of the year, which offset the pressure on prices resulting from an increasing share of electronic trading and strong competition in the market. New records were set on Oslo Børs with respect to both equity and debt capital issues, which gave a strong increase in revenues from corporate finance compared with 2009. DnB NOR Markets was the largest investment bank on Oslo Børs within equity, bond and commercial paper trading and issues in 2010. Operating expenses were reduced by 4.1 per cent from 2009 to 2010.

DnB NORD, which became wholly owned by DnB NOR Bank from year-end 2010, has its core operations in the Baltic region and Poland. DnB NORD recorded a pre-tax operating loss of NOK 1 481 million in 2010, compared with a loss of NOK 4 289 million in 2009. Financial performance still reflected the recession, though there were signs of improvement through 2010 both in DnB NORD's profit figures and in the Baltic economies. Average lending declined by close to 25 per cent from 2009 to 2010, of which approximately 7.5 percentage points was due to the transfer of a portfolio to DnB NOR in 2009. From year-end 2009 to end-December 2010, lending was reduced by just over 12 per cent. The Danish portfolio, which is in the process of being downscaled, showed the largest percentage decline, though there was also a reduction in lending volumes in the Baltic region through 2010. In Poland, lending volume rose by 17 per cent during the year measured in Norwegian kroner. Ordinary expenses were reduced by 14.4 per cent from 2009 to 2010, reflecting measures to streamline operations. A high level of write-downs on loans characterised DnB NORD's financial performance in 2010, though there was a significant reduction from 2009. Measured against average lending, write-downs declined from 4.70 per cent in 2009 to 2.89 per cent in 2010. A further reduction is anticipated in write-downs on loans.

Corporate social responsibility

The DnB NOR Bank Group wishes to ensure sustainable development and long-term value creation through business operations which focus on environmental, ethical and social considerations. The DnB NOR Bank Group's aim is to make corporate social responsibility an integral part of its management tools to ensure a holistic and consistent approach in CSR matters.

DnB NOR's group policy for corporate social responsibility,CSR, is based on internationally recognised guidelines and initiatives, including the OECD's guidelines for multinational companies and the UN Global Compact.

The CSR policy applies to all parts of the Group's operations and comprises products, services, marketing, procurement, corporate governance, as well as internal processes concerning the working environment, ethics and environmental efficiency. Five areas have been selected as particularly relevant for the banking group's CSR initiatives:

- customers and suppliers
- the climate challenge
- contribution to society
- life phases and diversity
- transparency.

DnB NOR has drawn up guidelines to ensure that the organisation complies with relevant CSR requirements.

To strengthen ethical awareness in DnB NOR, an obligatory ethics programme has been introduced. Courses have also been established focusing on money laundering practices.

The DnB NOR Bank Group applies a diligence matrix in its lending activities to evaluate customers' social, environmental and ethical risk factors. In 2010, new routines were established to register such factors.

The DnB NOR Bank Group's suppliers must sign a declaration form stating that they do not contribute to human or labour rights violations, environmental harm or corruption. Rules have been established for the banking group's investment operations to ensure that the DnB NOR Bank Group does not contribute to the infringement of human and labour rights, corruption, serious environmental damage or other acts which can be perceived to be unethical. Nor must DnB NOR invest in companies involved in the production of tobacco, pornography, anti-personnel mines or cluster weapons, or in companies which develop and produce components for use in weapons of mass destruction as a central part of their operations. At the end of 2010, 57 companies were excluded after breaching the guidelines. The Group has an active ownership policy entailing that companies are given the possibility to adjust their operations prior to a possible exclusion. During 2010, it was specified that the ethical investment guidelines also apply to external managers and mutual funds.

In 2010, DnB NOR supported sporting, cultural and charitable organisations and other non-profit projects with NOK 121 million. Among other things, a three-year collaboration agreement was entered into with the Norwegian Red Cross to strengthen the organisation's social work across Norway. In addition, a three-year agreement was entered into with CARE in Norway to develop new micro-credit institutions in Rwanda.

The DnB NOR Savings Bank Foundation is the second largest shareholder in the DnB NOR Group and donates a share of its profits to non-profit projects. In 2010, the foundation made donations totalling some NOK 100 million.

In 2010, DnB NOR qualified for inclusion, for the second year in a row, in the Dow Jones Sustainability World Index. The index consists of the top ten per cent companies in the world within each industry sector, and companies' performance with respect to economic, environmental and social factors is evaluated. In addition, DnB NOR is included in the FTSE4Good Index.

Both reputation and customer satisfaction are assessed when measuring and following up the banking group chief executive and the banking group executive vice presidents, which entails that the banking group's CSR work forms part of the basis for banking group management's remuneration.

CSR policy documents and guidelines can be viewed on dnbnor.no.

The external environment

Sustainable environmental management and measures to reduce the scope and effects of climate change are prerequisites for long-term value creation for the DnB NOR Bank Group. The banking group will contribute both through its own operations and by influencing customers and suppliers to make environmentally-friendly choices.

In 2010, DnB NOR became part of the Global Compact "Caring for Climate" initiative. DnB NOR also participated in the Carbon Disclosure Project, a climate reporting project.

The DnB NOR Bank Group's direct impact on the environment is mainly related to its greenhouse gas emissions and waste from its office operations, whereas the banking group's indirect impact on the environment is related to product and services procurement and requirements made to customers, suppliers and investment objects.

DnB NOR's carbon audit can be viewed on dnbnor.no. In 2010, an environmental plan was approved for the new headquarters being constructed in Bjørvika in Oslo. The environmental targets include, among other things, reducing energy consumption and greenhouse gas emissions per employee by more than 50 per cent.

At the end of 2010, 29 of the buildings which DnB NOR uses for its own operations in Norway were environmentally-certified based on the Eco-lighthouse standard.

Real estate brokerage and property management are a significant part of the Group's product portfolio. In 2010, through Vital Eiendom, the Group contributed to establishing the Nordic Green Building Council. The organisation will work to promote higher environmental standards in Norwegian buildings.

Internal environment efficiency [1)]

	2010	2009
Energy consumption (Gwh) [2)]	109.7	104.0
Energy consumption per employee (Kwh)	12 104	11 343
Purchased paper (tons)	675	859
Waste recycling ratio (%)	53	55
Eco-lighthouse certified buildings (number) [3)]	29	30
Domestic air travel (1 000 kms) [4)]	21 093	18 548
International air travel (1 000 kms) [4)]	21 451	16 155

1) *All figures apply to DnB NOR's operations in Norway.*
2) *The increase in energy consumption was primarily due to a colder autumn/winter in 2010.*
3) *One eco-lighthouse certified building was sold in 2010.*
4) *The increase in air travel was mainly due to greater activity compared with 2009.*

Employees and managers

The DnB NOR Bank Group's employees are the most important resource in developing and maintaining good customer relationships and creating values together with customers. The banking group has competent and motivated employees and is perceived to be an attractive workplace with good development opportunities. There was a significant increase in the number of training measures from 2009 to 2010.

The importance of high ethical standards and compliance with DnB NOR's principles for corporate social responsibility is emphasised in all parts of the organisation, and training in ethics is obligatory for the whole banking group. DnB NOR's ethics programme and dilemma training were both continued in 2010. In addition, the programme was launched in English and implemented at DnB NOR's offices outside Norway. The purpose of the programme is to increase employee awareness of the ethical dilemmas which may be encountered in contact with customers and in connection with internal processes. A new e-learning course on money laundering was developed in 2010. The course is compulsory for all employees in the banking group and is part of the authorisation scheme for financial advisers.

In 2010, 561 managers and other employees became authorised in accordance with the requirements under the Norwegian authorisation scheme for financial advisers. The purpose of the scheme is to strengthen the financial sector's reputation and ensure that each individual adviser satisfies the necessary competence requirements.

In 2010, DnB NOR joined the insurance industry's authorisation scheme for sellers and advisers who offer non-life insurance solutions in the Norwegian market. The scheme aims to ensure that sellers and advisers meet the competence requirements which are defined by the sector. In the DnB NOR Bank Group, 1 600 sellers and advisers and 250 managers are comprised by the scheme. In 2010, 1 115 employees passed the professional exam.

At the end of 2010, there were 12 288 employees in the banking group, of whom 7 992 were based in Norway. DnB NOR Bank's acquisition of the remaining shares in DnB NORD entailed that the banking group, at the end of 2010, gained 3 200 new employees from DnB NORD's offices in Estonia, Latvia, Lithuania, Poland and Denmark. The integration of DnB NORD employees contributes to greater diversity and a further internationalisation of the banking group. DnB NOR's vision and values, leadership principles and code of ethics play a central role in the integration process.

The employee survey which was carried out in February 2011 showed that the process of defining a strategic direction and establishing a clear and unambiguous vision for DnB NOR has had the desired effect. The main employee satisfaction index rose as high as 76.6 points in 2011, compared with 74 points in 2010.

Health, safety and environment

Health, safety and environment (HS&E) are important elements in the banking group's human resources policy. In 2010, key focus areas were leadership training, crisis management, sickness absence follow-up and inclusive workplace initiatives.

In 2010, DnB NOR established a new structure for its joint consultation and working environment committees whereby separate committees were established in the business areas and subsidiaries. In addition, HS&E meetings were established in the various regions to support the initiatives within health, safety and environment.

In 2010, exercises were conducted for employees assigned to DnB NOR's Next-of-Kin Centre. The centre is operated in cooperation with the Norwegian Church Abroad.

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

In 2010, a total of 36 managers and safety representatives in the banking group's operations in Norway completed the internal programme on working environment training. The purpose of the training is to provide the necessary insight and knowledge to comply with the Working Environment Act and DnB NOR's internal HS&E requirements.

DnB NOR endeavours to prevent injuries caused by robberies and threats through extensive security procedures and training programmes. In 2010, 15 courses were held on how to handle robberies in the banking group's Norwegian operations. In addition, 235 employees attended various courses on threat management, security and fire protection.

In 2010, a total of 42 employees in the banking group's Norwegian operations were exposed to threats. DnB NOR was not subject to robberies in 2010. 21 accidents and injuries were registered during working hours or in connection with commuting to and from work, but none were of a serious nature. All accidents and injuries are reported as occupational injuries by the banking group.

Sickness absence and an inclusive workplace

In 2010, sickness absence was 4.2 per cent in the banking group's Norwegian operations, an improvement from 5.1 per cent in 2009. Of 1 948 300 possible man-days, some 82 400 man-days were lost due to sickness absence in 2010. Units with high sickness absence rates were subject to special follow-up in 2010, and various preventive measures were established. A collaboration project was also established with the Norwegian Red Cross, the Norwegian Church City Mission and the Norwegian Heart and Lung Patient Organisation to help employees on long-term sick leave or those affected by extensive restructuring processes to return to work, within or outside DnB NOR, as quickly as possible.

As an inclusive workplace, DnB NOR is committed to working systematically to reduce sickness absence, adapt working conditions for employees with special needs, follow up employees on long-term sick leave and increase the actual retirement age in the Group. The average retirement age remained relatively unchanged from 2009 to 2010.

Equality

DnB NOR is committed to giving men and women the same opportunities for professional and personal development, combined with salary and career progression. The banking group has flexible schemes that make it easier to combine a career with family life.

The gender distribution in the DnB NOR Bank Group in 2010 was 55 per cent women and 45 per cent men, entailing no significant change from 2009. In the banking group's Norwegian operations, the average age was 46.0 years for women and 44.5 years for men. 83 per cent of the employees who worked part-time were women and 17 per cent men. The average fixed salary was NOK 451 800 for women and NOK 572 900 for men in 2010.

The female representation target set by the Board of Directors for the top four management levels in the banking group is minimum 30 per cent. The proportion of women in the group management team was 40 per cent in 2010, unchanged from 2009. At the top four and five management levels, female representation also remained virtually unchanged at 26 and 33 per cent, respectively, in 2010.

The DnB NOR Bank Group implements the following specific equal opportunity measures:

- priority is given to female applicants for management positions, subject to equal qualifications
- the best female candidate shall be considered for positions in units where women are in a minority
- equality and diversity are topics in the leadership development programmes.

Macroeconomic developments

Global economic growth was approximately 5 per cent in 2010, after a decline of 0.6 per cent in 2009. However, there were significant national and regional differences. Growth was strong in certain European industrialised countries, in China and in some other Asian countries, but weak in other countries. In some of the countries worst affected by heavy national debt, GDP showed a downward trend. In 2010, the eurozone entered its most serious crisis since it was established. After the implementation of strong fiscal stimulus measures to counteract the effects of the financial crisis, fiscal policy was tightened in several countries at the end of 2010 without a corresponding compensation through monetary policy. In several of these countries, the growth outlook is weak. Countries with high growth in 2010 largely returned to pre-2009 levels, but growth will probably not continue at the same pace in 2011. It is expected that growth in the OECD area will decline from 2.8 per cent in 2010 to 2.3 per cent in 2011. Global economic expansion is expected to remain higher as countries in regions other than Europe and North America are growing strongly. Traditional Norwegian exports are mainly oriented towards global markets and will continue to benefit from the growth in the global economy.

The Baltic States were hard hit during the financial crisis, but showed signs of recovery towards the end of 2010. GDP increased moderately in the three Baltic States at the end of 2010, whereas manufacturing production showed strong growth. The upturn in exports, particularly to Germany and the Nordic region, was an important reason for the turnaround, while domestic demand remained comparatively weak. Unemployment, which rose steeply throughout the crisis, seemed to have passed a peak at the end of 2010.

The Norwegian economy is assumed to be approaching normal activity growth, and unemployment appears to have stabilised. After a fall in GDP of 1.3 per cent in 2009, economic growth picked up in 2010, particularly during the second half of the year, and is estimated at approximately 2 per cent for the whole of 2010. Higher household demand for consumer goods and housing contributed to the positive trend. An expansionary monetary and fiscal policy also had a positive effect and will continue to stimulate growth in household demand. Investment in the mainland economy is increasing, and the decline in manufacturing investment appears to be approaching a turning point. The fall in manufacturing production has also been reversed, resulting in a new upturn. The decline in employment stopped towards the middle of 2010 and subsequently rose somewhat. Unemployment has remained stable since end-June 2009.

Future prospects

The international economy is in a period of moderate growth, but the debt situation in many countries may slow down growth in Europe and the US, making future developments more uncertain. However, the economic forecasts for the total global economy are relatively positive. The favourable economic situation gives the DnB NOR Bank Group a platform to further strengthen its operations while recording relatively low write-downs. Improvement in the Baltic economies is expected to strengthen financial performance in DnB NORD. The increase in market activity, which is given high priority in the organisation, will also help the DnB NOR Bank group maintain and enhance the banking group's solid position in traditional market segments.

The DnB NOR Bank Group had good access to both short-term and long-term funding in 2010, but at considerably higher prices than before the financial crisis. The banking group expects to continue to enjoy good access to funding. However, prices are not expected to return to pre-crisis levels, partly due to new external parameters, which will probably result in large future funding requirements for banks.

The DnB NOR Bank Group aims to enhance its market position in Norway by increasing its presence in areas where the Group has limited operations.

The DnB NOR Bank Group will continue to give priority to the streamlining of operations across the banking group, partly to compensate for an escalation of market activities.

The Retail Banking business area expects housing loans to account for the majority of lending growth, though lending to small and medium-sized businesses is also expected to grow. The price pressure on low-risk housing loans is expected to continue. The Large Corporates and International business area anticipates a certain rise in credit demand, coupled with a slight widening in average lending spreads and pressure on deposit spreads. In DnB NOR Markets, high demand and brisk activity levels are expected to continue. Profits in DnB NORD are expected to stabilise and then show a slight increase. In the longer term, growth in the Baltic States and Poland is expected to again surpass average European levels.

The financial industry is facing considerable changes in relevant framework conditions through, for example, the Basel III rules, including stricter capitalisation, liquidity and funding requirements. As a result of the capital increase in 2009 and sound profits in 2010, DnB NOR is in a satisfactory position to meet new requirements. The banking group is, however, committed to giving input to the regulatory process to ensure that conditions will be as equal as possible across national borders, so that Norwegian banks will not be at a disadvantage compared with financial institutions in other countries.

At the start of 2011, subject to balanced framework conditions, DnB NOR is well positioned to reach its financial targets.

Allocation of profits

Profits for 2010 in DnB NOR Bank ASA came to NOK 12 317 million. The Board of Directors has proposed a group contribution from DnB NOR Bank ASA to DnB NOR ASA of NOK 6 000 million after taxes. The remaining profits will be transferred to other equity.

The capital adequacy ratio of DnB NOR Bank ASA was 14.1 per cent and the Tier 1 capital ratio 11.1 per cent at year-end 2010. The banking group had a capital adequacy ratio of 11.7 per cent and a Tier 1 capital ratio of 9.2 per cent.

In the opinion of the Board of Directors, following allocations, DnB NOR Bank ASA will have adequate financial strength and flexibility to provide sufficient support to operations in the banking group and meet changes in external parameters.

Oslo, 16 March 2011
The Board of Directors of DnB NOR Bank ASA

Anne Carine Tanum
(chairman)

Bent Pedersen
(vice-chairman)

Per Hoffmann

Kai Nyland

Torill Rambjør

Ingjerd Skjeldrum

Berit Svendsen

Rune Bjerke
(group chief executive)

Income statement

DnB NOR Bank ASA				DnB NOR Bank Group	
2009	2010	*Amounts in NOK million*	Note	2010	2009
44 581	44 177	Total interest income	18	57 399	59 047
29 183	25 471	Total interest expenses	18	34 012	35 935
15 398	**18 706**	**Net interest income**	18	**23 387**	**23 112**
4 980	5 375	Commissions and fees receivable etc.	20	6 337	5 956
1 752	1 867	Commissions and fees payable etc.	20	1 986	1 890
7 509	2 922	Net gains on financial instruments at fair value	22	4 973	6 180
0	0	Profit from companies accounted for by the equity method	37	180	93
2 226	6 147	Other income	21	3 562	1 485
12 963	**12 577**	**Net other operating income**		**13 067**	**11 824**
28 361	**31 283**	**Total income**		**36 454**	**34 935**
6 586	6 660	Salaries and other personnel expenses	23	8 170	8 681
4 703	5 610	Other expenses	24	6 737	6 067
2 624	1 619	Depreciation and impairment of fixed and intangible assets	25	2 135	2 094
13 913	**13 889**	**Total operating expenses**		**17 042**	**16 841**
(1)	6	Net gains on fixed and intangible assets		23	26
3 135	813	write-downs on loans and guarantees	10, 11	2 997	7 710
11 312	**16 587**	**Pre-tax operating profit**		**16 437**	**10 410**
3 849	4 270	Taxes	28	4 827	4 351
0	0	Profit from operations and non-current assets held for sale, after taxes		75	80
7 463	**12 317**	**Profit for the year**		**11 685**	**6 139**
-	-	Profit attributable to shareholders		12 437	7 698
-	-	Profit attributable to minority interests		(752)	(1 559)
42.61	70.32	Earnings/diluted earnings per share (NOK)		71.01	43.95
42.61	70.32	Earnings/diluted earnings per share excluding operations held for sale (NOK)		70.59	43.50

Comprehensive income statement

DnB NOR Bank ASA			DnB NOR Bank Group	
2009	2010	*Amounts in NOK million*	2010	2009
7 463	12 317	Profit for the year	11 685	6 139
(468)	(6)	Exchange differences arising from the translation of foreign operations	(135)	(998)
6 995	**12 310**	**Comprehensive income for the year**	**11 550**	**5 141**
-	-	Comprehensive income attributable to shareholders	12 444	7 288
-	-	Comprehensive income attributable to minority interests	(894)	(2 147)

Balance sheet

DnB NOR Bank ASA				DnB NOR Bank Group	
31 Dec. 2009	31 Dec. 2010	*Amounts in NOK million*	Note	31 Dec. 2010	31 Dec. 2009
		Assets			
29 023	12 997	Cash and deposits with central banks	29, 30, 31	16 198	31 859
276 084	216 432	Lending to and deposits with credit institutions	7, 8, 29, 30, 31	43 837	58 751
626 806	669 454	Lending to customers	7, 8, 29, 30, 31	1 184 100	1 128 791
304 948	280 423	Commercial paper and bonds	29, 31, 33	162 071	177 613
13 041	14 590	Shareholdings	29, 31, 32, 33	14 954	13 396
71 002	85 019	Financial derivatives	16, 29, 31	76 781	69 173
113 302	113 751	Commercial paper and bonds, held to maturity	29, 30, 35	113 751	113 302
0	0	Investment property	36	2 872	614
1 023	1 285	Investments in associated companies	37	2 291	2 502
26 174	22 932	Investments in subsidiaries	38	-	-
2 562	3 578	Intangible assets	39, 40	5 001	5 554
1 153	481	Deferred tax assets	28	262	241
817	5 004	Fixed assets	41	5 767	5 434
0	0	Operations and non-current assets held for sale		1 271	1 255
6 146	9 332	Other assets	43	8 482	7 513
1 472 079	**1 435 278**	**Total assets**		**1 637 639**	**1 615 999**
		Liabilities and equity			
294 190	257 139	Loans and deposits from credit institutions	29, 30, 31	257 931	302 694
580 913	624 588	Deposits from customers	29, 30, 31, 44	664 012	613 627
64 338	72 771	Financial derivatives	16, 29, 31	60 622	52 359
398 231	342 761	Debt securities issued	29, 30, 31, 45	509 447	500 907
7 142	1 594	Payable taxes	28	4 822	8 715
7	3	Deferred taxes	28	113	575
12 863	20 304	Other liabilities	29, 48	13 009	9 839
0	0	Operations held for sale		387	366
739	709	Provisions	47	925	847
3 508	2 928	Pension commitments	26	3 038	3 707
37 686	33 386	Subordinated loan capital	29, 30, 31, 46	33 474	39 051
1 399 617	**1 356 182**	**Total liabilities**		**1 547 780**	**1 532 685**
-	-	Minority interests		0	2 755
17 514	17 514	Share capital		17 514	17 514
12 695	12 695	Share premium reserve		13 411	13 411
42 253	48 887	Other equity		58 933	49 633
72 462	**79 096**	**Total equity**		**89 859**	**83 314**
1 472 079	**1 435 278**	**Total liabilities and equity**		**1 637 639**	**1 615 999**
		Off-balance sheet transactions and contingencies	51		

Statement of changes in equity

DnB NOR Bank ASA

Amounts in NOK million	Share capital	Share premium reserve	Other equity	Total equity
Balance sheet as at 31 December 2008	**17 514**	**12 695**	**39 007**	**69 217**
Profit for the period			7 463	7 463
Exchange differences arising from the translation of foreign operations			(468)	(468)
Comprehensive income for the period			6 995	6 995
Group contribution for 2009 to DnB NOR ASA			(3 750)	(3 750)
Balance sheet as at 31 December 2009	**17 514**	**12 695**	**42 253**	**72 462**
Profit for the period			12 317	12 317
Exchange differences arising from the translation of foreign operations			(6)	(6)
Comprehensive income for the period			12 310	12 310
Merger with DnB NOR Finans AS			323	323
Group contribution for 2010 to DnB NOR ASA			(6 000)	(6 000)
Balance sheet as at 31 December 2010	**17 514**	**12 695**	**48 887**	**79 096**
Of which currency translation reserve :				
Balance sheet as at 31 December 2008			*185*	*185*
Comprehensive income for the period			*(468)*	*(468)*
Balance sheet as at 31 December 2009			*(283)*	*(283)*
Comprehensive income for the period			*(6)*	*(6)*
Merger with DnB NOR Finans AS			*19*	*19*
Balance sheet as at 31 December 2010			*(270)*	*(270)*

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

The restricted share of retained earnings (fund for unrealised gains) in DnB NOR Bank ASA totalled NOK 1 219 million at 31 December 2010 and NOK 1 423 million as at 31 December 2009.

DnB NOR Bank Group

Amounts in NOK million	Minority interests	Share capital	Share premium reserve	Other equity	Total equity
Balance sheet as at 31 December 2008	**4 211**	**17 514**	**13 411**	**42 346**	**77 483**
Profit for the period	(1 559)			7 698	6 139
Exchange differences arising from the translation of foreign operations	(587)			(410)	(998)
Comprehensive income for the period	(2 147)			7 288	5 141
Minority interests DnB NORD	693				693
Other minority interests	(2)				(2)
Balance sheet as at 31 December 2009	**2 755**	**17 514**	**13 411**	**49 633**	**83 314**
Profit for the period	(752)			12 437	11 685
Exchange differences arising from the translation of foreign operations	(142)			7	(135)
Comprehensive income for the period	(894)			12 444	11 550
Group contribution for 2009 to DnB NOR ASA				(3 750)	(3 750)
Acquisition of NORD/LB's shares in DnB NORD	(1 855)			605	(1 250)
Minority interests	(6)				(6)
Balance sheet as at 31 December 2010	**0**	**17 514**	**13 411**	**58 933**	**89 859**
Of which currency translation reserve :					
Balance sheet as at 31 December 2008	*524*			*170*	*695*
Comprehensive income for the period	*(587)*			*(410)*	*(998)*
Balance sheet as at 31 December 2009	*(63)*			*(240)*	*(303)*
Comprehensive income for the period	*(142)*			*7*	*(135)*
Acquisition of NORD/LB's shares in DnB NORD	*205*			*(205)*	*0*
Balance sheet as at 31 December 2010	*0*			*(438)*	*(438)*

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

Cash flow statement

DnB NOR Bank ASA			DnB NOR Bank Group	
2009	2010	*Amounts in NOK million*	2010	2009
		Operations		
143 999	6 814	Net receipts/payments on loans to customers	(56 030)	8 510
29 734	43 944	Net receipts on deposits from customers	50 491	29 199
28 491	26 870	Interest received from customers	44 214	48 013
(11 583)	(10 834)	Interest paid to customers	(11 527)	(12 502)
		Net receipts/payments on the sale/acquisition of financial assets		
(160 632)	18 264	for investment or trading	508	(112 104)
3 227	3 646	Net receipts on commissions and fees	4 433	4 007
(12 700)	(12 975)	Payments to operations	(15 584)	(15 855)
(1 794)	(7 912)	Taxes paid	(8 032)	(596)
2 218	4 811	Other receipts	2 529	1 490
20 960	**72 627**	**Net cash flow relating to operations activities**	**11 003**	**(49 838)**
		Investment activities		
(755)	(2 495)	Net payments on the sale/acquisition of fixed assets	(1 968)	(977)
578	200	Receipts on the sale of long-term investments in shares	0	478
(10 045)	(1 313)	Payments on the acquisition of long-term investments in shares (see note 2)	(1 253)	0
206	216	Dividends received on long-term investments in shares	438	136
(10 015)	**(3 391)**	**Net cash flow relating to investment activities**	**(2 783)**	**(363)**
		Funding activities		
57 105	(20 032)	Net receipts/payments on loans to/from credit institutions	(26 351)	122 316
1 713	(9 331)	Net receipts/payments on other short-term liabilities	2 131	(2 250)
206 147	181 307	Receipts on issued bonds and commercial paper	278 237	218 352
(284 179)	(231 268)	Payments on redeemed bonds and commercial paper (see note 45)	(257 013)	(286 174)
0	(3 522)	Redemptions of subordinated loan capital (see note 45)	(4 704)	0
647	(3 224)	Dividend/group contribution payments/receipts (see note 46)	(3 750)	0
9 862	17 340	Interest receipts on funding activities	13 219	2 890
(17 615)	(14 599)	Interest payments on funding activity	(22 454)	(21 879)
(26 320)	**(83 329)**	**Net cash flow from funding activities**	**(20 685)**	**33 255**
(3 357)	**234**	**Effects of exchange rate changes on cash and cahs equivalents**	**(153)**	**(3 771)**
(18 732)	**(13 860)**	**Net cash flow**	**(12 618)**	**(20 718)**
64 769	46 037	Cash as at 1 January	36 078	56 795
(18 732)	(13 860)	Net payments of cash	(12 618)	(20 718)
46 037	32 177	Cash at end of period *)	23 459	36 078
		*) *Of which:*		
29 023	*12 997*	*Cash and deposits with central banks*	*16 198*	*31 859*
17 014	*19 180*	*Deposits with credit institutions with no agreed period of notice* 1)	*7 261*	*4 219*

1) Recorded under "Lending to and deposits with credit institutions" in the balance sheet.

The cash flow statement shows receipts and payments of cash and cash equivalents during the year. The statement has been prepared in accordance with the direct method and has been adjusted for items that do not generate cash flows, such as accruals, depreciation and write-downs on loans and guarantees. Cash flows are classified as operating activities, investment activities or funding activities. Balance sheet items are adjusted for the effects of exchange rate movements. Cash is defined as cash and deposits with central banks, and deposits with credit institutions with no agreed period of notice.

Accounting principles

Contents

1. CORPORATE INFORMATION

DnB NOR Bank ASA is subsidiary of DnB NOR ASA, which is a Norwegian public limited company listed on Oslo Børs (the Oslo Stock Exchange). The consolidated accounts for 2010 were approved by the Board of Directors on 16 March 2011.

The banking group offers banking services and securities and investment services in the Norwegian and international retail and corporate markets.

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

2. BASIS FOR PREPARING THE ACCOUNTS

DnB NOR Bank has prepared consolidated accounts for 2010 in accordance with IFRS, International Financial Reporting Standards, as approved by the EU. The statutory accounts of DnB NOR Bank ASA have been prepared according to the Norwegian Ministry of Finance's regulations on annual accounts, Section 1-5, on the use of IFRS.

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

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

3. CHANGES IN ACCOUNTING PRINCIPLES

The banking group has made no changes in the accounting principles applied in 2010, but has implemented the following new standards, amendments and interpretations with effect from 1 January 2010:

The revised IFRS 3 – Business Combinations introduces certain changes and specifications with respect to the use of the acquisition method (the purchase method). Amendments relate to:

- goodwill in step acquisitions is measured at the acquisition date
- in step acquisitions, changes in value of former ownership interests should be reflected in the income statement
- minority interests may be measured at fair value at the acquisition date
- contingent considerations are measured at fair value at the acquisition date, and subsequent changes in value of the contingent consideration are reflected in the income statement
- acquisition costs in excess of issue and borrowing costs are expensed as they occur.

The revised IAS 27 – Consolidated and Separate Financial Statements includes supplementary principles regarding the accounting treatment of changes in ownership interests in subsidiaries. The introduction of the revised standard implies that upon loss of control of a subsidiary, any residual holding in the former subsidiary must be measured at fair value and the gain or loss on the disposal recognised in profit or loss. Changes in ownership interests that do not result in loss of control shall be accounted for as an equity transaction. In addition, the rules relating to the distribution of losses between the majority and the minority have been changed, whereby losses are to be charged to the non-controlling interests (minority interests), even if the balance sheet value of the minority interest will thus be negative.

The following new standards and interpretations entered into force in 2010, but had no impact on the consolidated accounts:

- amendments to IFRS 2 Share-based Payment – Group Cash-settled Share-based Payment Transactions
- amendments to IAS 39 – Financial Instruments – Recognition and Measurement – hedging of risk components
- IFRIC 12 – Service Concession Arrangements
- IFRIC 15 – Agreements for the Construction of Real Estate
- IFRIC 16 – Hedges of a Net Investment in a Foreign Operation
- IFRIC 17 – Distributions of Non-cash Assets to Owners
- IFRIC 18 – Transfers of Assets from Customers
- IASB's annual improvement project.

4. CONSOLIDATION

The consolidated accounts for DnB NOR Bank ASA ("DnB NOR Bank" or "the banking group") include DnB NOR Bank, subsidiaries and associated companies.

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

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

Subsidiaries and associated companies

Subsidiaries are defined as companies in which DnB NOR Bank has control, directly or indirectly, through ownership or other means. DnB NOR Bank recognises the existence of de facto control, but generally assumes to have control when the banking group's direct or indirect holdings represent more than 50 per cent. With respect
to companies where the banking group's holding is 50 per cent or less, DnB NOR Bank makes an assessment of whether other factors indicate de facto control. Subsidiaries are fully consolidated from the date on which control is transferred to the banking group. Subsidiaries that are sold are consolidated up till the time risk and control are transferred.

Associated companies are companies in which DnB NOR Bank has a significant influence, that is the power to participate in the financial and operating policy decisions of the companies, but is not in control or joint control of the companies. DnB NOR Bank assumes that significant influence exists when the banking group holds between 20 and 50 per cent of the voting share capital or primary capital in another entity.

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

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

Conversion of transactions in foreign currency

The major entity in the banking group, DnB NOR Bank ASA, has Norwegian kroner as its functional currency. Balance sheet items of foreign branches and subsidiaries in other functional currencies are translated into Norwegian kroner according to exchange rates prevailing on the balance sheet date, while profit and loss items are translated according to exchange rates on the transaction date. Changes in net assets resulting from exchange rate movements are recorded as other income and expenses in the comprehensive income statement.

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

5. BUSINESS COMBINATIONS

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

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

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

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

Operations held for sale

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

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

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

Profits after taxes for such operations are presented separately as "Profit from operations and non-current assets held for sale, after taxes" in the consolidated accounts. Total assets and liabilities from these operations are presented separately under "Operations and non-current assets held for sale" and "Operations held for sale" in the banking group's balance sheet.

6. RECOGNITION IN THE INCOME STATEMENT

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

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

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

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

Fees and commissions are included in the income statement when the services are rendered. Fees for the establishment of loan agreements are included in cash flows when calculating amortised cost and recorded under "Net interest income" using the effective interest method. Fees that are incurred when establishing financial guarantees are included in the valuation and recorded over the term of the contract under "Net gains on financial instruments at fair value". "Net other operating income" includes among others fees and commissions relating to money transfers, success fees, credit broking, real estate broking, corporate finance and securities services. Fees and commissions are recorded in the income statement when the services are rendered. Success fees are recorded when the fees with a high degree of certainty have been earned and can be measured in a reliable manner.

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

7. FINANCIAL INSTRUMENTS

Recognition and derecognition

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

Derecognition of financial assets

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

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

Derecognition of financial liabilities

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

Repurchase and reverse repurchase agreements

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

Securities received, including securities received as collateral, are registered off the balance sheet irrespective of whether the banking group has the right to sell or repledge the securities. Upon the sale of securities received, the banking group will record an obligation in the balance sheet. See note 34 Securities received which can be sold or repledged.

Transferred securities which the recipient is entitled to sell or repledge, are reported as securities in the banking group's balance sheet and are specified in note 33 Repurchase agreements and securities lending.

Securities borrowing and lending transactions

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

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

Equities received, including equities received as collateral, are registered off the balance sheet irrespective of whether the banking group has the right to sell or repledge the securities. Upon the sale of securities received, the banking group will record an obligation in the balance sheet. See note 34 Securities received which can be sold or repledged.

Transferred equities and equities received as collateral which the recipient is entitled to sell or repledge, are reported as equities or securities in the banking group's balance sheet and are specified in note 33 Repurchase agreements and securities lending.

Classification and presentation

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

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

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

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

Guidelines for classification in the various portfolios of the banking group are given below.

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

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

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

The trading portfolio mainly includes financial assets in DnB NOR Markets and financial derivatives excluding derivatives used for hedging. In addition, the portfolio includes securities issued and deposits where instruments are used actively in interest rate and liquidity management and have a short remaining maturity.

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

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

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

These portfolios include commercial paper and bonds, equities, fixed-rate loans in Norwegian kroner, fixed-rate securities issued in Norwegian kroner, such as index-linked bonds and equity-linked bank deposits and other fixed-rate deposits in Norwegian kroner.

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

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

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

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

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

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

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

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

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

In 2008, the Banking group reclassified the liquidity portfolio in DnB NOR Markets from a trading portfolio to the held–to-maturity category.

Other financial liabilities carried at amortised cost
Financial liabilities carried at amortised cost are recorded at the transaction price less direct transaction costs.

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

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

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

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

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

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

Reclassification

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

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

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

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

In 2008 the banking group reclassified the liquidity portfolio in DnB NOR Markets from fair value through profit or loss to the held–to-maturity category. No reclassifications were made in 2010.

Determination of fair value

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

Instruments traded in an active market

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

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

Most of DnB NOR Bank's financial derivatives, e.g. forward currency contracts, forward rate agreements (FRAs), interest rate options, currency options, interest rate swaps and interest rate futures, are traded in an active market. In addition, some investments in equities and commercial paper and bonds are traded in active markets. If no prices are quoted for the instrument in its entirety, but for the components, it is decomposed and valued on the basis of quoted prices on the individual components. Transactions with customers which are not directly observable in the market, are measured based on trades in other comparable markets and may be adjusted by adding a margin or changing the credit risk.

Instruments not traded in an active market

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

Valuation based on observable market data:

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

Valuation based on other factors than observable market data:

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

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

Impairment of financial assets

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

Individual write-downs on loans and guarantees

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

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

Collective write-downs on loans

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

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

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

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

Repossession of assets

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

8. HEDGE ACCOUNTING

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

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

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

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

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

DnB NOR Bank ASA undertakes fair value hedging of investments in subsidiaries to eliminate the currency risk on the invested amount. Hedging transactions are in the form of currency swaps or long-term borrowings in foreign currency.

9. OFFSETTING

Financial assets and financial liabilities are offset and the net amount recorded in the balance sheet only when the banking group has a legally enforceable right to set off the amounts and when the banking group intends to settle on a net basis. Income and costs are not offset unless such action is required or permitted under IFRS.

10. LEASING

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

DnB NOR Bank as lessor

Operational leases

Operating leases are leases where a not insignificant share of the risk and reward relating to the investment in the leased object accrues to DnB NOR Bank at the end of the lease period. Operating assets are recorded as machinery, fixtures and fittings and means of transport. Income from operating leases is recognised over the lease term on a straight-line basis. Depreciation in the accounts is classified as ordinary depreciation.

Financial leases

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

DnB NOR Bank as lessee

Operational leasing

Lease payments are recognised as an expense on a straight-line basis over the lease term unless another systematic basis is more representative of the time pattern of DnB NOR Bank's use of the asset.

11. INVESTMENT PROPERTY AND FIXED ASSETS

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

Other tangible assets are classified as fixed assets.

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

Other tangible assets are recorded at cost less accumulated depreciation and write-downs. Cost includes expenses directly related to the acquisition of the asset. Subsequent expenses are capitalised on the relevant assets when it is probable that future economic benefits associated with the expenditure will flow to DnB NOR Bank and can be measured reliably. Expenses for repairs and maintenance are recorded in the income statement as they occur.

Fixed assets held for sale are recorded at the lower of balance sheet value and fair value, excluding selling expenses.

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

12. INTANGIBLE ASSETS

Goodwill

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

The choice of cash-generating unit is based on where it is possible to identify and separate cash flows relating to operations. A cash-generating unit may include goodwill from several transactions, and the impairment test is carried out on the unit's total recorded goodwill.

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

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

Development of IT systems and software

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

13. IMPAIRMENT OF FIXED AND INTANGIBLE ASSETS

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

The recoverable amount represents the higher of an asset's fair value less costs to sell and its value in use. If the asset's recorded value exceeds the estimated recoverable amount, the asset is immediately written down to its recoverable amount. See note 40 Goodwill and intangible assets with an indefinite useful life, for a description of impairment testing.

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

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

14. PENSIONS

Defined benefit occupational pension schemes

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

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

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

Pension commitments which are not administered through life insurance companies, are recorded as liabilities in the balance sheet.

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

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

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

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

DnB NOR's life insurance company, Vital Forsikring ASA, largely administers the banking group's pension schemes in Norway.

Defined contribution occupational pension schemes

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

15. INCOME TAX

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

Deferred tax assets are recorded in the balance sheet to the extent that it is probable that future taxable income will be available against which they can be utilised. Deferred taxes and deferred tax assets in the tax group are recorded net in DnB NOR Bank's balance sheet.

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

16. SEGMENTS

Segment reporting is based on internal management reporting and resource allocation.

The income statement and balance sheets for segments have been prepared on the basis of internal financial reporting for the functional organisation of DnB NOR Bank into business areas. Figures for the business areas are based on DnB NOR's management model and the banking group's accounting principles. The figures are based on a number of assumptions, estimates and discretionary distribution. See note 3 Segments.

The operational structure of DnB NOR Bank includes three business areas and four staff and support units. DnB NORD is reported as a separate profit centre. The business areas carry responsibility for customer segments served by the banking group, as well as the products offered.

According to DnB NOR's management model, the business areas are independent profit centres with responsibility for meeting requirements for return on allocated capital. All of the banking group's customer activities are divided among the business areas, along with the related balance-sheet items, income and expenses.

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

When business areas cooperate on the delivery of financial services to customers, internal deliveries are based on market prices or simulated market prices according to special agreements. In certain cases where it is particularly difficult to find relevant principles and prices for the distribution of items between two cooperating business areas, DnB NOR Bank has chosen to show net contributions from each transaction in both business areas. The impact on profits is eliminated at group level.

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

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

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

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

17. RESTRUCTURING

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

18. CASH FLOW STATEMENTS

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

19. EQUITY AND CAPITAL ADEQUACY

Proposed dividends

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

Capital adequacy

The Basel II capital adequacy rules entered into force on 1 January 2007.

Capital adequacy calculations are subject to special consolidation rules governed by the Consolidation Regulations. Primary capital and nominal amounts used in calculating risk-weighted volume will deviate from figures in the DnB NOR Bank Group's accounts, as associated companies which are presented in the accounts according to the equity method are included in capital adequacy calculations according to the gross method. Valuation rules used in the statutory accounts form the basis for the consolidation.

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

IFRS 9 – Financial Instruments

In the new IFRS 9, the number of measurement categories for financial assets is reduced from four to two, amortised cost and fair value. It will still be possible to use the fair value option for financial instruments which initially must be recorded at amortised cost if fair value measurement will reduce or eliminate measurement inconsistency. It will no longer be permissible to record unquoted equity instruments at cost.

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

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

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

As a rule, loans to customers that are currently measured at amortised cost can still be measured at amortised cost according to the new rules.

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

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

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

The banking group will consider the effects of the new IFRS 9. To be able to make an overall assessment of the accounting effects of the new classification and measurement of the banking group's financial instruments, it is considered prudent to await the completion of all stages of the project leading up to the new IFRS 9.

Accounting principles (continued)

The entry into force of IFRS 9 has been delayed, and it remains uncertain when the standard will receive EU approval.

Amendments to IFRS 7 – New note information for derecognition of financial instruments
The amendments will require note information about financial instruments which are derecognised, but where the entity has a continuing involvement in the asset, e.g. through guarantees, options etc. For example, note information may be relevant in connection with the banking group's repo transactions and securities lending transactions. The amendments to IFRS 7 will enter into force on 1 July 2011 and are expected to receive EU approval in the second quarter of 2011. The banking group will apply the amendments to IFRS 7 as from 1 January 2012.

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

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

The amendments also apply to non-depreciable assets recorded at fair value according to the rules in IAS 16 – Property, Plant and Equipment. The amendments to IAS 12 will enter into force on 1 January 2012 and are expected to receive EU approval in the third quarter of 2011.

IAS 24 – Related Party Disclosures (revised)
The revised standard clarifies and simplifies the definition of related parties.

Amendments to IAS 32 – Classification of Rights Issues
The definition of financial obligations has been changed, whereby issued rights and certain options and warrants are classified as equity instruments. The amendments entered into force on 1 February 2010 with effect from 1 January 2011.

Amendments to IFRIC 14 and IAS 19 – the Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
The amendments imply that companies subject to a minimum funding requirement for a pension scheme may record prepayments of premiums due in a defined benefit pension scheme. The amendments entered into force on 1 January 2011.

IFRIC 19 – Extinguishing Financial Liabilities with Equity Instruments
The interpretation gives guidance for accounting for transactions when a company settles all or parts of its financial obligations through the issue of equity instruments. The interpretation entered into force on 1 July 2010 with effect from 1 January 2011.

Amendments to IFRS 1 – Severe Hyperinflation and Removal of Fixed Dates for First-Time Adopters
The first amendment provides guidance on how companies should resume financial reporting in situations where their functional currency is, or has been, subject to severe hyperinflation, whereby the company has been unable to comply with the requirements in IAS 29 – Financial Reporting in Hyperinflationary Economies on the restatement of financial information. The second amendment removes the fixed dates in IFRS for derecognition and day 1 gains, replacing them with the date of transition to IFRS. The amendments to IFRS will enter into force on 1 July 2011 and are expected to receive EU approval in the third quarter of 2011.

IASB's annual improvement project

The annual improvement project was issued in May 2010. It describes eleven amendments to six standards which will enter into force during 2011 and are expected to receive EU approval during the first quarter of 2011.

In IAS 34 Interim Financial Reporting, it is specified that movements of financial instruments between the levels of the fair value hierarchy provide the basis for presenting updated information in accordance with IFRS 7.

Note 1 Important accounting estimates and discretionary assessments

When preparing the consolidated accounts for the bank and the banking group, management makes estimates and discretionary assessments as well as assumptions that influence the effect of the accounting principles applied. In turn, this will affect the recorded values of assets and liabilities, income and expenses. Estimates and discretionary assessments are subject to continual evaluation and are based on historical experience and other factors, including expectations of future events that are believed to be probable on the balance sheet date.

Write-downs on loans

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

Individual write-downs

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

Collective write-downs

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

Estimated impairment of goodwill

See note 40 for information regarding goodwill.

Fair value of financial derivatives and other financial instruments

The fair value of financial instruments that are not traded in an active market is determined by using different valuation techniques. The banking group considers and chooses techniques and assumptions that as far as possible are based on market conditions on the balance sheet date. When valuing financial instruments for which observable market data are not available, the banking group will make assumptions regarding what it expects the market to use as a basis for valuing corresponding financial instruments. The valuations require a high level of discretion when calculating liquidity risk, credit risk and volatility. Changes in these factors could affect the established fair value of the banking group's financial instruments. See also note 31 Financial instruments at fair value.

Pension commitments

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

The discount rate used is determined by reference to market yields at the balance sheet date on long term (10-year) government bonds, plus an addition that takes into account the relevant duration of the pension liabilities. The type of pension fund investments and historical returns determine the expected return on pension funds. In the past, the average return on pension funds has been higher than the risk-free rate of interest as part of the pension funds has normally been placed in securities with slightly higher risk than government bonds. The estimated return is expected to be 1.4 percentage points higher than the risk-free interest rate.

Other fundamental assumptions for pension commitments include annual rise in salaries, annual rise in pensions and anticipated increase in the National Insurance basic amount (G). The assumptions are based on the updated guidance notes on pension assumptions issued by the Norwegian Accounting Standards Board. A sensitivity analysis is shown in note 26 Pensions.

Income taxes

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

Note 1 Important accounting estimates and discretionary assessments (continued)

Contingencies

Due to its extensive operations in Norway and abroad, the banking group will regularly be party to a number of legal actions. Any impact on the accounts will be considered in each case. See note 51 Off-balance sheet transactions, contingencies and post-balance sheet events.

The Norwegian government's stimulus package

The Norwegian government's stimulus package for the banks allows the banks to exchange covered bonds for Treasury bills. DnB NOR Bank ASA has purchased bonds from DnB NOR Boligkreditt which have been used as collateral for swap agreements with Norges Bank. The value of the collateral must exceed the value of the Treasury bills by a minimum safety margin throughout the contract period. At the end of the contract period, the bank is required to repurchase the covered bonds at the original selling price. The bank receives yield from the covered bonds as if they never had been sold. From an accounting perspective, the banking group is of the opinion that the terms for derecognition in IAS 39 have not been fulfilled, as the banking group, through the swap agreements, retain the risk associated with changes in value of the bonds and other cash flows in the form of yields.

The interest rate paid by the banks in the swap scheme with Norges Bank is determined through auctions. In order to assess the fair value of the banking group's existing funding through the swap scheme with Norges Bank, it is necessary to calculate the anticipated long-term yield on Treasury bills. The banking group has thus made an assessment of the normal spread between the Treasury bill yield and NIBOR, based on developments in the interest rate market, which has been used when estimating the value of the funding as at 31 December 2010.

Transfer of loan portfolios

When transferring loan portfolios to, among others, Eksportfinans AS, the banking group will consider whether the criteria for derecognition have been fulfilled in accordance with IAS 39. In cases where the banking group retains the credit risk and margins relating to the loan portfolios, the risks and returns are not considered to be transferred to the counterparty, and the loan portfolios are retained in the banking group's balance sheet. As at 31 December 2010, such portfolios totalled NOK 9 202 million.

Note 2 Changes in group structure

Merger between Nordito AS (Nordito) and PBS Holding AS (PBS)

DnB NOR Bank ASA previously had a 40 per cent ownership interest in Nordito AS. Operations in the Nordito Group included Teller AS and BBS (the Banks' Central Clearing House). PBS was engaged in the market for payment cards, payment solutions and exchange of payment information in Denmark. The merger was completed on 14 April 2010 with legal effect from 1 January 2009, with PBS as the acquiring company. After the merger, the company has changed its name to Nets. The banking group has an 18.2 per cent ownership interest in Nets which is carried at fair value. In connection with the merger, BBS' properties in Oslo were demerged into a separate company, Nordito Property AS. The DnB NOR Bank Group has a 40 per cent ownership interest in the demerged company, which corresponds to its previous holding in Nordito. The ownership interest is accounted for by the equity method.

When calculating the gains generated by the transaction, the fair value of the total consideration received in the form of cash and shares in Nets and Nordito Property was assessed relative to the book value of the Nordito investment. The banking group received the following consideration:

- Consideration shares in Nets with an estimated fair value of NOK 1 226 million, plus dividend payments received of NOK 113 million.
- A 40 per cent ownership interest in Nordito Property AS. The fair value of the banking group's holding was NOK 73 million.
- A cash consideration of NOK 168 million in connection with a reduction in capital in Nordito.
- A tax compensation of NOK 3 million relating to the transaction.

The total consideration was NOK 1 584 million, resulting in recorded gains of NOK 1 485 million for DnB NOR Bank ASA and NOK 1 170 million for the DnB NOR Bank Group. The merger between Nordito and PBS is a cross-border transaction and results in a taxable gain for Nordito's shareholders. 3 per cent of the shareholders' gains are recorded as income in accordance with the tax exemption model, whereby the gains are taxed at a rate of 0.84 per cent. The demerger of properties into Nordito Property AS was carried out in accordance with the tax continuity principle, whereby no tax is levied on Nordito or the DnB NOR Bank Group.

Merger between DnB NOR Finans AS and DnB NOR Bank ASA

DnB NOR Finans, which was previously a wholly-owned subsidiary of DnB NOR Bank, was merged with DnB NOR Bank on 1 September 2010 with accounting effect from 1 January 2010. Figures for DnB NOR Bank ASA for previous periods have not been restated. The merger was accounted for according to the pooling of interests method.

Acquisition of all shares DnB NORD

On 6 December 2010, DnB NOR Bank ASA entered into an agreement with Norddeutsche Landesbank (NORD/LB) to acquire NORD/LB's 49 per cent of the share capital in Bank DnB NORD A/S for a total of EUR 160 million. The agreement was finalised on 23 December 2010. According to IAS 27 Consolidated and Separate Financial Statements, the purchase of minority interests is regarded as an equity transaction which does not need to fulfil the same acquisition analysis requirements as an acquisition whereby the owner obtains a controlling interest. In principle, the values prior to the acquisition will be retained, and any deviation between the book value of the acquired assets and the purchase price will be reflected in the Group's equity. The book value of the minority interests in DnB NOR's accounts at end-September 2010 was EUR 245 million. Thus, the purchase price of EUR 160 million implied that the transaction, in isolation, increased other equity in the banking group by EUR 85 million, while the minority interests of EUR 245 million were annulled. The purchase price of EUR 160 million corresponded to 59 per cent of the minority interest’s share of recorded equity in Bank DnB NORD at end-September 2010.

A total price of the shares lower than book value could be an indication of a possible decline in value of assets, which must be taken into account in impairment tests. In order to assess possible impairment losses, underlying units in DnB NORD were evaluated. No impairment losses on specific assets were identified. However, the analyses revealed that there is a significant differential between fair values and book values relating to functions at DnB NORD's head office in Copenhagen. The differential mainly concerns the capitalisation of the DnB NORD Group, administrative expenses which cannot be allocated to underlying units and the cost of hedging equity positions in subsidiaries. The calculation of the difference between fair value and book value relating to the head office in Copenhagen is based on the assumption that the organisational structure of DnB NORD will be the same as before the acquisition agreement was entered into. A restructuring of DnB NORD, transferring ownership of the subsidiaries to DnB NOR, will offer the opportunity to reduce negative aspects concerning capitalisation and also reduce the costs relating to administrative tasks in Copenhagen. The estimated value of the units in the Baltic region and Poland is in line with balance sheet values.

København Ejendomme Holding Aps (København Ejendomme) – newly established company

On 21 October 2010, Bovista, RC Real Estate, Nykredit, Bank DnB NORD and DnB NOR Bank entered into an agreement to settle an ongoing legal dispute, see note 51 Off-balance sheet transactions, contingencies and post-balance sheet events. The agreement was formally approved by the creditors on 5 November 2010, and the properties were taken over on 1 December. The property portfolio consists of 1 083 flats in prime location, mainly in central parts of Copenhagen.

The agreement implied that DnB NOR Bank purchased the property portfolio from the company in liquidation, Bovista, at fair value and paid an additional compensation to settle the dispute. The total amount paid was DKK 2 023 million. København Ejendomme has 22 wholly-owned subsidiaries, one for each of the acquired properties. The subsidiaries are organised as partnerships with one general partner each. The company structure includes a total of 45 companies. København Ejendomme is a wholly-owned subsidiary of DnB NOR Eiendomsutvikling AS, which is a wholly-owned subsidiary of DnB NOR Bank ASA. In the accounts, the properties are recorded as investment properties, which implies that they are carried at fair value.

Note 3 Segments

Business areas

The operational structure of the DnB NOR Bank Group includes three business areas and four staff and support units. Throughout 2010, DnB NOR Bank Group owned 51 per cent of DnB NORD's operations. With effect from 23 December 2010, however, DnB NOR Bank Group took over all shares in the company. Operations were organised under Large Corporates and International, but will still be regarded as a separate profit centre. The business areas are independent profit centres and have responsibility for serving all of the banking group's customers and for the total range of products. The DnB NOR Bank Group's business areas comprise Retail Banking, Large Corporates and International and DnB NOR Markets. From January 2010, organisational responsibility for DnB NOR Luxembourg was transferred from Retail Banking to the business area Large Corporates and International. Figures for previous periods have been restated. The other business areas were not directly affected by the change.

Retail Banking	- offers a broad range of financial products and services through several brands and a wide distribution network. In cooperation with several of the Bank Group's product areas, customers are offered various financing and leasing, deposit and investment alternatives, as well as real estate broking and financial advisory services. In addition, extensive everyday banking services are provided through the Internet bank, mobile banking, SMS services, branch offices, in-store banking outlets, in-store postal outlets and Norway Post.
Large Corporates and International	- offers a broad range of financial products and services to large Norwegian and international corporates in cooperation with several of the banking group's product areas, including various types of financing solutions, deposits and investments, insurance, e-commerce products, commercial property brokerage, foreign currency, interest rate products, trade finance and corporate finance services.
DnB NOR Markets	- is the banking group's investment bank with the key products include foreign exchange, interest rate and commodity products, securities and other investment products, debt and equity financing in capital markets, research and advisory services, as well as custodial and other securities services.
DnB NORD	- are mainly concentrated in the Baltic States and Poland and provides a broad range of products to both the retail and corporate markets.

The income statement and balance sheet for the business areas have been prepared on the basis of internal financial reporting for the functional organisation of the DnB NOR Bank Group into business areas. Figures for the business areas are based on DnB NOR Bank Group's management model and accounting principles. The figures have been restated in accordance with the Group's current principles for allocating costs and capital between business areas and are based on a number of assumptions, estimates and discretionary distribution. Internal transfer rates used between the business areas are determined based on observable market rates, e.g. NIBOR. Additional costs relating to the banking group's long-term funding are charged to the business areas. According to the banking group's liquidity management policy, over 90 per cent of lending is financed through stable deposits and long-term funding.

The risk-adjusted capital requirement is a measure of the Group's economic capital, based on its risk systems. It is used to measure the capital required to fund transactions and volumes. The Group's actual equity is affected by external parameters and is not directly comparable with the risk-adjusted capital requirement. Returns in the table of key figures below are calculated based on the risk-adjusted capital requirement.

Certain customers and transactions of major importance require extensive cooperation within the banking group. To stimulate such cooperation, operating income and expenses relating to some of these customers and transactions are recorded in the accounts of all relevant business areas. This refers primarily to income from customer trading in DnB NOR Markets. With effect from 1 January 2010, the internal management reporting has been changed, whereby these double entries are presented gross in the income statement. Income is presented under "Income attributable to product suppliers", appurtenant costs under "Costs attributable to product suppliers" and write-downs under "Write-downs attributable to product suppliers". The net result of such transactions was previously included in other operating income. Figures for 2009 have been adjusted correspondingly. Double entries are eliminated in the group accounts.

Note 3 Segments (continued)

Income statement **DnB NOR Bank Group**

Amounts in NOK million	Retail Banking 2010	Retail Banking 2009	Large Corporates and International 2010	Large Corporates and International 2009	DnB NOR Markets 2010	DnB NOR Markets 2009	DnB NORD 2010	DnB NORD 2009	Other operations/ eliminations [1] 2010	Other operations/ eliminations [1] 2009	DnB NOR Bank Group 2010	DnB NOR Bank Group 2009
Net interest income - ordinary operations	13 643	14 425	5 884	5 333	928	1 100	1 383	1 462	1 549	791	23 387	23 112
Interest on allocated capital [2]	497	500	608	793	145	144	38	96	(1 288)	(1 532)	0	0
Net interest income	14 139	14 925	6 492	6 126	1 073	1 244	1 422	1 559	261	(741)	23 387	23 112
Profit from companies accounted for by the equity method	(56)	4	34	86	0	0	(6)	0	207	2	180	93
Other operating income	3 557	3 319	1 116	1 186	4 398	5 999	632	683	3 183	543	12 887	11 731
Income attributable ro product suppliers	1 263	1 336	2 006	2 032	0	0	0	0	(3 269)	(3 368)	0	0
Net other operating income	4 764	4 660	3 157	3 304	4 398	5 999	627	684	122	(2 823)	13 067	11 824
Operating expenses	9 135	8 987	2 084	1 852	1 820	1 898	1 199	1 418	669	593	14 907	14 747
Depreciation and impairment of fixed and intangible assets	1 155	1 001	46	25	13	15	501	1 172	420	(119)	2 135	2 094
Cost attributable to product suppliers	675	770	806	749	0	0	0	0	(1 481)	(1 519)	0	0
Total operating expenses	10 965	10 758	2 935	2 627	1 833	1 913	1 700	2 589	(392)	(1 046)	17 042	16 841
Pre-tax operating profit before write-downs	7 938	8 826	6 713	6 803	3 638	5 331	348	(347)	774	(2 519)	19 412	18 094
Net gains on fixed and intangible assets	6	1	0	0	0	0	(15)	(13)	32	38	23	26
Write-downs on loans and guarantees [3]	1 225	1 586	586	1 128	0	0	1 813	3 929	(627)	1 067	2 997	7 710
Write-downs attributable to product suppliers	0	0	3	6	0	0	0	0	(3)	(6)	0	0
Pre-tax operating profit	6 719	7 241	6 124	5 669	3 638	5 331	(1 481)	(4 289)	1 436	(3 542)	16 437	10 410
Taxes											4 827	4 351
Profit from operations and non-current assets held for sale, after taxes									75	80	75	80
Profit for the year									1 511	(3 462)	11 685	6 139

Balance sheets **DnB NOR Bank Group**

Amounts in NOK billion	Retail Banking 31.12.10	Retail Banking 31.12.09	Large Corporates and International 31.12.10	Large Corporates and International 31.12.09	DnB NOR Markets 31.12.10	DnB NOR Markets 31.12.09	DnB NORD 31.12.10	DnB NORD 31.12.09	Other operations/ eliminations 31.12.10	Other operations/ eliminations 31.12.09	DnB NOR Bank Group 31.12.10	DnB NOR Bank Group 31.12.09
Net lending to customers [4]	759	723	354	340	25	8	59	68	6	(4)	1 204	1 134
Investments in associated companies [5]	0	0	0	0	0	0	0	0	2	2	2	3
Operations and non-current assets held for sale	0	0	0	0	0	0	0	0	1	1	1	1
Other assets	8	9	33	21	588	676	18	15	(215)	(244)	431	478
Total assets	767	732	388	361	613	684	77	83	(207)	(245)	1 638	1 616
Deposits from customers [4]	384	369	235	195	27	28	25	20	19	19	689	631
Operations held for sale	0	0	0	0	0	0	0	0	0	0	0	0
Other liabilities	363	344	128	136	580	651	48	56	(260)	(285)	859	902
Total liabilities	747	713	363	331	607	679	72	75	(241)	(266)	1 548	1 533
Allocated capital [6]	20	19	25	30	6	6	5	8	35	20	90	83
Total liabilities and equity	767	732	388	361	613	684	77	83	(207)	(245)	1 638	1 616

1) Other operations/eliminations:

Amounts in NOK million	*Elimination of income/ cost attributable to product suppliers 2010*	*Elimination of income/ cost attributable to product suppliers 2009*	*Other elimination 2010*	*Other elimination 2009*	*Group Centre [*)] 2010*	*Group Centre [*)] 2009*	*Total 2010*	*Total 2009*
Net interest income - ordinary operations	*0*	*0*	*0*	*7*	*1 549*	*784*	*1 549*	*791*
Interest on allocated capital [2]	*0*	*0*	*0*	*0*	*(1 288)*	*(1 532)*	*(1 288)*	*(1 532)*
Net interest income	*0*	*0*	*0*	*7*	*261*	*(748)*	*261*	*(741)*
Profit from companies accounted for by the equity method	*0*	*0*	*0*	*0*	*207*	*2*	*207*	*2*
Other operating income	*0*	*0*	*(396)*	*(265)*	*3 579*	*807*	*3 183*	*543*
Income attributable to product suppliers	*(3 269)*	*(3 368)*	*0*	*0*	*0*	*0*	*(3 269)*	*(3 368)*
Net other operating income	*(3 269)*	*(3 368)*	*(396)*	*(265)*	*3 786*	*809*	*122*	*(2 823)*
Operating expenses	*0*	*0*	*(396)*	*(258)*	*1 065*	*843*	*669*	*585*
Depreciaton and impairment of fixed and intangible assets	*0*	*0*	*0*	*0*	*420*	*(112)*	*420*	*(112)*
Cost attributable to product suppliers	*(1 481)*	*(1 519)*	*0*	*0*	*0*	*0*	*(1 481)*	*(1 519)*
Total operating expenses	*(1 481)*	*(1 519)*	*(396)*	*(258)*	*1 485*	*731*	*(392)*	*(1 046)*
Pre-tax operating profit before write-downs	*(1 788)*	*(1 849)*	*0*	*0*	*2 562*	*(670)*	*774*	*(2 519)*
Net gains on fixed and intangible assets	*0*	*0*	*0*	*0*	*32*	*38*	*32*	*38*
Write-downs on loans and guarantees [3]	*0*	*0*	*0*	*0*	*(627)*	*1 067*	*(627)*	*1 067*
Write-downs attributable to product suppliers	*(3)*	*(6)*	*0*	*0*	*0*	*0*	*(3)*	*(6)*
Pre-tax operating profit	*(1 785)*	*(1 843)*	*0*	*0*	*3 222*	*(1 699)*	*1 436*	*(3 542)*

The eliminations refer mainly to internal services from support units to business areas and between business areas. Further, intra-group transactions and gains and losses on transactions between companies in the banking group are eliminated. The elimination of income/cost attributable to product suppliers primarily concerns net profits on customer business carried out in cooperation between DnB NOR Markets and other business areas and taken to income in both areas.

The Group Centre includes Operations, HR (Human Resources), IT, Group Finance and Risk Management, Marketing and Communications, Corporate Centre, the partially owned company Eksportfinans AS, and investments in IT infrastructure. In addition, the Group Centre includes that part of the banking group's equity that is not allocated to the business areas.

Note 3 Segments (continued)

*) Group Centre - pre-tax operating profit in NOK million	2010	2009
+ Gains Nordito **)	1 170	0
+ Interest on unallocated equity etc.	552	139
+ Income from equities invetments	593	117
+ Mark-to-market adjustments Treasury and fair value on lending	241	(562)
+ Eksportfinans AS	200	(200)
- Unallocated write-downs on loans and guarantees	(627)	1 067
- Contractual pension (CPA) scheme	(355)	0
- Allocation to employees	234	131
- Uncallocated pension expenses	(21)	213
- Impairment loss for intangible assets	51	0
- Funding costs on goodwill	87	(2)
Other	(165)	215
Pre-tax operating profit	3 222	(1 699)

***) Nordito AS merged with PBS Holding AS 14 April 2010. The merger consideration provided a gain for the DnB NOR Bank Group of NOK 1 170 million. See note 2 Changes in group structure.*

2) *The interest is calculated on the basis of internal measurement of risk-adjusted capital requirement.*
3) *Se note 10 Write-downs on loans and guarantees.*
4) *Net lending to customers includes lending to credit institutions totalling NOK 19.5 billion in 2010 and NOK 5.5 billion in 2009. Customer deposits include deposits from credit institutions of NOK 24.7 billion in 2010 and NOK 16.9 billion in 2009. Deposits with and from banks are not included.*
5) *See note 37 Investments in associated companies.*
6) *Allocated capital for the business areas is calculated on the basis of internal measurement of risk-adjusted capital requirement. Allocated capital for the banking group is recorded equity.*

Key figures **DnB NOR Bank Group**

	Retail Banking		Large Corporates and International		DnB NOR Markets		DnB NORD		Other operations		DnB NOR Bank Group	
Per cent	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
Cost/income ratio 1)	57.0	53.9	30.4	27.9	33.5	26.4	66.2	70.6			47.6	45.9
Ratio of deposits to lending as at 31 December 2)	50.6	51.0	66.3	57.4			41.7	29.0			57.2	55.6
Return on allocated capital 3)	24.1	27.1	18.0	13.5	44.8	69.8	(19.1)	(33.7)				
Number of full-time positions as at 31 December	4 842	4 997	1 103	1 061	668	647	3 159	3 174	2 198	2 384	11 970	12 263

1) *Total operating expenses relative to total income. Expenses exclude impairment losses for goodwill and intangible assets.*
2) *Deposits from customers relative to net lending to customers. Customer deposits and net lending to customers include credit institutions.*
3) *The return on allocated capital for the business areas is calculated on the basis of internal measurement of risk-adjusted capital requirement.*

Note 3 Segments (continued)

Comments to the results 2010

Retail Banking delivered a sound financial performance in 2010. Pre-tax operating profits were NOK 6 719 million, down NOK 522 million or 7.2 per cent from the previous year. The relatively low and stable interest rate levels, combined with strong competition, put pressure on interest rate spreads. The weighted interest rate spread, defined as total margin income on loans and deposits relative to total loans and deposits, averaged 1.25 per cent in 2010, down from 1.30 per cent in 2009. Average lending rose by 3.9 per cent from 2009 to 2010. The rise in home mortgages was somewhat lower than in 2009, while the growth in lending to the business sector picked up through 2010. Average deposits were up 2.1 per cent, and the ratio of deposits to lending was 51 per cent in 2010. Covered bonds based on home mortgages from DnB NOR Boligkreditt are an important source of funding, and close to 90 per cent of lending volume was funded by deposits and bonds at year-end 2010. Net other operating income remained relatively stable compared with 2009. Income from real estate broking, non-life insurance and asset management gave a rise in income, while income from insurance savings and payment transfers was lower than the previous year. Strict cost control and the implementation of cost-reduction measures contributed to limiting total cost growth to 1.9 per cent compared with 2009. Net write-downs relative to average net lending remained at a low level and were reduced from 0.22 per cent in 2009 to 0.17 per cent in 2010. The quality of the loan portfolio was sound at year-end 2010.

Large Corporate and International recorded pre-tax operating profits of NOK 6 124 million in 2010, up NOK 455 million or 8.0 per cent from the previous year due to a decline in write-downs on loans. Rising activity levels throughout 2010 gave an increase in net interest income. The effects of higher funding costs were offset by widening lending spreads. Measured against the money market rate, lending spreads improved in all segments from 2009 and widened by 0.16 percentage points from 2009 to 2010 for the business area as a whole. Strong competition for deposits put pressure on deposit spreads, which narrowed by 0.05 percentage points compared with 2009. Average lending to customers declined by 6.1 per cent from 2009 to 2010, but rose by 4.4 per cent from year-end 2009 to year-end 2010 due to increasing market activity. Average deposits from customers were stable compared with 2009, but showed an increase towards the end of 2010. Other operating income showed a reduction from 2009, though higher activity levels ensured a positive trend through 2010. The brisk activity also caused a rise in costs compared with 2009, and the cost/income ratio increased from 27.9 per cent in 2009 to 30.4 per cent in 2010. Relative to average lending, net write-downs on loans were reduced from 0.30 per cent in 2009 to 0.17 per cent in 2010. The quality of the portfolio was satisfactory in all sectors and showed a significant improvement towards the end of 2010.

DnB NOR Markets achieved healthy profits in 2010, in spite of a 31.8 per cent reduction in pre-tax operating profits from 2009, to NOK 3 638 million in 2010. Extraordinary volatility in interest rates and exchange rates at the beginning of 2009 generated a high level of income. The normalisation of the markets resulted in a NOK 1.8 billion reduction in income from 2009 to 2010, of which NOK 1.4 billion represented a decline in income from market making and other proprietary trading. There was a high level of activity in 2010, especially towards the end of the year, which offset the pressure on prices resulting from an increasing share of electronic trading and strong competition in the market. New records were set on Oslo Børs with respect to both equity and debt capital issues, which gave a strong increase in revenues from corporate finance compared with 2009. DnB NOR Markets was the largest investment bank on Oslo Børs within equity, bond and commercial paper trading and issues in 2010. Operating expenses were reduced by 4.1 per cent from 2009 to 2010.

Revenues within various segments

	DnB NOR Markets	
Amounts in NOK million	2010	2009
FX, interest rate and commodity derivatives	1 317	1 665
Investment products	399	766
Corporate finance	903	570
Securities services	218	190
Total customer revenues	2 838	3 191
Net income liquidity portfolio	1 151	1 147
Other market making/trading revenues	1 337	2 761
Total trading revenues	2 488	3 908
Interest income on allocated capital	145	144
Total income	5 471	7 243

DnB NORD which became wholly owned by DnB NOR Bank from year-end 2010, has its core operations in the Baltic region and Poland. DnB NORD recorded a pre-tax operating loss of NOK 1 481 million in 2010, compared with a loss of NOK 4 289 million in 2009. Financial performance still reflected the recession, though there were signs of improvement through 2010 both in DnB NORD's profit figures and in the Baltic economies. Average lending declined by close to 25 per cent from 2009 to 2010, of which approximately 7.5 percentage points was due to the transfer of a portfolio to DnB NOR in 2009. From year-end 2009 to end-December 2010, lending was reduced by just over 12 per cent. The Danish portfolio, which is in the process of being downscaled, showed the largest percentage decline, though there was also a reduction in lending volumes in the Baltic region through 2010. In Poland, lending volume rose by 17 per cent during the year measured in Norwegian kroner. Ordinary expenses were reduced by 14.4 per cent from 2009 to 2010, reflecting measures to streamline operations. A high level of write-downs on loans characterised DnB NORD's financial performance in 2010, though there was a significant reduction from 2009. Measured against average lending, write-downs declined from 4.70 per cent in 2009 to 2.89 per cent in 2010. A further reduction is anticipated in write-downs on loans.

Note 3 Segments (continued)

Other units – Group Centre recorded a pre-tax operating profit of NOK 3 222 million in 2010, compared with a loss of NOK 1 699 million in 2009. Profits attributable to the banking group from the associated company Eksportfinans totalled NOK 200 million in 2010, including the share of the portfolio guarantee issued for the liquidity portfolio, compared with a loss of NOK 200 million in 2009. Income from equity investments totalled NOK 593 million in 2010, rising by NOK 476 million from the previous year. There was a profit contribution of NOK 241 million from own debt, loans carried at fair value and related derivatives in 2010, compared with a negative profit contribution of NOK 562 million in 2009. Nordito AS merged with PBS Holding on 14 April 2010. The merger consideration provided a gain of NOK 1 170 million. Pension expenses for the first quarter of 2010 were reduced by NOK 355 million due to the reversal of provisions for contractual early retirement pensions. Allocations for a general bonus to employees totalled NOK 234 million in 2010, in 2009 there was an allocations of NOK 131 million. In 2010, DnB NOR's Board of Directors decided to discontinue the use of the Postbanken brand. Thus, the value of the brand was written down by NOK 51 million. There was a NOK 627 million reduction in collective write-downs in 2010, compared with a NOK 1 067 million increase in 2009. The reduction reflected a positive trend in the risk situation and a slight improvement in the global economy.

Geographic areas

Income statement — **DnB NOR Bank Group**

	DnB NORD		Other international operations		Norway		DnB NOR Bank Group	
Amounts in NOK million	2010	2009	2010	2009	2010	2009	2010	2009
Net interest income	1 422	1 559	2 846	2 389	19 119	19 164	23 387	23 112
Net other operating income	627	684	1 432	1 479	11 009	9 662	13 067	11 824
Total income	2 048	2 242	4 278	3 868	30 128	28 825	36 454	34 935

Balance sheet items — **DnB NOR Bank Group**

	DnB NORD		Other international operations		Norway		DnB NOR Bank Group	
Amounts in NOK billion	31.12.10	31.12.09	31.12.10	31.12.09	31.12.10	31.12.09	31.12.10	31.12.09
Net lending to customers [1)]	59	68	261	171	884	896	1 204	1 134
Total assets	77	83	296	295	1 265	1 238	1 638	1 616
Guarantees	2	2	15	7	59	56	76	66

1) *Net lending to customers includes lending to credit institutions totalling NOK 19.5 billion in 2010 and NOK 5.5 billion in 2009. Customer deposits include deposits from credit institutions of NOK 24.7 billion in 2010 and NOK 16.9 billion in 2009. Deposits with and from banks are not included.*

Product information

See note 18 Net Interest income, note 19 Interest rates on selected balance sheet items, note 20 Net commissions and fees receivable and note 21 Other income for further information on product.

Note 4 Capitalisation policy and capital adequacy

Capitalisation policy

The Board of Directors has approved a capitalisation policy that sets forth that Tier 1 capital in per cent of risk-weighted volume shall be minimum 8 per cent upon full completion of the IRB system. The banking group's capitalisation level shall support the bank's AA level rating target for ordinary long-term funding. Relative to the current risk-weighted volume, which is based on a combination of the standardised approach and the IRB approach, it has been estimated that measurement according to the IRB approach would have given a reduction in risk-weighted volume of approximately 14 per cent at year-end 2010. The effect on the official capital adequacy ratio will, however, be less pronounced due to the transitional rules, which set a floor for the reduction in risk-weighted volume. Risk-weighted volume cannot be reduced below 80 per cent of corresponding amounts calculated in accordance with the Basel I rules. This entails that the official risk-weighted volume would have been unchanged since the floor was effective at the end of 2010. The transitional rules will apply until the end of 2011.

The DnB NOR Bank Group had a Tier 1 capital ratio of 9.2 per cent and a capital adequacy ratio of 11.7 per cent at year-end 2010, compared with 8.4 and 11.4 per cent, respectively in 2009. The same capital adequacy requirements from the Norwegian authorities apply to the banking group as to the entire DnB NOR Group, thus the 2010 requirements were met by a wide margin. In addition, a separate requirement from the US authorities to the banking group relating to the operations of the subsidiary DnB NOR 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 2010, this requirement was also fulfilled by a wide margin.

The Basel Committee's work on the new regulatory requirements relating to capitalisation and liquidity in banking and financial services groups resulted in a recommendation which was made public on 16 December 2010. The new rules will lead to stricter requirements with respect to capital adequacy, capital structure, liquidity buffers and financing structure. DnB NOR Bank, based on its current capital structure, is expected to be relatively well prepared to meet the new requirements. The Board of Directors will, on an ongoing basis, evaluate the banking group's capitalisation needs in light of international developments.

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

Note 4 Capitalisation policy and capital adequacy (continued)

Capital adequacy

The DnB NOR Bank Group follows the Basel II regulations for capital adequacy calculations. Valuation rules used in the statutory accounts form the basis for the consolidation, which is subject to special consolidation rules governed by the Consolidation Regulations.

DnB NOR Bank ASA		Primary capital	DnB NOR Bank Group	
31 Dec. 2009	31 Dec. 2010	*Amounts in NOK million*	31 Dec. 2010	31 Dec. 2009
17 514	17 514	Share capital	17 514	17 514
54 948	61 582	Other equity	72 344	65 800
72 462	79 096	Total equity	89 859	83 314
		Deductions		
0	0	Pension funds above pension commitments	(16)	(3)
(1 650)	(2 419)	Goodwill	(3 472)	(3 853)
(1 153)	(481)	Deferred tax assets	(324)	(295)
(912)	(1 159)	Other intangible assets	(1 963)	(1 980)
0	0	Group contribution, payable	(6 000)	(3 750)
0	0	Unrealised gains on fixed assets	(30)	(30)
(1 033)	(1 024)	50 per cent of investments in other financial institutions	(1 024)	(1 033)
(101)	(515)	50 per cent of expected losses exceeding actual losses, IRB portfolios	(666)	(222)
182	94	Adjustments for unrealised losses/(gains) on liabilites recorded at fair value	(346)	(404)
67 796	73 592	Equity Tier 1 capital	76 018	71 745
8 468	8 241	Perpetual subordinated loan capital securities [1) 2)]	8 423	8 655
76 264	81 833	Tier 1 capital	84 441	80 400
6 830	7 004	Perpetual subordinated loan capital	7 004	6 830
21 111	17 085	Term subordinated loan capital [2)]	17 775	23 003
		Deductions		
(1 033)	(1 024)	50 per cent of investments in other financial institutions	(1 024)	(1 033)
(101)	(515)	50 per cent of expected losses exceeding actual losses, IRB portfolios	(666)	(222)
		Additions		
0	0	45 per cent of unrealised gains on fixed assets	18	18
26 807	22 549	Tier 2 capital	23 108	28 597
103 071	104 382	Total eligible primary capital [3)]	107 548	108 997
831 885	738 194	Risk-weighted volume	918 659	960 208
66 551	59 056	Minimum capital requirement	73 493	76 817
8.1	10.0	Equity Tier 1 capital ratio (%)	8.3	7.5
9.2	11.1	Tier 1 capital ratio (%)	9.2	8.4
12.4	14.1	Capital ratio (%)	11.7	11.4

1) *Perpetual subordinated loan capital securities can represent up to 15 per cent of core capital. The excess will qualify as perpetual supplementary capital.*

2) *As at 31 December 2010, calculations of capital adequacy included a total of NOK 789 million in subordinated loan capital in associated companies, in addition to subordinated loan capital in the banking group's balance sheet.*

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

Note 4 Capitalisation policy and capital adequacy (continued)

Due to transitional rules, the minimum capital adequacy requirements for 2009 and 2010 cannot be reduced below 80 per cent relative to the Basel I requirements.

Specification of risk-weighted volume and capital requirements **DnB NOR Bank ASA**

Amounts in NOK million	Nominal exposure 31 Dec. 2010	EAD [1] 31 Dec. 2010	Risk-weighted volume 31 Dec. 2010	Capital requirements 31 Dec. 2010	Capital requirements 31 Dec. 2009
IRB approach					
Corporate	664 963	577 209	307 089	24 567	3 627
Specialised Lending (SL)	2 351	2 282	1 467	117	0
Retail - mortgage loans	86 454	86 454	18 044	1 444	2 093
Other retail [2]	82 264	67 639	22 224	1 778	0
Securitisation	112 567	112 567	9 183	735	0
Total credit risk, IRB approach	948 599	846 150	358 007	28 641	5 720
Standardised approach					
Central government	125 801	118 705	1 791	143	95
Institutions	429 821	368 208	66 540	5 323	5 533
Corporate	225 944	185 887	177 939	14 235	42 329
Specialised Lending (SL)	6 148	5 945	5 945	476	661
Retail - mortgage loans	9 569	9 259	3 658	293	325
Retail - credit card exposures (QRRE) [2]	0	0	0	0	829
Other retail	34 852	18 938	13 469	1 078	1 192
Equity positions	28 146	28 146	28 335	2 267	2 369
Securitisation	0	0	0	0	1 823
Other assets	2 447	2 447	2 447	196	192
Total credit risk, standardised approach	862 727	737 535	300 124	24 010	55 348
Total credit risk	1 811 326	1 583 685	658 131	52 651	61 068
Market risk, standardised approach			30 051	2 404	2 064
Of which: Position risk			30 051	2 404	2 064
Currency risk			0	0	0
Operational risk			52 117	4 169	3 703
Deductions			(2 106)	(168)	(285)
Total risk-weighted volume and capital requirements before transitional rule			738 194	59 056	66 551
Additional capital requirements according to transitional rules			0	0	0
Total risk-weighted volume and capital requirements			738 194	59 056	66 551

Note 4 Capitalisation policy and capital adequacy (continued)

Specification of risk-weighted volume and capital requirements **DnB NOR Bank Group**

Amounts in NOK million	Nominal exposure 31 Dec. 2010	EAD [1] 31 Dec. 2010	Risk-weighted volume 31 Dec. 2010	Capital requirements 31 Dec. 2010	Capital requirements 31 Dec. 2009
IRB approach					
Corporate	677 874	590 120	313 788	25 103	3 627
Specialised Lending (SL)	2 351	2 282	1 467	117	0
Retail - mortgage loans	499 020	499 019	56 669	4 533	5 026
Other retail [2]	82 264	67 639	22 224	1 778	0
Securitisation	112 567	112 567	9 183	735	0
Total credit risk, IRB approach	1 374 076	1 271 626	403 331	32 266	8 654
Standardised approach					
Central government	137 833	146 014	1 825	146	303
Institutions	122 138	113 002	24 251	1 940	1 963
Corporate	345 307	260 713	248 901	19 912	49 641
Specialised Lending (SL)	6 148	5 945	5 945	476	661
Retail - mortgage loans	40 224	39 130	16 179	1 294	1 290
Retail - credit card exposures (QRRE) [2]	0	0	0	0	829
Other retail	61 986	39 672	30 928	2 474	3 935
Equity positions	4 318	4 318	4 507	361	196
Securitisation	7 572	7 572	1 463	117	2 009
Other assets	8 547	8 547	8 547	684	812
Total credit risk, standardised approach	734 073	624 914	342 545	27 404	61 639
Total credit risk	2 108 149	1 896 540	745 876	59 670	70 294
Market risk, standardised approach			30 824	2 466	2 306
Of which: Position risk			30 824	2 466	2 306
Currency risk			0	0	0
Operational risk			61 080	4 886	4 583
Deductions			(2 539)	(203)	(366)
Total risk-weighted volume and capital requirements before transitional rule			835 241	66 819	76 817
Additional capital requirements according to transitional rules			83 418	6 673	0
Total risk-weighted volume and capital requirements			918 659	73 493	76 817

1) *EAD, exposure at default.*

2) *The credit card portfolio is reported as Other retail under the IRB approach from the third quarter of 2010.*

Note 4 Capitalisation policy and capital adequacy (continued)

Basel II implementation

Further progress

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

Portfolios	Reporting methods for credit risk in capital adequacy calculations 31 Dec. 2010	31 Dec. 2011
Retail:		
- mortgage loans, DnB NOR Bank and DnB NOR Boligkreditt	IRB [1)]	IRB [1)]
- qualifying revolving retail exposures, DnB NOR Bank [2)]	IRB [1)]	IRB [1)]
- mortgage loans, Nordlandsbanken	Standardised	IRB [1)]
- loans in Norway, DnB NOR Finans, DnB NOR Bank	IRB [1)]	IRB [1)]
Corporates:		
- small and medium-sized corporates, DnB NOR Bank	Advanced IRB	Advanced IRB
- large corporate clients (scorecard models), DnB NOR Bank	Advanced IRB	Advanced IRB
- large corporate clients (simulation models), DnB NOR Bank	Standardised	Advanced IRB
- corporate clients, Nordlandsbanken	Standardised	Advanced IRB
- leasing DnB NOR Bank	Advanced IRB	Advanced IRB
- corporate clients, DnB NOR Næringskreditt	Standardised	Advanced IRB
Securitisation positions:		
- DnB NOR Markets' liquidity portfolio	IRB [1)]	IRB [1)]
Institutions:		
- banks and financial institutions, DnB NOR Bank	Standardised	Advanced IRB
Exceptions:		
- approved exceptions: government and municipalities, equity positions	Standardised	Standardised
- temporary exceptions: DnB NORD, DnB NOR Luxembourg, Monchebank and various other portfolios	Standardised	Standardised

1) *There is only one IRB approach for retail exposures and securitisation positions.*
2) *Reported according to the IRB category Other retail exposures form the third quarter of 2010.*

Note 5 Risk management

Risk management in DnB NOR

The Board of Directors of DnB NOR ASA has a clearly stated goal to maintain a low overall risk profile, which is reflected in the DnB NOR Bank Group's aim to maintain at least an AA level rating for ordinary long-term debt. The profitability of the DnB NOR Bank Group will depend on the banking group's ability to identify, manage and accurately price risk arising in connection with financial services.

Organisation and authorisation structure

- *Board of Directors*. The Board of Directors of DnB NOR ASA sets long-term targets for the Group's risk profile. The risk profile is operationalised through the risk management framework, including the establishment of authorisations. Risk-taking should take place within established limits.
- *Authorisations*. Authorisations must be in place for the extension of credit and for position and trading limits in all critical financial areas. All authorisations are personal. Authorisations and group limits are determined by the Board of Directors and can be delegated in the organisation, though any further delegation requires approval by an immediate superior.
- *Annual review of limits*. Risk limits are reviewed at least annually in connection with budget and planning processes.
- *Independent risk management functions.* Risk management functions and the development of risk management tools are undertaken by units that are independent of operations in the individual business areas.

Note 5 Risk management (continued)

Monitoring and use

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

Relevant risk measures

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

A further description of risk management and internal control in the DnB NOR Group can be found in the chapter "Risk management and internal control" in Business Review 2010.

Risk categories

For risk management purposes, DnB NOR distinguishes between the following risk categories:

- *Credit risk* is the risk of losses due to failure on the part of the banking group's counterparties or customers to meet their payment obligations towards the DnB NOR Bank Group. Credit risk refers to all claims against counterparties or customers, including credit risk in trading operations, country risk and settlement risk. Note 6 contains an assessment of the banking group's credit risk at year-end 2009 and 2010.
- *Market risk* is the risk of losses or reduced future income due to fluctuations in market prices or exchange rates. The risk arises as a consequence of the bank's unhedged transactions and exposure in the foreign exchange, interest rate, commodity and equity markets. Notes 13 to 15 contain an assessment of the banking group's market risk at year-end 2009 and 2010.
- *Liquidity risk* is the risk that the banking group will be unable to meet its obligations as they fall due, and risk that the banking group will be unable to meet its liquidity obligations without a substantial rise in appurtenant costs. In a broader perspective, liquidity risk also includes the risk that the banking group will be unable to finance increases in assets as its funding requirements rise. Note 17 contains an assessment of the banking group's liquidity risk at year-end 2009 and 2010.
- *Operational risk* is the risk of losses due to deficiencies or errors in processes and systems, errors made by employees or external events.
- *Business risk* is the risk of losses due to changes in external factors such as the market situation or government regulations. This risk category also includes reputational risk.

DnB NOR uses a total risk model to quantify risk by calculating risk-adjusted capital. Risk-adjusted capital is calculated for individual risk categories, with the exception of liquidity risk, and for the Group's overall risk. Risk-adjusted capital should cover unexpected losses which may occur in the operations in exceptional circumstances. Quantifications are based on statistical probability calculations for the various risk categories where the parameters are determined after a review of historical data. The quantification requires a certain level of discretion and estimation.

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

Concentrations of risk

Concentrations of financial risk arise when financial instruments with identical characteristics are influenced in the same way by changes in economic or other factors. The identification of risk concentrations is subject to discretionary assessment. The general purpose of risk management in the DnB NOR is to reduce and control risk concentrations. The banking group aims to avoid large credit risk concentrations, including large exposures to a customer or customer group as well as clusters of commitments in high-risk categories, industries and geographical areas, cf. notes 3, 7 and 8. Total credit risk as at 31 December 2010 is presented in note 6. With respect to market risk, concentration risk is restricted by limits ensuring that exposure is divided among a number of instruments, securing sound diversification to meet changes in share prices, exchange rates, commodity prices and interest rate levels. Concentrations of interest rate risk are presented in note 14. Currency risk is specified in note 15. The banking group's largest investments in shares, mutual funds and equity certificates are specified in note 32. The banking group has not identified material risk concentrations apart from in its core operations, including strategic priority areas, which are referred to above.

Note 6 Credit risk

Credit risk represents the chief risk category for the banking group and refers to all claims against customers, mainly loans, but also commitments in the form of other extended credits, guarantees, interest-bearing securities, approved, undrawn credits, as well as counterparty risk arising through derivatives and foreign exchange contracts. Settlement risk, which arises in connection with payment transfers as not all transactions take place in real time, also involves counterparty risk.

DnB NOR Bank ASA		Maximum exposure to credit risk [1]	DnB NOR Bank Group	
31 Dec. 2009	31 Dec. 2010	*Amounts in NOK million*	31 Dec. 2010	31 Dec. 2009
		Balance sheet items		
27 775	11 894	Deposits with central banks	12 845	28 246
189 375	109 507	Lending to and deposits with credit institutions	7 908	9 214
492 414	572 910	Lending to customers	1 055 661	967 340
709 564	694 312	Total lending and deposits carried at amortised cost	1 076 414	1 004 800
86 709	106 925	Lending to and deposits with credit institutions	35 929	49 538
134 393	96 543	Lending to customers	128 439	161 452
221 102	203 468	Total lending and deposits carried at fair value	164 367	210 990
304 948	280 423	Commercial paper and bonds	162 071	177 613
71 002	85 019	Financial derivatives	76 781	69 173
113 302	113 751	Commercial paper and bonds, held to maturity	113 751	113 302
1 419 918	**1 376 973**	**Total credit risk exposure, balance sheet items**	**1 593 383**	**1 575 878**
		Off-balance sheet items		
74 087	73 596	Financial guarantees	76 221	77 989
401 853	431 089	Unutilised credit lines and offers of credit	412 653	408 836
3 696	3 433	Other guarantee commitments	3 521	3 876
479 637	**508 118**	**Total credit risk exposure, off-balance sheet items**	**492 395**	**490 701**
1 899 555	**1 885 091**	**Total credit risk exposure**	**2 085 778**	**2 066 579**

DnB NOR Bank ASA		Loans and deposits designated as at fair value	DnB NOR Bank Group	
31 Dec. 2009	31 Dec. 2010	*Amounts in NOK million*	31 Dec. 2010	31 Dec. 2009
137 279	127 148	Loans and deposits designated as at fair value	126 433	160 724
137 279	127 148	Total exposure to credit risk	126 433	160 724
558	348	Credit risk [2]	445	717
66	(210)	Change in credit risk	(272)	191

1) Credit risk exposure according to IFRS is the amount that best represents the banking group's maximum exposure to credit risk. For a financial asset, this is the gross carrying amount, net of any amounts offset in accordance with IAS 32 and recognised impairment losses.
2) Credit risk reflected in fair value measurements is based on normalised losses and changes in normalised losses in the relevant portfolio.

DnB NOR's risk classification [1]

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

1) DnB NOR's risk classification system, where 1 represents the lowest risk and 10 the highest risk.

Note 6 Credit risk (continued)

Commitments according to risk classification — **DnB NOR Bank ASA**

Amounts in NOK billion	Gross lending to customers	Guarantee commitments [1]	Undrawn limits (committed) [2]	Total commitments
Risk category based on probability of default				
1 - 4	301	47	201	549
5 - 6	217	17	68	302
7 - 10	101	5	25	131
Non-performing and impaired commitments	12	0	0	12
Total commitments as at 31 December 2009 [3]	631	69	294	994
Risk category based on probability of default				
1 - 4	368	54	222	644
5 - 6	199	13	67	279
7 - 10	94	3	14	111
Non-performing and impaired commitments	13	0	0	13
Total commitments as at 31 December 2010 [3]	674	70	303	1 047

1) *With effect from 2010, documentary credit commitments which are not related to deliveries of goods have been reclassified from documentary credit commitments to performance guarantees. Figures for 2009 have been adjusted accordingly.*
2) *Unutilised credit lines have been changed in line with the Basel II definition. Figures for 2009 have thus been increased by NOK 33 billion.*
3) *Based on nominal amounts.*

Loan-loss level [1]	2010	2009
Normalised losses including loss of interest income in per cent of net lending	0.40	0.54

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

Commitments according to risk classification — **DnB NOR Bank Group**

Amounts in NOK billion	Gross lending to customers	Guarantee commitments [1]	Undrawn limits (committed) [2]	Total commitments
Risk category based on probability of default				
1 - 4	628	49	230	907
5 - 6	331	18	74	423
7 - 10	151	6	27	184
Non-performing and impaired commitments	27	0	0	27
Total commitments as at 31 December 2009 [3]	1 137	73	331	1 541
Risk category based on probability of default				
1 - 4	729	57	259	1 045
5 - 6	306	14	75	395
7 - 10	130	3	16	149
Non-performing and impaired commitments	28	0	0	28
Total commitments as at 31 December 2010 [3]	1 193	74	350	1 617

1) *With effect from 2010, documentary credit commitments which are not related to deliveries of goods have been reclassified from documentary credit commitments to performance guarantees. Figures for 2009 have been adjusted accordingly.*
2) *Unutilised credit lines have been changed in line with the Basel II definition. Figures for 2009 have thus been increased by NOK 33 billion.*
3) *Based on nominal amount.*

Loan-loss level [1]	2010	2009
Normalised losses including loss of interest income in per cent of net lending	0.33	0.42

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

Collateral security

Depending on the market and type of transaction, the banking group uses collateral security to reduce risk. Collateral security can be in the form of physical assets, guarantees, cash deposits or netting agreements. The principal rule is that physical assets in the form of buildings, residential properties or warehouses should be insured. Evaluations of the value of collateral are based on a going concern assumption, with the exception of situations where write-downs have been made. In addition, factors which may affect the value of collateral, such as concession terms or easements, are taken into account. With respect to evaluations of both collateral in the form of securities and counterparty risk, the estimated effects of enforced sales and sales costs are also considered.

Note 6 Credit risk (continued)

Write-down ratio

DnB NOR Bank ASA 31 Dec. 2009	DnB NOR Bank ASA 31 Dec. 2010	*Amounts in NOK million*	DnB NOR Bank Group 31 Dec. 2010	DnB NOR Bank Group 31 Dec. 2009
7 947	6 967	Non-performing commitments (gross)	17 313	19 523
4 559	5 993	Impaired commitments (gross)	10 369	7 353
12 506	12 960	Gross non-performing and impaired commitments	27 682	26 876
3 100	3 965	Individual write-downs	9 273	7 749
1 878	1 343	Collective write-downs	1 872	2 969
39.8	41.0	Write-downs in per cent of gross non-performing and impaired commitments	40.3	39.9
5 418	5 874	Collateral for non-performing and impaired commitments	17 793	18 928
83.1	86.3	Write-downs and collaterals in per cent of gross non-performing and impaired commitments	104.5	110.3

Past due loans not subject to write-downs

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

DnB NOR Bank ASA 31 Dec. 2009	DnB NOR Bank ASA 31 Dec. 2010	*Amounts in NOK million*	DnB NOR Bank Group 31 Dec. 2010	DnB NOR Bank Group 31 Dec. 2009
		No. of days past due/overdrawn		
516	431	1 - 29	1 238	1 210
142	257	30 - 59	466	451
43	33	60 - 89	103	140
6	25	> 90	261	441
707	746	Past due loans not subject to write-downs	2 068	2 242

Repossessed properties and other assets – recorded value

Repossessed assets are assets acquired by units within the banking group as part of the management of non-performing and impaired commitments. At the time of acquisition, such assets are valued at their estimated realisable value. Any deviation from the carrying value of non-performing and impaired commitments at the time of acquisition is classified as write-downs on loans. Repossessed assets are recorded in the balance sheet according to the type of asset. When acquiring shares or mutual fund holdings, the assets are evaluated according to the principles described in the accounting principles. Upon final sale, the difference relative to carrying value is recognised in the income statement according to the type of asset. Other asset additions in 2010 mainly included machinery, equipment and vehicles taken over from DnB NORD's operations in Estonia.

DnB NOR Bank ASA 2009	DnB NOR Bank ASA 2010	*Amounts in NOK million*	DnB NOR Bank Group 2010	DnB NOR Bank Group 2009
9	9	Repossessed properties and other assets as at 1 January	224	197
0	2	Property additions	26	38
0	0	Other asset additions	116	128
0	0	Property disposals	22	13
0	0	Other asset disposals	125	126
9	11	Repossessed properties and other assets as at 31 December	219	224

Effects of changes in credit margins

The financial turmoil has caused a general rise in credit margins, which affects a number of items in the banking group's balance sheet. Through 2009, there was a gradual normalisation of the markets, though the turmoil continued in 2010 due to the debt situation in a number of European countries. Credit margins remain higher than before the onset of the financial turmoil.

DnB NOR Bank has a 40 per cent ownership interest in Eksportfinans, and the company is recognised in the group accounts according to the equity method. Large parts of Eksportfinans' liabilities are carried at fair value through profit or loss. In the fourth quarter of 2008, the investors' required rate of return increased considerably, and the company was also downgraded. This resulted in significant unrealised gains on the company's existing liabilities. The margin requirements were significantly reduced through 2009. Unrealised gains after tax attributable to the DnB NOR Bank Group were NOK 503 million at year-end 2009, but had been reduced to NOK 360 million at end-December 2010. Unrealised gains on the company's liabilities will be reversed over the remaining term to maturity.

Long-term borrowings in Norwegian kroner are carried at fair value through profit or loss. Due to narrowing credit margins, unrealised losses in the portfolio totalled NOK 138 million at year-end 2009. At year-end 2010, unrealised losses in the portfolio had been reduced to NOK 19 million. Unrealised losses on the company’s liabilities will be reversed over the remaining term to maturity.

Note 7 Commitments for principal sectors [1)]

Commitments as at 31 December 2010 — **DnB NOR Bank ASA**

Amounts in NOK million	Loans and receivables	Guarantees [2)]	Unutilised credit lines [3)]	Total commitments
Retail customers	134 723	257	63 525	198 505
International shipping	133 025	9 707	38 298	181 030
Real estate	138 869	2 119	18 753	159 742
Manufacturing	39 858	9 756	35 748	85 362
Services	63 307	4 713	22 830	90 851
Trade	28 255	4 059	19 394	51 708
Oil and gas	17 962	8 439	26 636	53 037
Transportation and communication	24 797	3 962	16 969	45 729
Building and construction	28 096	7 898	14 234	50 228
Power and water supply	20 156	11 972	16 247	48 374
Seafood	10 728	181	4 042	14 951
Hotels and restaurants	3 672	121	1 028	4 820
Agriculture and forestry	5 343	31	760	6 134
Central and local government	2 436	2 839	4 159	9 434
Other sectors	18 739	4 375	20 361	43 474
Total customers, nominal amount after individual write-downs	669 966	70 429	302 984	1 043 379
– Collective write-downs, customers	1 343	-	-	1 343
+ Other adjustments	831	85	-	916
Lending to customers	**669 454**	**70 514**	**302 984**	**1 042 952**
Credit institutions, nominal amount after individual write-downs	216 045	3 132	76 969	296 147
+ Other adjustments	387	0	-	387
Lending to and deposits with credit institutions	**216 432**	**3 132**	**76 969**	**296 534**

Commitments as at 31 December 2009 — **DnB NOR Bank ASA**

Amounts in NOK million	Loans and receivables	Guarantees [2)]	Unutilised credit lines [3)]	Total commitments
Retail customers	145 307	254	57 449	203 010
International shipping	119 881	15 969	28 052	163 902
Real estate	125 768	1 483	10 424	137 675
Manufacturing	32 943	9 966	32 009	74 918
Services	75 981	5 225	25 598	106 804
Trade	25 620	2 950	19 981	48 551
Oil and gas	15 620	6 260	18 422	40 302
Transportation and communication	16 819	4 784	27 955	49 557
Building and construction	20 381	6 350	13 565	40 295
Power and water supply	11 035	8 586	14 305	33 926
Seafood	10 822	371	2 845	14 037
Hotels and restaurants	4 089	113	1 124	5 326
Agriculture and forestry	4 640	53	719	5 411
Central and local government	1 376	2 474	3 818	7 667
Other sectors	17 218	4 494	37 815	59 528
Total customers, nominal amount after individual write-downs	627 499	69 330	294 080	990 909
– Collective write-downs, customers	1 878	-	-	1 878
+ Other adjustments	1 185	(193)	-	992
Lending to customers	**626 806**	**69 137**	**294 080**	**990 023**
Credit institutions, nominal amount after individual write-downs	275 456	4 718	40 798	320 972
+ Other adjustments	627	0	-	627
Lending to and deposits with credit institutions	**276 084**	**4 718**	**40 798**	**321 599**

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

2) *With effect from 2010, documentary credit commitments which are not related to deliveries of goods have been reclassified from documentary credit commitments to performance guarantees. Figures for 2009 have been adjusted accordingly.*

3) *Unutilised credit lines have been changed in line with the Basel II definition. Figures for 2009 have thus been increased by NOK 33 billion.*

Note 7 Commitments for principal sectors [1] (continued)

Commitments as at 31 December 2010 — **DnB NOR Bank Group**

Amounts in NOK million	Loans and receivables	Guarantees [2]	Unutilised credit lines [3]	Total commitments
Retail customers	559 062	283	99 357	658 701
International shipping	133 926	9 748	38 430	182 104
Real estate	175 806	2 173	19 828	197 807
Manufacturing	47 897	10 438	38 856	97 191
Services	75 601	5 105	23 941	104 647
Trade	33 942	4 413	20 662	59 016
Oil and gas	18 076	8 439	26 653	53 168
Transportation and communication	29 421	4 139	17 418	50 979
Building and construction	35 790	8 931	15 222	59 943
Power and water supply	22 843	12 355	17 287	52 485
Seafood	13 893	191	4 652	18 737
Hotels and restaurants	5 121	127	1 053	6 300
Agriculture and forestry	7 499	37	900	8 437
Central and local government	6 042	2 844	5 137	14 023
Other sectors	18 659	4 848	20 637	44 143
Total customers, nominal amount after individual write-downs	1 183 578	74 071	350 033	1 607 682
– Collective write-downs, customers	1 872	-	-	1 872
+ Other adjustments	2 394	95	-	2 489
Lending to customers	**1 184 100**	**74 166**	**350 033**	**1 608 299**
Credit institutions, nominal amount after individual write-downs	43 759	2 085	11 484	57 328
+ Other adjustments	77	0	-	77
Lending to and deposits with credit institutions	**43 837**	**2 085**	**11 484**	**57 405**

Commitments as at 31 December 2009 — **DnB NOR Bank Group**

Amounts in NOK million	Loans and receivables	Guarantees [2]	Unutilised credit lines [3]	Total commitments
Retail customers	531 761	281	84 550	616 592
International shipping	122 500	15 973	28 063	166 536
Real estate	156 771	1 539	10 898	169 208
Manufacturing	46 097	10 345	34 127	90 569
Services	96 896	5 583	27 491	129 970
Trade	36 335	3 326	21 486	61 148
Oil and gas	17 063	6 261	18 490	41 814
Transportation and communication	26 105	4 899	28 380	59 384
Building and construction	29 843	7 342	14 358	51 544
Power and water supply	14 111	8 792	15 077	37 980
Seafood	14 438	395	3 234	18 068
Hotels and restaurants	5 706	119	1 179	7 004
Agriculture and forestry	7 664	58	889	8 611
Central and local government	5 142	2 958	4 510	12 610
Other sectors	18 969	5 151	38 196	62 316
Total customers, nominal amount after individual write-downs	1 129 402	73 022	330 928	1 533 353
– Collective write-downs, customers	2 969	-	-	2 969
+ Other adjustments	2 358	(207)	-	2 151
Lending to customers	**1 128 791**	**72 815**	**330 928**	**1 532 535**
Credit institutions, nominal amount after individual write-downs	58 662	4 891	10 933	74 486
+ Other adjustments	89	0	-	89
Lending to and deposits with credit institutions	**58 751**	**4 891**	**10 933**	**74 575**

1) *The breakdown into principal sectors is based on standardised sector and industry categories set up by Statistics Norway.*
2) *With effect from 2010, documentary credit commitments which are not related to deliveries of goods have been reclassified from documentary credit commitments to performance guarantees. Figures for 2009 have been adjusted accordingly.*
3) *Unutilised credit lines have been changed in line with the Basel II definition. Figures for 2009 have thus been increased by NOK 33 billion.*

Note 8 Commitments according to geographical location [1)]

Commitments as at 31 December 2010 **DnB NOR Bank ASA**

Amounts in NOK million	Loans and receivables	Guarantees [2)]	Unutilised credit lines [3)]	Total commitments
Oslo	234 217	19 452	131 508	385 177
Eastern and southern Norway	171 566	17 229	87 266	276 061
Western Norway	88 491	7 446	31 530	127 466
Northern and central Norway	93 119	7 126	24 026	124 271
Total Norway	587 393	51 253	274 330	912 976
Sweden	67 416	3 620	19 944	90 980
United Kingdom	24 742	4 450	1 130	30 321
Other Western European countries	70 091	5 013	26 384	101 487
Russia	704	9	2	715
Estonia	1 371	0	0	1 371
Latvia	7 471	0	9	7 480
Lithuania	12 055	0	1	12 056
Poland	5 886	19	162	6 068
Other Eastern European countries	245	73	1	319
Total Europe outside Norway	189 981	13 184	47 633	250 798
USA and Canada	25 450	5 017	33 057	63 523
Bermuda and Panama [4)]	17 705	324	7 419	25 448
Other South and Central American countries	6 052	2 352	5 996	14 400
Total America	49 207	7 693	46 472	103 372
Singapore [4)]	14 804	332	2 297	17 434
Hong Kong	3 746	0	853	4 599
Other Asian countries	12 989	382	990	14 361
Total Asia	31 539	714	4 140	36 394
Liberia [4)]	10 919	255	3 128	14 301
Other African countries	2 282	111	384	2 777
Australia, New Zealand and Marshall Islands [4)]	18 621	385	3 867	22 873
Commitments [5)]	889 942	73 596	379 953	1 343 491
– Individual write-downs	3 931	34	-	3 965
– Collective write-downs	1 343	-	-	1 343
+ Other adjustments	1 218	85	-	1 303
Net commitments	**885 886**	**73 646**	**379 953**	**1 339 486**

1) Based on the customer's address.

2) With effect from 2010, documentary credit commitments which are not related to deliveries of goods have been reclassified from documentary credit commitments to performance guarantees.

3) Unutilised credit lines have been changed in line with the Basel II definition.

4) Represents shipping commitments.

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

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

Commitments as at 31 December 2009 **DnB NOR Bank ASA**

Amounts in NOK million	Loans and receivables	Guarantees [2]	Unutilised credit lines [3]	Total commitments
Oslo	250 777	19 156	120 940	390 873
Eastern and southern Norway	175 814	18 663	72 698	267 175
Western Norway	112 646	8 703	32 965	154 315
Northern and central Norway	82 584	5 107	20 285	107 976
Total Norway	621 821	51 629	246 888	920 338
Sweden	55 226	1 907	14 461	71 593
United Kingdom	33 543	5 671	3 042	42 256
Other Western European countries	72 551	4 023	20 315	96 889
Russia	1 112	9	0	1 121
Estonia	2 997	0	0	2 997
Latvia	6 336	265	18	6 619
Lithuania	9 096	0	0	9 096
Poland	2 867	49	61	2 977
Other Eastern European countries	137	15	1	152
Total Europe outside Norway	183 863	11 938	37 899	233 700
USA and Canada	26 985	7 659	28 352	62 996
Bermuda and Panama [4]	16 218	527	5 258	22 003
Other South and Central American countries	3 330	619	5 458	9 408
Total America	46 533	8 806	39 068	94 407
Singapore [4]	13 615	835	2 397	16 848
Hong Kong	3 345	14	844	4 203
Other Asian countries	8 750	486	1 176	10 412
Total Asia	25 710	1 335	4 417	31 462
Liberia [4]	8 008	100	2 091	10 199
Other African countries	1 841	248	3	2 091
Australia, New Zealand and Marshall Islands [4]	18 241	32	4 512	22 785
Commitments [5]	906 017	74 087	334 879	1 314 983
– Individual write-downs	3 061	39	-	3 100
– Collective write-downs	1 878	-	-	1 878
+ Other adjustments	1 812	(193)	-	1 619
Net commitments	**902 890**	**73 855**	**334 879**	**1 311 623**

1) *Based on the customer's address.*
2) *With effect from 2010, documentary credit commitments which are not related to deliveries of goods have been reclassified from documentary credit commitments to performance guarantees. Figures for 2009 have been adjusted accordingly.*
3) *Unutilised credit lines have been changed in line with the Basel II definition. Figures for 2009 have thus been increased by NOK 33 billion.*
4) *Represents shipping commitments.*
5) *All amounts represent gross lending and guarantees respectively before individual write-downs.*

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

Commitments as at 31 December 2010 — **DnB NOR Bank Group**

Amounts in NOK million	Loans and receivables	Guarantees [2]	Unutilised credit lines [3]	Total commitments
Oslo	220 822	19 648	72 656	313 126
Eastern and southern Norway	386 727	17 261	106 159	510 147
Western Norway	146 273	7 450	37 270	190 992
Northern and central Norway	156 593	7 378	32 625	196 596
Total Norway	910 415	51 737	248 710	1 210 862
Sweden	67 913	3 620	19 954	91 487
United Kingdom	25 094	4 450	1 147	30 691
Other Western European countries	60 225	5 476	28 987	94 688
Russia	1 360	43	131	1 533
Estonia	2 841	29	80	2 951
Latvia	18 242	492	844	19 577
Lithuania	22 690	441	1 806	24 938
Poland	14 408	690	1 786	16 884
Other Eastern European countries	251	73	3	326
Total Europe outside Norway	213 023	15 313	54 738	283 074
USA and Canada	25 573	5 017	33 076	63 665
Bermuda and Panama [4]	17 828	324	7 449	25 601
Other South and Central American countries	6 109	2 353	6 004	14 466
Total America	49 510	7 694	46 529	103 733
Singapore [4]	14 845	332	2 301	17 479
Hong Kong	3 780	7	856	4 643
Other Asian countries	13 027	386	990	14 403
Total Asia	31 652	725	4 147	36 525
Liberia [4]	10 919	255	3 128	14 301
Other African countries	2 394	112	398	2 905
Australia, New Zealand and Marshall Islands [4]	18 632	385	3 867	22 884
Commitments [5]	1 236 547	76 220	361 517	1 674 283
– Individual write-downs	9 208	65	-	9 273
– Collective write-downs	1 872	-	-	1 872
+ Other adjustments	2 471	95	-	2 566
Net commitments	**1 227 937**	**76 251**	**361 517**	**1 665 704**

1) *Based on the customer's address.*
2) *With effect from 2010, documentary credit commitments which are not related to deliveries of goods have been reclassified from documentary credit commitments to performance guarantees.*
3) *Unutilised credit lines have been changed in line with the Basel II definition.*
4) *Represents shipping commitments.*
5) *All amounts represent gross lending and guarantees respectively before individual write-downs.*

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

Commitments as at 31 December 2009 **DnB NOR Bank Group**

Amounts in NOK million	Loans and receivables	Guarantees [2]	Unutilised credit lines [3]	Total commitments
Oslo	205 679	19 285	98 071	323 035
Eastern and southern Norway	376 933	18 681	86 646	482 260
Western Norway	137 234	8 708	35 458	181 400
Northern and central Norway	144 420	7 159	26 947	178 526
Total Norway	864 267	53 833	247 122	1 165 222
Sweden	65 310	1 907	14 690	81 907
United Kingdom	33 990	5 671	3 062	42 722
Other Western European countries	66 374	3 982	21 916	92 272
Russia	1 690	21	79	1 790
Estonia	2 327	8	172	2 507
Latvia	20 531	829	638	21 999
Lithuania	26 948	452	1 666	29 066
Poland	12 840	736	2 231	15 807
Other Eastern European countries	143	15	1	159
Total Europe outside Norway	230 152	13 622	44 456	288 231
USA and Canada	27 202	7 659	28 381	63 242
Bermuda and Panama [4]	16 222	527	5 258	22 007
Other South and Central American countries	3 492	620	5 473	9 585
Total America	46 916	8 806	39 111	94 834
Singapore [4]	13 707	835	2 426	16 968
Hong Kong	3 365	22	844	4 231
Other Asian countries	9 010	491	1 201	10 702
Total Asia	26 082	1 348	4 471	31 902
Liberia [4]	8 170	101	2 176	10 448
Other African countries	1 874	248	10	2 131
Australia, New Zealand and Marshall Islands [4]	18 277	32	4 515	22 824
Commitments [5]	1 195 739	77 989	341 861	1 615 589
– Individual write-downs	7 674	76	-	7 749
– Collective write-downs	2 969	-	-	2 969
+ Other adjustments	2 446	(207)	-	2 239
Net commitments	**1 187 542**	**77 706**	**341 861**	**1 607 110**

1) *Based on the customer's address.*
2) *With effect from 2010, documentary credit commitments which are not related to deliveries of goods have been reclassified from documentary credit commitments to performance guarantees. Figures for 2009 have been adjusted accordingly.*
3) *Unutilised credit lines have been changed in line with the Basel II definition. Figures for 2009 have thus been increased by NOK 33 billion.*
4) *Represents shipping commitments.*
5) *All amounts represent gross lending and guarantees respectively before individual write-downs.*

Note 9 Impaired commitments for principal sectors [1]

DnB NOR Bank ASA

Amounts in NOK million	Gross impaired commitments 31 Dec. 2010	Gross impaired commitments 31 Dec. 2009	Total individual write-downs 31 Dec. 2010	Total individual write-downs 31 Dec. 2009	Net impaired commitments 31 Dec. 2010	Net impaired commitments 31 Dec. 2009
Retail customers [2) 3)]	2 882	2 493	1 064	754	1 819	1 739
International shipping	1 022	1 554	275	490	747	1 065
Real estate	1 124	1 398	253	402	871	996
Manufacturing	1 996	2 664	473	303	1 523	2 361
Services	1 251	434	616	277	635	157
Trade	1 554	1 389	370	571	1 184	817
Oil and gas	0	0	0	0	0	0
Transportation and communication	381	288	199	115	182	173
Building and construction	1 393	399	438	106	955	293
Power and water supply	179	1	156	1	24	0
Seafood	12	6	8	1	4	6
Hotels and restaurants	140	117	40	37	100	80
Agriculture and forestry	169	139	46	33	123	106
Central and local government	0	0	0	0	0	0
Other sectors	71	123	26	11	45	113
Total customers	12 175	11 006	3 965	3 100	8 211	7 905
Credit institutions	0	0	0	0	0	0
Total impaired loans and guarantees	12 175	11 006	3 965	3 100	8 211	7 905
Non-performing loans and guarantees not subject to write-downs	785	1 501	-	-	785	1 501
Total non-performing and impaired commitments	12 960	12 506	3 965	3 100	8 996	9 406

DnB NOR Bank Group

Amounts in NOK million	Gross impaired commitments 31 Dec. 2010	Gross impaired commitments 31 Dec. 2009	Total individual write-downs 31 Dec. 2010	Total individual write-downs 31 Dec. 2009	Net impaired commitments 31 Dec. 2010	Net impaired commitments 31 Dec. 2009
Retail customers [2) 3)]	6 727	5 428	2 246	1 589	4 481	3 838
International shipping	1 144	1 610	335	513	810	1 097
Real estate	3 742	3 464	1 239	1 205	2 503	2 259
Manufacturing	4 865	4 571	1 700	1 151	3 165	3 420
Services	2 378	1 653	857	913	1 521	740
Trade	1 515	1 432	817	764	698	668
Oil and gas	0	0	0	0	0	0
Transportation and communication	977	1 048	487	515	490	533
Building and construction	2 777	1 954	1 067	778	1 710	1 176
Power and water supply	188	15	162	5	25	9
Seafood	52	57	41	47	10	10
Hotels and restaurants	481	361	130	135	351	226
Agriculture and forestry	441	412	162	108	279	304
Central and local government	0	0	0	0	0	0
Other sectors	81	145	29	24	53	121
Total customers	25 368	22 151	9 272	7 748	16 097	14 403
Credit institutions	1	1	1	1	0	0
Total impaired loans and guarantees	25 369	22 152	9 273	7 749	16 097	14 403
Non-performing loans and guarantees not subject to write-downs [2)]	2 313	4 724	-	-	2 313	4 724
Total non-performing and impaired commitments	27 682	26 876	9 273	7 749	18 409	19 127

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

2) Figures for 2010 includes an increase of NOK 817 million due to reclassification of non-performing commitments previously collectively written down in DnB NORD.

3) Including a NOK 98 million adjustment for commitments previously written down in 2010.

Note 10 Write-downs on loans and guarantees

DnB NOR Bank ASA

Amounts in NOK million	2010 Lending [1]	2010 Guarantees	2010 Total	2009 Lending [1]	2009 Guarantees	2009 Total
Write-offs [2]	356	0	356	419	0	419
New individual write-downs [3]	2 168	11	2 178	2 275	20	2 295
Net new individual write-downs	2 524	11	2 535	2 694	20	2 714
Reassessed individual write-downs	664	16	680	286	18	304
Recoveries on commitments previously written off	401	0	401	293	0	293
Total individual write-downs	1 459	(5)	1 454	2 115	2	2 117
Changes in collective write-downs on loans [3]	(641)	-	(641)	1 018	-	1 018
Write-downs on loans and guarantees [4]	**818**	**(5)**	**813**	**3 133**	**2**	**3 135**
Write-offs covered by individual write-downs made in previous years	1 650	0	1 650	641	0	641

DnB NOR Bank Group

Amounts in NOK million	2010 Lending [1]	2010 Guarantees	2010 Total	2009 Lending [1]	2009 Guarantees	2009 Total
Write-offs [2]	459	0	459	547	7	554
New individual write-downs [3]	5 128	13	5 141	6 496	25	6 521
Net new individual write-downs	5 568	13	5 581	7 043	32	7 075
Reassessed individual write-downs	1 092	16	1 109	675	18	693
Recoveries on commitments previously written off	418	0	418	317	0	317
Total individual write-downs	4 077	(3)	4 074	6 051	14	6 065
Changes in collective write-downs on loans [3]	(1 077)	-	(1 077)	1 645	-	1 645
Write-downs on loans and guarantees	**3 000**	**(3)**	**2 997**	**7 696**	**14**	**7 710**
Write-offs covered by individual write-downs made in previous years	2 209	8	2 217	1 610	17	1 627

1) *Including write-downs on loans at fair value.*
2) *Including a NOK 98 million adjustment for commitments previously written down in 2010.*
3) *In the first quarter of 2010, collective write-downs of NOK 284 million were reclassified as individual write-downs following more precise identification of impairment on individual commitments in sub-portfolios in DnB NORD.*
4) *The merger with DnB NOR Finans has been accounted for in the third quarter 2010 according to the pooling of interests method, and figures for previous periods have not been restated. The merger had no accounting effect for the banking group.*

Write-downs on loans totalled NOK 2 997 million in 2010, down 61 per cent from NOK 7 710 million in 2009. The most pronounced decline took place in DnB NORD, though there was also a significant reduction in write-downs in Large Corporates and International. The decline in collective write-downs reflected the improved economic situation and better credit quality.

Excluding DnB NORD, individual write-downs came to NOK 1 811 million in 2010, down 33 per cent from 2009. Large Corporates and International recorded the largest reduction, though write-downs also declined in Retail Banking. Individual write-downs in DnB NORD came to NOK 2 262 million in 2010, down from NOK 3 346 million in 2009. The reduction reflected the improved macroeconomic trend in the Baltic region.

Net non-performing and doubtful commitments totalled NOK 18.4 billion at end-December 2010, down NOK 0.7 billion from year-end 2009. There was a rise in non-performing commitments in the first quarter of 2010, while the rest of the year saw a reduction. Net non-performing and doubtful commitments represented 1.55 per cent of lending volume as at 31 December 2010, a reduction from 1.71 per cent a year earlier.

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

DnB NOR Bank ASA

Amounts in NOK million	2010 New individual write-downs	2010 Reassessed individual write-downs	2010 Recoveries on commitments previously written off	2010 Net write-downs	2009 New individual write-downs	2009 Reassessed individual write-downs	2009 Recoveries on commitments previously written off	2009 Net write-downs
Retail customers [3)]	921	4	301	616	643	45	237	361
International shipping	318	63	12	243	521	1	23	497
Real estate	235	188	6	41	272	29	0	243
Manufacturing	136	10	0	125	294	69	0	225
Services	211	53	61	97	213	21	4	188
Trade	129	301	2	(174)	506	46	1	459
Oil and gas	0	0	0	0	0	0	0	0
Transportation and communication	77	20	2	55	79	10	16	53
Building and construction	294	21	7	266	120	28	0	91
Power and water supply	155	0	0	155	1	0	0	1
Seafood	7	0	0	7	1	21	0	(20)
Hotels and restaurants	17	10	0	7	14	6	0	8
Agriculture and forestry	21	9	1	11	19	7	1	10
Central and local government	0	0	0	0	0	0	0	0
Other sectors	13	0	9	4	32	14	11	7
Total customers	2 535	680	401	1 454	2 714	297	293	2 124
Credit institutions	0	0	0	0	0	7	0	(7)
Change in collective write-downs on loans	-	-	-	(641)	-	-	-	1 018
Write-downs on loans and guarantees	**2 535**	**680**	**401**	**813**	**2 714**	**304**	**293**	**3 135**
Of which individual write-downs on guarantees	*11*	*16*	*0*	*(5)*	*20*	*18*	*0*	*2*

DnB NOR Bank Group

Amounts in NOK million	2010 New individual write-downs	2010 Reassessed individual write-downs	2010 Recoveries on commitments previously written off	2010 Net write-downs	2009 New individual write-downs	2009 Reassessed individual write-downs	2009 Recoveries on commitments previously written off	2009 Net write-downs
Retail customers [2) 3)]	1 830	110	307	1 414	1 444	129	253	1 061
International shipping	356	63	12	281	544	1	23	520
Real estate	805	335	8	462	1 076	105	1	970
Manufacturing	835	98	1	736	945	180	0	765
Services	345	161	61	123	617	39	5	574
Trade	368	126	3	240	959	79	2	878
Oil and gas	3	0	0	3	0	0	0	0
Transportation and communication	192	87	2	103	396	42	17	337
Building and construction	487	86	8	393	678	41	1	637
Power and water supply	158	1	0	158	1	0	0	1
Seafood	9	0	0	9	11	21	0	(10)
Hotels and restaurants	92	16	0	76	104	13	0	92
Agriculture and forestry	95	25	1	69	81	16	1	62
Central and local government	0	0	0	0	0	3	0	(3)
Other sectors	22	0	14	9	218	16	14	187
Total customers	5 600	1 109	416	4 076	7 075	686	317	6 073
Credit institutions	0	0	2	(2)	0	7	0	(8)
Change in collective write-downs on loans [2)]	-	-	-	(1 077)	-	-	-	1 645
Write-downs on loans and guarantees	**5 600**	**1 109**	**418**	**2 997**	**7 075**	**693**	**317**	**7 710**
Of which individual write-downs on guarantees	*13*	*16*	*0*	*(3)*	*32*	*18*	*0*	*14*

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

2) In the first quarter of 2010, collective write-downs of NOK 284 million were reclassified as individual write-downs following more precise identification of impairment on individual commitments in sub-portfolios in DnB NORD.

3) Including a NOK 98 million adjustment for commitments previously written down in 2010.

Note 12 Developments in write-downs on loans and guarantees

DnB NOR Bank ASA

	2010				2009			
Amounts in NOK million	Lending to credit institutions	Lending to customers	Guarantees	Total	Lending to credit institutions	Lending to customers	Guarantees	Total
Write-downs as at 1 January	0	5 455	39	5 494	10	3 190	37	3 237
New write-downs	0	1 784	14	1 798	0	1 983	14	1 997
Increased write-downs	0	384	(3)	381	0	292	6	298
Reassessed write-downs	0	664	16	680	10	276	18	304
Write-offs covered by write-downs	0	1 650	0	1 650	0	641	0	641
Changes in individual write-downs and accrued interest and amortisation	0	29	-	29	0	76	-	76
Changes in collective write-downs	0	(641)	-	(641)	0	1 018	-	1 018
Changes in group structure	0	1 079	0	1 079	0	0	0	0
Changes due to exchange rate movement	0	42	0	42	0	(187)	0	(187)
Write-downs as at 31 December	0	5 818	34	5 852	0	5 455	39	5 494
Of which: Individual write-downs	*0*	*3 931*	*34*	*3 965*	*0*	*3 061*	*39*	*3 100*
Individual write-downs of accrued interest and amortisation	*0*	*544*	*-*	*544*	*0*	*515*	*-*	*515*
Collective write-downs	*0*	*1 343*	*-*	*1 343*	*0*	*1 878*	*-*	*1 878*

DnB NOR Bank Group

	2010				2009			
Amounts in NOK million	Lending to credit institutions	Lending to customers	Guarantees	Total	Lending to credit institutions	Lending to customers	Guarantees	Total
Write-downs as at 1 January	1	11 249	76	11 325	11	6 358	104	6 473
New write-downs	0	3 305	16	3 321	1	4 816	19	4 835
Increased write-downs	0	1 824	(3)	1 821	0	1 679	6	1 685
Reassessed write-downs	0	1 093	16	1 109	11	664	18	693
Write-offs covered by write-downs	0	2 209	8	2 217	0	1 610	17	1 627
Changes in individual write-downs and accrued interest and amortisation	0	51	-	51	0	129	-	129
Changes in collective write-downs	0	(1 077)	-	(1 077)	0	1 645	-	1 645
Changes in group structure	0	0	0	0	0	(371)	(13)	(384)
Changes due to exchange rate movement	0	(313)	0	(313)	0	(733)	(5)	(738)
Write-downs as at 31 December	1	11 737	65	11 803	1	11 249	76	11 325
Of which: Individual write-downs	*1*	*9 207*	*65*	*9 273*	*1*	*7 673*	*76*	*7 749*
Individual write-downs of accrued interest and amortisation	*0*	*658*	*-*	*658*	*0*	*607*	*-*	*607*
Collective write-downs	*0*	*1 872*	*-*	*1 872*	*0*	*2 969*	*-*	*2 969*

Note 13 Market risk

Conditions for calculating market risk

Market risk arises as a consequence of open positions in foreign exchange, interest rate, commodity and equity instruments. Risk is linked to variations in financial results due to fluctuations in market prices and exchange rates.

DnB NOR uses a total risk model to quantify risk and calculates risk-adjusted capital for individual risk categories and for the Group's overall risk. Risk-adjusted capital should cover unexpected losses, which may occur in operations in exceptional circumstances. Quantifications are based on statistical probability calculations for the various risk categories, using historical data. Methods for calculating risk-adjusted capital for market risk are described in further detail below.

The risk-adjusted capital for market risk should, at a confidence level of 99.97 per cent, cover all potential losses related to market risk on positions on the balance sheet date over a period of one year. Calculations of risk-adjusted capital are based on statistical methods. In the loss simulations, there is a greater probability of major losses than if normal distribution is applied. Risk-adjusted capital calculations reflect the fact that volatility may vary over time. The calculations require a certain level of discretion and estimation. Key assumptions are described below.

The model has a one-year time horizon. Exposure could be either actual exposure or the expected maximum utilisation of limits and is a conservative estimate based on an extreme scenario where, in a hypothetical situation, the banking group is assumed at all times to be incorrectly positioned relative to market developments during the period. Each limit is modelled on the basis of a specific liquidation period. The model takes account of correlations between the defined portfolios. Longer liquidation periods result in higher risk-adjusted capital. A lower level of correlation results in reduced risk-adjusted capital.

The liquidation period is the time required to realise positions in highly volatile markets and varies from 250 trading days for the bank's investment portfolio for equity instruments to two days for positions in the most commonly traded currencies. To estimate annual losses, each underlying instrument is simulated over a period of one year. Subsequent to this, losses for each potential liquidation period are estimated. For most instruments, the banking group's positions may entail a potential for both gains and losses.

In the model calculations, losses from each limit are combined, and an overall loss is calculated for each day during the year simulations are made. Calculations are repeated 500 000 times, resulting in a probability distribution of the greatest daily loss during the year, based on the assumption that the banking group is incorrectly positioned.

In 2010, financial instruments in the banking group were divided into 24 portfolios. Risk-adjusted capital for the portfolios is calculated on the basis of expected developments in the value of an instrument or index. An example of such a portfolio is the bank's equity investment portfolio, which is correlated against developments on Oslo Børs.

Total market risk in the banking group rose by NOK 1.2 billion from 2009 to 2010, to NOK 4.9 billion. The interest rate limits for both banking and trading activities increased from 2009 to 2010, resulting in higher market risk. Rising interest rate levels had the same effect.

	DnB NOR Bank Group	
Amounts in NOK billion	2010	2009
Market risk	4.9	3.7

Note 14 Interest rate sensitivity

Interest rate sensitivity for different intervals

The value of items on and off the balance sheet is affected by interest rate movements. The table shows potential losses for the DnB NOR Bank Group resulting from parallel one percentage point changes in all interest rates. The calculations are based on a hypothetical situation where interest rate movements in all currencies are unfavourable for the DnB NOR Bank Group relative to the bank's positions. Also, all interest rate movements within the same interval will be unfavourable for the banking group. The figures will thus reflect maximum losses for the DnB NOR Bank Group.

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

					DnB NOR Bank Group 1)	
Amounts in NOK million	Up to 1 month	From 1 months to 3 months	From 3 months to 1 year	From 1 year to 5 years	Over 5 years	Total
31 December 2010						
NOK	53	338	560	275	273	274
USD	28	86	9	6	5	116
EUR	5	26	72	8	43	16
GBP	1	1	1	2	1	1
Other currencies	8	14	14	19	14	53
31 December 2009						
NOK	81	259	20	60	214	4
USD	11	55	5	25	1	97
EUR	1	1	4	7	10	19
GBP	3	4	6	2	2	5
Other currencies	17	50	70	16	12	36

1) The figures do not include the operations in DnB NORD, and are for the rest identical for DnB NOR Bank ASA.

Note 15 Currency positions

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

DnB NOR Bank ASA			DnB NOR Bank-konsernet	
Net currency positions			Net currency positions	
31 Dec. 2009	31 Dec. 2010	*Amounts in NOK million*	31 Dec. 2010	31 Dec. 2009
(16)	36	USD	257	78
(228)	(35)	EUR	134	(498)
9	(1)	GBP	(1)	13
41	(18)	SEK	248	30
25	(1)	DKK	(360)	568
19	(46)	JPY	(46)	19
4	(7)	Other	204	(444)
(146)	(72)	Total foreign currencies	435	(233)

Note 16 Financial derivatives

General information on application of financial derivatives

Financial derivatives are contracts stipulating financial values in the form of interest rate terms, exchange rates and the value of equity instruments for fixed periods of time. Corresponding contracts stipulating prices on commodities and indexes are also defined as financial derivatives. Derivatives include swaps, forward contracts and options as well as combinations thereof, including forward rate agreements (FRAs), financial futures and agreements on the transfer of securities. Financial derivatives in the DnB NOR Bank Group are traded to manage liquidity and market risk arising from the banking group's ordinary operations. In addition, the banking group employs financial derivatives in its own account trading.

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

The following derivatives are employed for both trading and hedging purposes in the DnB NOR Bank Group:

- *Forward contracts*: a contract to buy or sell interest rate terms, amounts in foreign currencies, shares or commodities on a specified future date at a fixed price. Forward contracts are tailor-made contracts traded between counterparties in the OTC market.
- *FRAs*: agreements that fix the interest rate for a future period for an agreed amount. When the contract matures, only the difference between the agreed interest rate and the actual market interest rate is exchanged.
- *Interest rate futures*: standardised contracts where the counterparties agree to exchange specific interest rate instruments at a fixed price on a specified date. The contracts are traded on an exchange. The value of interest rate futures follows the price trend on underlying interest rate instruments.
- *Swaps*: transactions where two parties exchange cash flows on a fixed amount over an agreed period. The majority of swaps are tailor-made and traded outside exchanges. The most important types of swaps traded by DnB NOR are:
  - interest rate swaps in which fixed rates of interests are exchanged for floating or floating rates of interest are exchanged for fixed
  - cross-currency interest rate swaps in which parties exchange both currency and interest payments
  - equity swaps in which interest rate returns are exchanged for equity returns
- *Options*: agreements giving the buyer the right, but not the obligation, to either buy (call option) or sell (put option) a specific quantity of a financial instrument or commodity at a predetermined and fixed price. The buyer pays a premium to the seller for this right. Options are traded both as OTCs (tailor-made) and as standardised contracts.

Note 16 Financial derivatives (continued)

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

DnB NOR Bank ASA

	31 December 2010			31 December 2009		
Amounts in NOK million	Total nominal values	Positive market value	Negative market value	Total nominal values	Positive market value	Negative market value
Interest rate contracts						
FRA-contracts	1 338 391	704	906	1 469 687	1 409	1 700
Swaps	2 069 237	51 303	34 680	2 332 983	56 519	47 402
OTC options, bought and sold	72 543	84	94	79 170	87	2
Other OTC contracts	1 562	21	0	1 687	38	0
Total OTC derivatives	3 481 733	52 112	35 680	3 883 527	58 053	49 104
Exchange-traded contracts - futures, bought and sold	23 550	0	0	804	0	0
Total interest rate contracts	3 505 283	52 112	35 680	3 884 331	58 053	49 104
Foreign exchange contracts						
Forward contracts	951 470	3 370	3 489	887 439	4 408	6 248
Swaps	644 093	35 047	48 976	456 793	16 505	19 754
OTC options, bought and sold	24 429	413	401	28 273	340	350
Total foreign exchange contracts	1 619 992	38 830	52 865	1 372 505	21 253	26 351
Equity-related contracts						
Forward contracts	4 687	36	505	3 849	72	689
OTC options, bought and sold	8 061	193	210	14 098	673	301
Total OTC derivatives	12 748	228	715	17 947	745	990
Futures, bought and sold	3 320	11	37	6 022	0	113
Options, bought and sold	511	44	46	388	54	34
Total exchange-traded contracts	3 831	55	83	6 410	54	147
Total equity-related contracts	16 578	283	798	24 357	799	1 137
Equity related derivatives recorded as shareholdings [1]		(124)	(645)		(601)	(942)
Commodity-related contracts						
Swaps	17 172	1 029	1 228	6 869	853	961
Total commodity related contracts	17 172	1 029	1 228	6 869	853	961
Collaterals received / paid						
Total collaterals received/paid		(7 110)	(17 156)		(9 355)	(12 273)
Total financial derivatives	**5 159 026**	**85 019**	**72 771**	**5 288 062**	**71 002**	**64 338**
Of which: Applied for hedging purposes	*22 767*	*6 838*	*1 741*	*113 272*	*4 633*	*668*
Interest rate swaps		*5 737*	*987*		*4 045*	*208*
Interest rate- and currency swaps		*1 101*	*754*		*588*	*460*

1) *See note 32 Shareholdings.*

Note 16 Financial derivatives (continued)

	DnB NOR Bank Group					
	31 December 2010			31 December 2009		
Amounts in NOK million	Total nominal values	Positive market value	Negative market value	Total nominal values	Positive market value	Negative market value
Interest rate contracts						
FRA-contracts	1 338 391	704	906	1 469 687	1 409	1 700
Swaps	1 379 199	49 951	29 764	1 228 890	55 482	39 292
OTC options, bought and sold	78 098	115	141	84 800	122	57
Other OTC contracts	1 562	21	0	1 687	38	0
Total OTC derivatives	2 797 251	50 791	30 811	2 785 064	57 051	41 049
Exchange-traded contracts - futures, bought and sold	23 550	0	0	804	0	0
Total interest rate contracts	2 820 801	50 791	30 811	2 785 868	57 051	41 049
Foreign exchange contracts						
Forward contracts	955 780	3 390	3 499	897 381	4 514	6 317
Swaps	510 496	28 098	41 684	380 450	15 558	15 759
OTC options, bought and sold	24 588	414	402	30 073	358	351
Total foreign exchange contracts	1 490 863	31 903	45 585	1 307 904	20 430	22 429
Equity-related contracts						
Forward contracts	4 687	36	505	3 849	72	689
OTC options, bought and sold	8 345	202	210	13 544	667	299
Total OTC derivatives	13 032	238	715	17 393	739	988
Futures, bought and sold	3 320	11	37	6 022	0	113
Options, bought and sold	511	44	46	388	54	34
Total exchange-traded contracts	3 831	55	83	6 410	54	147
Total equity-related contracts	16 863	292	798	23 803	793	1 135
Equity related derivatives recorded as shareholdings [1)]		(124)	(645)		(601)	(942)
Commodity-related contracts						
Swaps	17 172	1 029	1 228	6 869	853	961
Options, bought and sold	0	0	0	19	2	1
Total commodity related contracts	17 172	1 029	1 228	6 888	855	962
Collaterals received / paid						
Total collaterals received/paid		(7 110)	(17 156)		(9 355)	(12 273)
Total financial derivatives	**4 345 699**	**76 781**	**60 622**	**4 124 463**	**69 173**	**52 359**
Of which: Applied for hedging purposes	*32 005*	*6 878*	*1 828*	*114 170*	*4 633*	*770*
Interest rate swaps		*5 774*	*1 046*		*4 045*	*310*
Interest rate- and currency swaps		*1 104*	*782*		*588*	*460*

1) *See note 32 Shareholdings.*

Use of financial derivatives in DnB NOR Markets

DnB NOR Markets acts as market maker and is obliged to furnish both offer and bid prices for specified option, forward or futures series with a maximum differential between the offer and bid price, together with a minimum volume. Market makers always trade for their own account. The purpose of own account trading, in addition to making a market, is position taking, which means intentional risk-taking within the foreign exchange, interest rate and equity markets to achieve profits arising from favourable price, exchange rate and index fluctuations. Arbitrage, that is profit taking from fluctuations in prices, exchange rates and indices for the same product in various markets, is also part of own-account trading.

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

The DnB NOR Bank Group uses interest rate and currency swaps to convert foreign currency borrowings into the desired currency. As a typical example, the bank raises a loan in euro, which is swapped to US dollars through a basis swap. In this case, the bank will pay a US dollar interest rate based on a swap curve and receive a euro interest rate reduced by a margin. Margin requirements may vary a great deal from day to day, which results in volatility in profit calculations which cannot be reduced through economic hedges. The fair value of contracts entered into declined by NOK 357 million in consequence of reduced margin requirements in 2009, while rising margin requirements through 2010 increased the fair value by NOK 567 million.

Use of financial derivatives in DnB NOR Boligkreditt

The purpose of employing financial derivatives in DnB NOR Boligkreditt is to uncover and reduce foreign exchange and interest rate risk.

Note 16 Financial derivatives (continued)

Risk related to financial derivatives

Derivatives are traded in portfolios which also include balance sheet products. The market risk on derivatives is handled, monitored and controlled as an integral part of the market risk of these portfolios. See notes 5 and 13. Derivatives are traded with many different counterparties and most of these are also engaged in other types of business. The credit risk arising in connection with derivatives trading is included in the total credit risk of the DnB NOR Bank Group. Netting agreements or bilateral agreements on collateral are entered into with a number of counterparties, thus reducing credit risk. The authorities' capital adequacy requirements take into account such agreements, resulting in a reduction of capital adequacy requirements.

Note 17 Liquidity risk

Liquidity risk is the risk that the banking group will be unable to meet its payment obligations. Liquidity management in the DnB NOR Bank Group is organised whereby DnB NOR Bank ASA is responsible for funding subsidiaries such as Nordlandsbanken, as well as international branches and subsidiaries. Liquidity risk is managed and measured by means of various measurement techniques.

The Board of Directors has approved internal limits for the maturity of the bank's liabilities during various time periods, with main focus on one week and one month. Specific restrictions have been placed on the short–term maturity of the bank's net refinancing volumes during the various time periods. In addition, the various maturities are subject to stress testing based on a bank-specific crisis and a systemic crisis. A contingency plan has been established to handle market events. Covered bonds play a key role in liquidity management. In addition, limits have been approved for structural liquidity risk, which implies that lending to customers should largely be financed through customer deposits, subordinated capital and long-term funding. The banking group's ratio of deposits to lending was 56.1 per cent at year-end 2010, up from 54.4 per cent a year earlier. The ratio of deposits to lending in DnB NOR Bank ASA was 93.3 per cent at end-December 2010.

Throughout 2010, the short-term funding markets were sound and stable for banks with good credit ratings, and the access to funding with different maturities was close to normal. The markets remained selective, and the favourable market terms were primarily available to a small group of international banks, including DnB NOR Bank. However, the group of international banks considered to be well qualified increased in the course of the year, resulting in somewhat stronger competition for funding. Its good rating in an international context strengthened the bank's position.

Financially strong banks generally had good access to long-term funding. At times, however, uncertainty regarding European sovereign debt had pronounced effects on price levels. There was a challenging market situation, though there was ample access to funding for financially strong banks. Combined with moderate lending growth, this has helped ensure a sound liquidity position.

As at 31 December 2010, the average remaining term to maturity for the portfolio of senior bond debt was 3.6 years, compared with 3.0 years a year earlier. The banking group aims to achieve a sound and stable maturity structure for funding over the next five years.

Note 17 Liquidity risk (continued)

Residual maturity as at 31 December 2010 [1] — DnB NOR Bank ASA

Amounts in NOK million	Average interest rate (per cent) [2]	Up to 1 month	From 1 month to 3 months	From 3 months to 1 year	From 1 year to 5 years	Over 5 years	No fixed maturity	Total
Assets								
Cash and deposits with central banks		12 997						12 997
Lending to and deposits with credit institutions	1,72	47 335	33 253	14 929	116 335	4 413		216 266
Lending to customers	4,01	146 325	84 295	75 119	156 119	208 854	(1 343)	669 370
Commercial paper and bonds	2,64	17 141	45 126	67 058	113 601	152 899		395 824
Shareholdings							38 143	38 143
Other assets		1 041	755	1 163	1 851	24	13 562	18 396
Total		224 839	163 428	158 270	387 906	366 190	50 362	1 350 996
Liabilities								
Loans and deposits from credit institutions	1,44	132 748	3 452	45 936	75 304			257 439
Deposits from customers	1,78	617 674	5 171	1 413	29			624 287
Debt securities issued	1,65	44 591	84 092	83 636	97 476	27 301		337 097
Sundry liabilities etc.		1 178	706	366			23 287	25 537
Subordinated loan capital [3]	1,82	234				17 085	15 245	32 563
Total		795 630	95 619	130 985	172 809	44 385	17 869	1 257 298
Financial derivatives								
Financial derivatives, gross settlement								
Incoming cash flows		438 596	464 096	348 406	502 697	277 441		2 031 236
Outgoing cash flows		441 791	466 395	346 998	506 125	280 507		2 041 817
Financial derivatives, net settlement		377	848	4 461	14 568	9 067		29 321
Total financial derivatives		(2 819)	(1 451)	5 869	11 139	6 001		18 740

Residual maturity as at 31 December 2009 [1] — DnB NOR Bank ASA

Amounts in NOK million	Average interest rate (per cent) [2]	Up to 1 month	From 1 month to 3 months	From 3 months to 1 year	From 1 year to 5 years	Over 5 years	No fixed maturity	Total
Assets								
Cash and deposits with central banks		28 479					543	29 023
Lending to and deposits with credit institutions	1,97	101 911	15 207	19 601	123 042	15 556		275 317
Lending to customers	3,96	125 639	49 630	32 733	123 731	293 355	(106)	624 982
Commercial paper and bonds	3,20	15 211	57 325	84 838	76 392	185 942		419 709
Shareholdings							40 238	40 238
Other assets							10 676	10 676
Total		271 241	122 162	137 172	323 164	494 853	51 352	1 399 944
Liabilities								
Loans and deposits from credit institutions	1,49	166 172	8 883	1 515	118 106			294 677
Deposits from customers	1,99	569 243	7 681	3 973				580 897
Debt securities issued	2,30	63 763	84 258	85 062	153 115	8 945		395 143
Sundry liabilities etc.		499	2 731				402	3 632
Subordinated loan capital [3]	2,63			289		21 111	15 299	36 698
Total		799 677	103 554	90 839	271 220	30 056	15 701	1 311 047
Financial derivatives								
Financial derivatives, gross settlement								
Incoming cash flows		500 217	462 511	353 769	480 209	153 636		1 950 342
Outgoing cash flows		472 231	455 626	346 578	478 480	148 566		1 901 480
Financial derivatives, net settlement		584	441	6 186	18 220	6 662		32 093
Total financial derivatives		28 570	7 327	13 377	19 949	11 732		80 955

1) *Not including value adjustments for financial instruments fair value.*
2) *Average interest rate in per cent is calculated as total interest in NOK for the specific products in relation to the appurtenant average capital (nominal amount).*
3) *The maturity structure for subordinated loan capital is based on final maturities and does not reflect options to make early redemptions.*

Note 17 Liquidity risk (continued)

Residual maturity as at 31 December 2010 [1] — **DnB NOR Bank Group**

Amounts in NOK million	Average interest rate (per cent) [2]	Up to 1 month	From 1 month to 3 months	From 3 months to 1 year	From 1 year to 5 years	Over 5 years	No fixed maturity	Total
Assets								
Cash and deposits with central banks	0,00	16 198						16 198
Lending to and deposits with credit institutions	0,62	18 209	19 993	5 603				43 805
Lending to customers	3,82	168 590	86 549	87 244	188 147	655 061	(1 872)	1 183 718
Commercial paper and bonds	5,13	19 426	45 788	69 479	66 994	76 666		278 352
Shareholdings							16 252	16 252
Other assets		1 662	755	1 163	1 851	25	18 201	23 657
Total		224 085	153 084	163 489	256 992	731 751	32 581	1 561 981
Liabilities								
Loans and deposits from credit institutions	1,45	128 343	7 636	45 115	76 811	327		258 232
Deposits from customers	1,78	647 761	10 102	5 226	434	187		663 710
Debt securities issued	2,75	44 603	85 090	99 698	189 311	79 622		498 325
Sundry liabilities etc.		1 758	757	2 410	13		17 357	22 294
Subordinated loan capital [3]	1,75	234			86	17 081	15 246	32 648
Total		821 325	105 990	150 039	266 643	97 218	17 870	1 459 085
Financial derivatives								
Financial derivatives, gross settlement								
Incoming cash flows		437 709	462 403	329 076	424 567	206 999		1 860 754
Outgoing cash flows		440 868	464 576	327 759	427 238	212 226		1 872 666
Financial derivatives, net settlement		39	395	3 375	10 341	7 689		21 838
Total financial derivatives		(3 120)	(1 778)	4 692	7 670	2 462		9 926

Residual maturity as at 31 December 2009 [1] — **DnB NOR Bank Group**

Amounts in NOK million	Average interest rate (per cent) [2]	Up to 1 month	From 1 month to 3 months	From 3 months to 1 year	From 1 year to 5 years	Over 5 years	No fixed maturity	Total
Assets								
Cash and deposits with central banks		31 272					587	31 859
Lending to and deposits with credit institutions	0,96	40 677	4 012	7 158	4 781	1 318	24	57 969
Lending to customers	4,11	146 149	55 707	56 756	180 839	685 851	801	1 126 103
Commercial paper and bonds	6,80	15 426	57 497	86 151	48 986	84 509		292 568
Shareholdings		0					15 898	15 898
Other assets		0	0	0	0	0	20 612	20 612
Total		233 524	117 215	150 064	234 605	771 678	37 922	1 545 009
Liabilities								
Loans and deposits from credit institutions	1,58	158 531	12 480	8 093	124 078			303 182
Deposits from customers	2,02	594 757	10 875	7 183	250	546		613 611
Debt securities issued	2,93	63 779	87 026	100 485	210 999	30 912		493 201
Sundry liabilities etc.		499	3 346				638	4 483
Subordinated loan capital [3]	2,54			309	942	21 512	15 299	38 062
Total		817 565	113 727	116 070	336 269	52 970	15 937	1 452 539
Financial derivatives								
Financial derivatives, gross settlement								
Incoming cash flows		498 982	462 285	336 539	415 813	123 569		1 837 187
Outgoing cash flows		470 887	455 208	332 968	427 140	125 908		1 812 110
Financial derivatives, net settlement		(339)	534	4 328	12 091	5 452		22 066
Total financial derivatives		27 756	7 611	7 899	764	3 113		47 144

1) *Not including value adjustments for financial instruments fair value.*
2) *Average interest rate in per cent is calculated as total interest in NOK for the specific products in relation to the appurtenant average capital (nominal amount).*
3) *The maturity structure for subordinated loan capital is based on final maturities and does not reflect options to make early redemptions.*

Credit lines, commitments and documentary credit

DnB NOR Bank ASA 31 Dec. 2009	DnB NOR Bank ASA 31 Dec. 2010	*Amounts in NOK million*	DnB NOR Bank Group 31 Dec. 2010	DnB NOR Bank Group 31 Dec. 2009
239 190	218 789	Unutilised credit lines under 1 year	224 024	243 632
165 970	215 446	Unutilised credit lines over 1 year	191 825	168 564

Note 18 Net interest income

DnB NOR Bank ASA

Amounts in NOK million	2010 Recorded at fair value	2010 Recorded at amortised cost [1]	2010 Total	2009 Recorded at fair value	2009 Recorded at amortised cost [1]	2009 Total
Interest on loans to and deposits with credit institutions	3 149	3 733	6 882	2 145	5 098	7 244
Interest on loans to customers	660	25 767	26 427	6 810	21 255	28 065
Interest on impaired loans, individually written down	0	431	431	0	430	430
Interest on commercial paper and bonds	7 001	0	7 001	5 143	0	5 143
Interest on commercial paper and bonds, held to maturity	-	2 255	2 255	-	2 710	2 710
Front-end fees etc.	1	271	271	59	273	332
Other interest income	79	831	910	51	606	657
Total interest income	**10 890**	**33 287**	**44 177**	**14 208**	**30 373**	**44 581**
Interest on loans and deposits from credit institutions	4 373	538	4 912	3 663	544	4 206
Interest on deposits from customers	1 173	9 662	10 835	1 399	10 168	11 568
Interest on debt securities issued	1 812	2 557	4 369	3 164	4 579	7 743
Interest on subordinated loan capital	68	576	644	73	958	1 031
Other interest expenses [2]	3 976	736	4 711	3 983	651	4 634
Total interest expenses	**11 402**	**14 069**	**25 471**	**12 283**	**16 900**	**29 183**
Net interest income	**(512)**	**19 218**	**18 706**	**1 925**	**13 473**	**15 398**

DnB NOR Bank Group

Amounts in NOK million	2010 Recorded at fair value	2010 Recorded at amortised cost [1]	2010 Total	2009 Recorded at fair value	2009 Recorded at amortised cost [1]	2009 Total
Interest on loans to and deposits with credit institutions	1 865	392	2 257	893	838	1 731
Interest on loans to customers	1 760	41 831	43 591	7 616	39 975	47 591
Interest on impaired loans, individually written down	0	611	611	0	459	459
Interest on commercial paper and bonds	7 284	0	7 284	5 404	0	5 404
Interest on commercial paper and bonds, held to maturity	-	2 255	2 255	-	2 710	2 710
Front-end fees etc.	4	283	287	66	308	374
Other interest income	79	1 036	1 115	51	727	778
Total interest income	**10 991**	**46 408**	**57 399**	**14 030**	**45 018**	**59 047**
Interest on loans and deposits from credit institutions	4 316	691	5 008	3 565	1 260	4 824
Interest on deposits from customers	1 189	10 339	11 528	1 424	11 063	12 487
Interest on debt securities issued	5 983	6 256	12 239	8 240	5 529	13 769
Interest on subordinated loan capital	68	599	667	184	881	1 066
Other interest expenses [2]	3 745	826	4 571	3 018	772	3 790
Total interest expenses	**15 300**	**18 712**	**34 012**	**16 430**	**19 505**	**35 935**
Net interest income	**(4 309)**	**27 696**	**23 387**	**(2 401)**	**25 513**	**23 112**

1) Includes hedged items.

2) Other interest expenses include interest rate adjustments resulting from interest rate swaps entered into. Derivatives are recorded at fair value.

Note 19 Interest rates on selected balance sheet items

DnB NOR Bank ASA

	Average interest rate in per cent [1]		Average volume in NOK million	
	2010	2009	2010	2009
Assets				
Lending to and deposits with credit institutions	1.72	1.97	331 306	364 769
Lending to customers	4.01	3.96	670 004	719 145
Commercial paper and bonds	2.64	3.25	291 670	206 386
Liabilities				
Loans and deposits from credit institutions	1.44	1.49	340 884	282 917
Deposits from customers	1.78	1.99	610 359	582 528
Securities issued	1.65	2.30	392 282	442 675

DnB NOR Bank Group

	Average interest rate in per cent [1]		Average volume in NOK million	
	2010	2009	2010	2009
Assets				
Lending to and deposits with credit institutions	0.62	0.96	169 761	176 610
Lending to customers	3.82	4.11	1 155 512	1 167 539
Commercial paper and bonds	5.13	6.80	170 079	112 694
Liabilities				
Loans and deposits from credit institutions	1.45	1.58	346 166	305 299
Deposits from customers	1.78	2.02	646 829	616 713
Securities issued	2.75	2.93	539 737	545 743

1) *Average interest rate in per cent is calculated as total interest in NOK for the specific products in relation to the appurtenant average capital (nominal amount).*

Note 20 Net commissions and fees receivable

DnB NOR Bank ASA 2009	DnB NOR Bank ASA 2010	*Amounts in NOK million*	DnB NOR Bank Group 2010	DnB NOR Bank Group 2009
2 781	2 735	Money transfer fees receivable	2 960	3 034
209	240	Fees on asset management services	252	263
268	293	Fees on custodial services	301	275
277	293	Fees on securities	303	279
259	430	Corporate Finance	608	335
102	93	Interbank fees	97	106
363	468	Credit broking commissions	474	367
266	307	Sales commissions on insurance products	491	411
455	516	Sundry commissions and fees receivable on banking services	851	886
4 980	**5 375**	**Total commissions and fees receivable etc.**	**6 337**	**5 956**
947	1 060	Money transfer fees payable	1 111	1 015
(16)	0	Commissions payable on asset management services	0	(16)
105	112	Fees on custodial services payable	112	107
147	133	Interbank fees	140	153
64	62	Credit broking commissions	48	52
0	0	Sale commissions on insurance products	24	12
505	500	Sundry commissions and fees payable on banking services	550	568
1 752	**1 867**	**Total commissions and fees payable etc.**	**1 986**	**1 890**
3 227	**3 508**	**Net commissions and fees**	**4 351**	**4 066**

Note 21 Other income

DnB NOR Bank ASA 2009	DnB NOR Bank ASA 2010	*Amounts in NOK million*	DnB NOR Bank Group 2010	DnB NOR Bank Group 2009
0	0	Fees in real estate broking	860	774
0	0	Net unrealised gain on investments property	0	(109)
651	1 960	Group contributions and dividends from subsidiaries	0	0
1 575	4 187	Miscellaneous operating income [1)]	2 701	820
2 226	**6 147**	**Total other income**	**3 562**	**1 485**

1) *The increase in other operating income in 2010 compared with 2009 was primarily due to gains in connection with the merger between the payment services company Nordito and the Danish PBS Holding in the second quarter of 2010. The gains recorded by DnB NOR Bank ASA and the DnB NOR Bank Group were NOK 1 485 million and NOK 1 170 million, respectively. For further information, see note 2 Changes in group structure.*

Note 22 Net gains on financial instruments at fair value

DnB NOR Bank ASA			DnB NOR Bank Group	
2009	2010	*Amounts in NOK million*	2010	2009
5 290	2 886	Foreign exchange and financial derivatives	3 441	4 411
407	572	Commercial paper and bonds	593	451
216	(11)	Shareholdings	(11)	216
138	(189)	Other financial assets	0	212
598	(215)	Financial liabilities	(215)	566
6 650	3 043	Net gains on financial instruments, trading	3 808	5 858
(313)	(40)	Loans at fair value	(6)	(362)
607	(1 289)	Commercial paper and bonds [1)]	(51)	195
124	709	Shareholdings	624	123
(29)	(534)	Financial liabilities	(438)	(33)
766	(517)	Net gains on financial instruments, designated as at fair value	775	300
(227)	(986)	Financial derivatives, hedging	(3 961)	94
0	0	Financial assets, hedged items	(20)	32
126	1 006	Financial liabilities, hedged items	3 992	(261)
(101)	20	Net gains on hedged items [2) 3)]	11	(135)
377	637	Financial guarantees	646	377
195	376	Dividends	380	157
7 509	**2 922**	**Net gains on financial instruments at fair value**	**4 973**	**6 180**

1) *Unrealised losses on DnB NOR Bank ASA's investments in covered bonds issued by DnB NOR Boligkreditt were just over NOK 1.1 billion in 2010. Investments in such bonds totalled NOK 123.1 billion at year-end 2010, which have been used in the exchange scheme with the Norwegian government. See note 50 Information on related parties – stimulus packages.*

2) *With respect to hedged liabilities, the hedged risk is recorded at fair value, while the rest of the instrument is recorded at amortised cost. Derivatives used for hedging are recorded at fair value. Changes in fair value arising from hedged risk are presented under Financial derivatives, hedging.*

3) *The DnB NOR Group uses hedge accounting for long-term borrowings in foreign currency in DnB NOR Boligkreditt and DnB NOR Bank ASA. Loans are hedged 1:1 through external contracts where there is a correlation between currencies, interest rate flows and the hedging instrument. At the time the loans are raised, DnB NOR Markets considers whether to enter into a hedging transaction for the relevant loan based on the Group's foreign currency positions and the underlying interest rate exposure for the loan. Hedging transactions which are entered into, are documented. For the bank, the NOK leg of a hedging transaction will be exposed to 3-month interest rates. For DnB NOR Boligkreditt, hedging transactions are entered into to further reduce the interest rate risk on the NOK leg of the hedging transaction. These transactions are not subject to hedge accounting.*

Note 23 Salaries and other personnel expenses

DnB NOR Bank ASA			DnB NOR Bank Group	
2009	2010	*Amounts in NOK million*	2010	2009
4 734	5 092	Salaries	6 272	6 323
672	700	Employer's national insurance contributions	903	949
652	254	Pension expenses [1]	325	812
62	45	Restructuring expenses	47	63
466	569	Other personnel expenses	624	534
6 586	**6 660**	**Total salaries and other personnel expenses**	**8 170**	**8 681**

1) *Pension expenses for the first quarter of 2010 were reduced by NOK 335 million and NOK 355 million for DnB NOR Bank ASA and the DnB NOR Bank Group, respectively, due to the reversal of provisions for contractual early retirement pensions.*

Note 24 Other expenses

DnB NOR Bank ASA			DnB NOR Bank Group	
2009	2010	*Amounts in NOK million*	2010	2009
757	1 264	Fees [1]	1 385	913
1 218	1 479	EDP expenses	1 649	1 489
297	295	Postage and telecommunications	345	379
53	53	Office supplies	91	91
435	498	Marketing and public relations	775	529
145	177	Travel expenses	212	198
203	151	Reimbursement to Norway Post for transactions executed	151	203
45	57	Training expenses	67	67
1 064	1 061	Operating expenses on properties and premises [2]	1 247	1 272
88	107	Operating expenses on machinery, vehicles and office equipment	147	140
398	467	Other operating expenses	667	786
4 703	**5 610**	**Total other expenses**	**6 737**	**6 067**

1) *Systems development fees totalled NOK 980 million for DnB NOR Bank ASA and NOK 986 million for the DnB NOR Bank Group in 2010, compared with NOK 555 million and NOK 583 million, respectively, in 2009.*
2) *Costs relating to leased premises were NOK 869 million and NOK 1 005 million respectively for DnB NOR Bank ASA and the DnB NOR Bank Group in 2010, compared with NOK 859 million and NOK 1 005 million in 2009.*

Note 25 Depreciation and write-downs of fixed and intangible assets [1]

DnB NOR Bank ASA			DnB NOR Bank Group	
2009	2010	*Amounts in NOK million*	2010	2009
50	880	Write-downs of machinery, vehicles and office equipment [2]	960	738
310	427	Other depreciation of tangible and intangible assets	533	533
0	0	Write-downs of activated systems development	345	66
0	0	Impairment losses for goodwill [3]	194	730
2 265	312	Other write-downs of intangible assets	103	27
2 624	**1 619**	**Total depreciation and impairment of fixed and intangible assets**	**2 135**	**2 094**

1) *See note 39 Intangible assets and note 41 Fixed assets.*
2) *The increase in depreciation of machinery, vehicles and office equipment for DnB NOR Bank ASA in 2010 was mainly due to the merger with DnB NOR Finans.*
3) *Impairment losses for goodwill of NOK 194 million relating to Svensk Fastighetsförmedling were recorded in 2010. In 2009, DnB NOR recorded impairment losses for goodwill of NOK 201 million relating to operations in Sweden, Svensk Fastighetsförmedling AB and SalusAnsvar, and NOK 529 million relating to DnB NORD.*

Note 26 Pensions

Description of the pension schemes

Up until year-end 2010, the DnB NOR Bank Group had a defined benefit occupational pension scheme for all employees in Norway in the form of a group pension scheme funded by Vital Forsikring. Pension benefits included retirement pensions, disability pensions and pensions for spouses and dependent children, which supplemented benefits from the National Insurance Scheme. Full pension entitlements required 30 years of pensionable service and gave the right to a retirement pension corresponding to the difference between 70 per cent of the employee's salary and estimated benefits from the National Insurance Scheme. The pension scheme was in compliance with the Act on Occupational Pensions. The banking group also has commitments related to the top salary pension scheme for salaries exceeding 12G (12 times the National Insurance basic amount) and early retirement agreements. Commitments relating to salaries exceeding 12G and early retirement agreements are funded through the companies' operations. The top salary pension scheme was closed with effect from 30 June 2008.

With effect from 1 January 2011, the pension scheme no longer provides coverage for dependants' and children's pensions, which were replaced by an extended dependants' and child allowance in the group pension scheme as from the same date.

The defined benefit scheme for retirement and disability pensions for employees in Norway was closed as at 31 December 2010. As from 1 January 2011, employees who take up employment in DnB NOR Bank are included in a newly established defined contribution scheme for retirement pensions and a new defined benefit scheme for disability coverage. The premium rates for defined contribution pensions are in line with the statutory maximum rates:

Salary representing 1-6 times the National Insurance basic amount: 5 per cent
Salary representing 6-12 times the National Insurance basic amount: 8 per cent

In addition, around 590 employees in the former Postbanken are covered by a closed group pension plan in the Norwegian Public Service Pension Fund.

The Norwegian companies in the banking group have been part of the contractual pension (CPA) scheme for the banking and financial services industry. In addition, the banking group has an agreement on contractual pensions according to public sector rules with respect to employees who are members of the Public Service Pension Fund. The CPA scheme was an early retirement option entitling employees aged between 62 and 66 to a pension. The scheme was coordinated with the National Insurance Scheme, where ordinary retirement pensions are granted from the age of 67.

The Norwegian Parliament passed an Act relating to the financing of a new contractual early retirement pension scheme in February 2010. The new scheme entered into force as from 1 January 2011. The former AFP scheme applies only to employees who had selected early retirement prior to the parliamentary resolution and to those who reached 62 years of age and who had chosen the old scheme before it was terminated with effect from 30 November 2010. Upon the transition to a new AFP scheme, the former scheme will be discontinued.

The new CPA scheme will give a life-long supplement to ordinary pension payments. The employees can opt for the new CPA scheme from the age of 62 and can choose to combine pension payments with continued employment. Benefits provided under the new scheme are considered to be quite different from those provided under the former scheme and the transition to the new scheme is thus not to be regarded as a plan change, but as a curtailment and settlement of the former scheme. Employees who did not qualify for the former CPA scheme in 2010 have no future rights under the old scheme. This part of the pension commitments was settled in the first quarter of 2010. The effect of terminating the commitments for employees born after 30 November 1948, including the related changes in estimates and employers' contributions, was calculated at NOK 335 million and NOK 355 million for the bank and the banking group respectively. The amount was recorded as income in the first quarter of 2010 and reduced pension expenses.

The new CPA scheme should be recorded as a defined benefit multi-company scheme in the accounts and will be funded by an annual premium representing a percentage of salaries between 1 and 7.1G. The premium for 2011 was set at 1.4 per cent. Thus far, no details have been presented on how the new commitments should be recorded in the accounts. The costs of the new CPA scheme are estimated to be at least as high as the banking group's previous CPA costs. For members of the Norwegian Public Service Pension Fund, the CPA scheme will continue unchanged in 2011.

Employer's contributions are included in pension expenses and commitments. In pension schemes where pension funds exceed pension commitments, no allocation has been made for employer's contributions.

Subsidiaries and branches outside Norway have separate schemes for their employees, mainly in the form of defined-contribution schemes. Pension expenses for employees outside Norway represent NOK 63 million of the banking group's total pension expenses of NOK 325 million.

Note 26 Pensions (continued)

Economic assumptions applied in calculating pension expenses and commitments:

Economic assumptions

Per cent	Expenses 2010	Expenses 2009	Commitments 31 Dec. 10	Commitments 31 Dec. 09
Discount rate [1)]	4.4	3.8	4.1	4.4
Anticipated return [2)]	5.6	5.8	5.5	5.6
Anticipated rise in salaries	4.25	4.00	4.00	4.25
Anticipated increase in basic amount	4.00	3.75	3.75	4.00
Anticipated rise in pensions	2.25	2.00	2.00	2.25
Anticipated CPA acceptance	Acctual acceptance	35.0	Actual acceptance	35.0
Demographic assumptions about mortality [3)]	K2005	K2005	K2005	K2005

1) *The discount rate used is determined by reference to market yields at the balance sheet date on long term (10-year) government bonds, plus an addition that takes into account the relevant duration of the pension liabilities.*
2) *The anticipated return on pension funds was calculated by assessing the expected return on the assets encompassed by the current investment policy. The anticipated gain on fixed-rate investments is based on gross gains upon redemption on the balance sheet date. The anticipated return on equity and property investments reflects anticipated long-term real returns in the respective markets.*
3) *K2005 is a calculation base for statistical mortality assumptions, which includes two projected calculations of mortality based on empirical data from the period 1996 to 2001. One of the calculation bases is projected up until 2005, while the other is projected up until 2020. Mortality rates are expected to be lower in 2020 than in 2005. When calculating pension costs and pension commitments, a combination of both calculation bases has been used.*

Pension expenses **DnB NOR Bank ASA**

	2010			2009		
Amounts in NOK million	Funded	Unfunded	Total	Funded	Unfunded	Total
Net present value of pension entitlements	318	34	352	321	90	411
Interest expenses on pension commitments	417	70	487	374	70	444
Expected return on pension funds	(439)	0	(439)	(424)	0	(424)
Changes in pension schemes	(5)	(331)	(336)	0	0	0
Amortisation of changes in estimates not recorded in the accounts	(7)	(6)	(12)	32	(3)	29
Administrative expenses	23	0	23	40	0	40
Employer's contributions	43	14	57	42	23	65
Risk coverage premium	0	66	66	0	55	55
Total defined pension schemes	351	(153)	198	385	235	621
Total contribution pension schemes			56			31
Net pension expenses			254			652

Pension commitments **DnB NOR Bank ASA**

	31 Dec. 2010			31 Dec. 2009		
Amounts in NOK million	Funded	Unfunded	Total	Funded	Unfunded	Total
Accrued pension commitments	9 185	1 302	10 487	8 177	1 551	9 728
Estimated effect of future salary adjustments	1 882	259	2 140	1 439	333	1 771
Total pension commitments	11 067	1 561	12 628	9 615	1 884	11 499
Value of pension funds	(8 354)	0	(8 354)	(7 879)	0	(7 879)
Net pension commitments	2 712	1 561	4 273	1 737	1 884	3 621
Changes in estimates not recorded in the accounts	(2 184)	248	(1 936)	(869)	258	(611)
Employer's contributions	371	220	590	233	265	498
Recorded pension commitments	899	2 029	2 928	1 101	2 407	3 508

Note 26 Pensions (continued)

Pension expenses — **DnB NOR Bank Group**

	2010			2009		
Amounts in NOK million	Funded	Unfunded	Total	Funded	Unfunded	Total
Net present value of pension entitlements	347	37	384	375	98	473
Interest expenses on pension commitments	438	74	512	404	76	480
Expected return on pension funds	(462)	0	(462)	(457)	0	(457)
Changes in pension schemes	(5)	(332)	(337)	0	0	0
Amortisation of changes in estimates not recorded in the accounts	(5)	(5)	(10)	61	5	66
Administrative expenses	28	0	28	45	0	45
Employer's contributions	47	15	61	43	24	67
Risk coverage premium	0	75	75	0	70	70
Total defined pension schemes	386	(136)	250	470	273	743
Total contribution pension schemes			75			69
Net pension expenses			325			812

Pension commitments — **DnB NOR Bank Group**

	31 Dec. 2010			31 Dec. 2009		
Amounts in NOK million	Funded	Unfunded	Total	Funded	Unfunded	Total
Accrued pension commitments	9 647	1 383	11 029	8 784	1 655	10 439
Estimated effect of future salary adjustments	2 000	278	2 278	1 611	372	1 983
Total pension commitments	11 647	1 661	13 308	10 394	2 027	12 422
Value of pension funds	(8 808)	0	(8 808)	(8 490)	0	(8 490)
Net pension commitments	2 839	1 661	4 500	1 905	2 027	3 932
Changes in estimates not recorded in the accounts	(2 329)	232	(2 098)	(987)	227	(760)
Employer's contributions	384	230	614	253	281	534
Total recorded pension commitments	894	2 122	3 016	1 171	2 535	3 706
Of which: Recorded defined benefit pension commitments			*3 038*			*3 706*
Recorded defined benefit pension assets			*23*			*0*

DnB NOR Bank ASA — **Pension commitments** — **DnB NOR Bank Group**

2009	2010	*Amounts in NOK million*	2010	2009
12 230	11 499	Opening balance	12 422	13 152
0	351	Aquistions of other companies	0	0
411	352	Accumulated pension entitlements	384	473
444	487	Interest expenses	512	480
(568)	(586)	Pension payments	(600)	(593)
0	(201)	Changes in pension schemes	(215)	0
(1 018)	726	Changes in estimates not recorded in the accounts	806	(1 090)
11 499	12 628	Closing balance	13 308	12 422

DnB NOR Bank ASA — **Pension funds** — **DnB NOR Bank Group**

2009	2010	*Amounts in NOK million*	2010	2009
7 494	7 879	Opening balance	8 490	8 040
0	215	Aquistions of other companies	0	0
424	439	Expected return	462	457
585	481	Premium transfers	541	670
(349)	(339)	Pension payments	(347)	(363)
0	5	Changes in pension schemes	0	0
(236)	(298)	Changes in estimates not recorded in the accounts	(306)	(270)
(40)	(27)	Administrative expenses	(32)	(45)
7 879	8 354	Closing balance	8 808	8 490

Premium transfers for the banking group in 2011 are expected to be NOK 600 million. Payments through operations are estimated at NOK 280 million.

Past developments — **DnB NOR Bank Group**

Amounts in NOK million	31 Dec. 2010	31 Dec. 2009	31 Dec. 2008	31 Dec. 2007	31 Dec. 2006
Gross pension commitments [1]	13 921	12 956	13 859	13 243	13 869
Gross pension funds	(8 808)	(8 490)	(8 040)	(7 452)	(7 466)
Commitments not recorded in the accounts	(2 098)	(760)	(1 872)	(1 712)	(2 661)
Net recorded pension commitments	3 016	3 706	3 947	4 079	3 742

1) Gross pension commitments include employer's contributions.

Note 26 Pensions (continued)

DnB NOR Bank ASA 31 Dec. 2009	31 Dec. 2010	Members	DnB NOR Bank Group 31 Dec. 2010	31 Dec. 2009
12 495	13 114	Number of persons covered by the pension schemes	14 163	14 255
7 672	8 213	- of which in employment	9 084	9 159
4 823	4 901	- of which on retirement and disability pensions	5 079	5 096

Pension funds investments

The table below shows a percentage breakdown of pension funds in the group pension schemes administered by Vital Forsikring. Vital Forsikring administers NOK 7 345 million of the banking group's total pension funds. The recorded return on assets in the common portfolio administered by Vital Forsikring was 6.2 per cent in 2010 and 4.7 per cent in 2009.

Per cent	DnB NOR Bank Group 31 Dec. 2010	31 Dec. 2009
Commercial paper and bonds at fair value	15	23
Commercial paper and bonds, held to maturity	33	36
Money market	12	9
Equities	21	14
Real estate	18	17
Other	2	2
Total	100	100

Sensitivity analyses for pension calculations

The following estimates are based on facts and conditions prevailing on 31 December 2010, assuming that all other parameters are constant. Actual results may deviate significantly from these estimates.

DnB NOR Bank Group	Discount rate		Annual rise in salaries/ basic amount		Annual rise in pensions		Retirement rate	
Change in percentage points	+1%	-1%	+1%	-1%	+1%	-1%	+1%	-1%
Percentage change in pensions								
Pension commitments	15-17	15-17	9-11	9-11	11-13	11-13	1-2	1-2
Net pension expenses for the period	16-18	17-19	19-21	17-19	17-19	15-17	1-2	1-2

Pension commitments are particularly susceptible to changes in the discount rate. A reduction in the discount rate will, as an isolated factor, result in an increase in pension commitments. A one percentage point change in the discount rate will cause a change in pension commitments in the order of 15 to 17 per cent.

Higher salary increases and adjustments in pensions will also cause a rise in pension commitments. A one percentage point rise in salaries or the basic amount will give an anticipated rise of 9 to 11 per cent, while a corresponding increase in pensions will give a 11 to 13 per cent rise in commitments.

Note 27 Number of employees/full-time positions

DnB NOR Bank ASA 2009	2010 [1)]		DnB NOR Bank Group 2010	2009
7 375	7 829	Number of employees as at 31 December	12 288	12 607
477	647	- of which number of employees abroad	4 296	4 415
7 146	7 585	Number of employees calculated on a full-time basis as at 31 December	11 970	12 263
471	638	- of which number of employees calculated on a full-time basis abroad	4 245	4 329
7 407	7 489	Average number of employees	12 431	12 943
7 167	7 232	Average number of employees calculated on a full-time basis	12 075	12 588

1) *DnB NOR Finans was merged with DnB NOR Bank ASA in the third quarter of 2010. This resulted in the transfer of 577 employees, corresponding to 562.7 full-time positions, to DnB NOR Bank ASA, of whom 148 employees, corresponding to 144.4 full-time positions, work in the bank's international operations.*

Note 28 Taxes

DnB NOR Bank ASA		Taxes	DnB NOR Bank Group	
2009	2010	*Amounts in NOK million*	2010	2009
8 719	4 392	Payable taxes	5 310	8 818
(4 870)	(122)	Changes in deferred taxes	(483)	(4 467)
3 849	**4 270**	**Total taxes**	**4 827**	**4 351**

Balancing tax charges against pre-tax operating profit

2009	2010	*Amounts in NOK million*	2010	2009
11 312	16 587	Operating profit before taxes	16 437	10 410
3 167	4 644	Estimated income tax - nominal tax rate (28 per cent)	4 602	2 915
42	59	Tax effect of different tax rates in other countries	64	51
(36)	57	Tax effect of debt interest distribution with international branches	57	(36)
659	(490)	Tax effect of tax-exempt income and non-deductible expenses	(390)	394
0	0	Estimated taxes on tax-related losses which cannot be utilised [1)]	459	1 010
17	0	Excess tax provision previous year	35	17
3 849	**4 270**	**Total taxes**	**4 827**	**4 351**
34%	26%	Effective tax rate	29%	42%

Deferred tax assets / (deferred taxes)

28 per cent deferred tax calculation on all temporary differences (Norway)

2009	2010	*Amounts in NOK million*	2010	2009
		Annual changes in deferred tax assets / (deferred taxes)		
(3 724)	1 146	Deferred tax assets/(deferred taxes) as at 1 January	(334)	(4 801)
4 870	122	Changes recorded against profits	483	4 467
		Other changes:		
0	(790)	Merger DnB NOR Finans	0	0
1 146	478	Deferred tax assets/(deferred taxes) as at 31 December	149	(334)

Deferred tax assets and deferred taxes in the balance sheet affect the following temporary differences:

31 Dec. 2009	31 Dec. 2010	*Amounts in NOK million*	31 Dec. 2010	31 Dec. 2009
		Deferred tax assets		
(105)	(778)	Fixed assets	(774)	0
966	825	Net pension commitments	853	0
17	362	Financial instruments [2)]	0	13
(116)	0	Loan assessment rules	0	0
98	(62)	Net other tax-deductable temporary differendes	11	75
293	134	Losses and credit allowances carried forward	172	153
1 153	**481**	**Total deferred tax assets**	**262**	**241**
		Deferred taxes		
0	0	Fixed assets	6	882
0	0	Net pension commitments	0	(999)
0	0	Financial instruments [2)]	32	800
0	0	Loan assessment rules	0	119
7	3	Net other taxable temporary differences	75	226
0	0	Losses and credit allowances carried forward	0	(453)
7	**3**	**Total deferred taxes**	**113**	**575**

Deferred taxes in the profit and loss accounts affect the following temporary differences:

2009	2010	*Amounts in NOK million*	2010	2009
22	69	Fixed assets	(102)	(210)
92	163	Pensions	146	103
(5 906)	(345)	Financial instruments	(755)	(10 160)
(116)	(116)	Loan assessment rules	(119)	(119)
(298)	(183)	Other temporary differences	(87)	(331)
1 336	290	Losses and credit allowances carried forward	434	6 250
(4 870)	(122)	Deferred taxes	(483)	(4 467)

1) *Deferred taxes for tax-deductible differences (mainly losses carried forward) in subsidiaries are not recognised in the balance sheet unless the Group can prove that these tax positions will be utilised in the future.*
2) *A significant share of the financial instruments are carried at fair value in the accounts, while for tax purposes, the same instruments are recorded on an accrual basis in accordance with the realisation principle. This gives rise to large differences between profits stated in the accounts and profits computed for tax purposes for the individual accounting years, especially in years with significant fluctuations in interest rate levels and exchange rates. These differences are offset in the longer term.*

Note 28 Taxes (continued)

Deferred tax assets are capitalised to the extent it is probable that the Group will have taxable income against which temporary differences can be utilised. Net deferred taxes on temporary differences within the same tax group are assessed and entered net in the accounts.

The DnB NOR Bank Group's total tax charge for 2010 was NOK 4 827 million, a rise of NOK 476 million from 2009. Relative to pre-tax operating profits, the tax charge declined from 42 to 29 per cent from 2009 to 2010. Tax-exempt income on shares in 2010 was the main factor behind the reduced tax charge. The DnB NOR Bank Group has not recorded the change in deferred tax assets relating to the increase in losses carried forward in DnB NORD due to uncertainty regarding the economic value of the tax deductions arising when using the right to carry such losses forward. Unrecorded deferred tax assets relating to losses carried forward totalled NOK 733 million at year-end 2010.

Payable taxes for 2009 are strongly influenced by the reversal of taxable temporary differences for previous years. Differences in payable tax levels mainly reflect different rules for the treatment of financial instruments in the accounts and for tax purposes, see footnote 2) above.

Key factors behind tax-exempt income and non-deductible expenses are joint taxation of Norwegian and international operations, tax-exempt income from share investments and goodwill amortisation.

Tax group

DnB NOR Bank and Norwegian subsidiaries where DnB NOR Bank owns more than 90 per cent of the shares and has a corresponding share of the votes which can be cast at general meetings, are included in DnB NOR Bank's tax group.

Note 29 Classification of financial instruments

As at 31 December 2010 — DnB NOR Bank ASA

Amounts in NOK million	Financial instruments at fair value through profit and loss: Trading	Financial instruments at fair value through profit and loss: Designated as at fair value	Financial derivatives designated as hedging instruments	Financial instruments carried at amortised cost [1]	Investments held to maturity	Total
Cash and deposits with central banks	8 208	0		4 789		12 997
Lending to and deposits with credit institutions	73 673	33 251		109 507		216 432
Lending to customers	2 647	93 897		572 910		669 454
Commercial paper and bonds	40 308	240 116				280 423
Shareholdings	10 661	3 929				14 590
Financial derivatives	78 181		6 838			85 019
Commercial paper and bonds, held to maturity					113 751	113 751
Investments in associated companies				1 285		1 285
Investments in subsidiaries				22 932		22 932
Other assets				9 332		9 332
Total financial assets	213 678	371 193	6 838	720 755	113 751	1 426 214
Loans and deposits from credit institutions	112 322	121 351		23 466		257 139
Deposits from customers	36 768	15 373		572 447		624 588
Financial derivatives	71 030		1 741			72 771
Debt securities issued	153 941	20 126		168 693		342 761
Other liabilities				20 304		20 304
Subordinated loan capital		1 260		32 126		33 386
Total financial liabilities [2]	374 061	158 110	1 741	817 037	0	1 350 949

As at 31 December 2009 — DnB NOR Bank ASA

Amounts in NOK million	Financial instruments at fair value through profit and loss: Trading	Financial instruments at fair value through profit and loss: Designated as at fair value	Financial derivatives designated as hedging instruments	Financial instruments carried at amortised cost [1]	Investments held to maturity	Total
Cash and deposits with central banks				29 023		29 023
Lending to and deposits with credit institutions	82 228	4 481		189 375		276 084
Lending to customers	1 595	132 798		492 414		626 806
Commercial paper and bonds	44 073	260 875				304 948
Shareholdings	10 807	2 233				13 041
Financial derivatives	66 369		4 633			71 002
Commercial paper and bonds, held to maturity					113 302	113 302
Investments in associated companies				1 023		1 023
Investments in subsidiaries				26 174		26 174
Other assets				6 146		6 146
Total financial assets	205 071	400 387	4 633	744 154	113 302	1 467 548
Loans and deposits from credit institutions	142 690	118 074		33 426		294 190
Deposits from customers	46 039	19 551		515 323		580 913
Financial derivatives	63 670		668			64 338
Debt securities issued	168 033	26 142		204 056		398 231
Other liabilities				12 863		12 863
Subordinated loan capital		1 379		36 308		37 686
Total financial liabilities [2]	420 432	165 145	668	801 975	0	1 388 221

1) *Includes hedged liabilities.*

2) *Contractual obligations of financial liabilities designated as at fair value totalled NOK 158 034 million as at 31 December 2010 and NOK 165 601 million as at 31 December 2009.*

Note 29 Classification of financial instruments (continued)

As at 31 December 2010 **DnB NOR Bank Group**

Amounts in NOK million	Financial instruments at fair value through profit and loss: Trading	Financial instruments at fair value through profit and loss: Designated as at fair value	Financial derivatives designated as hedging instruments	Financial instruments carried at amortised cost [1]	Investments held to maturity	Total
Cash and deposits with central banks	8 208	0		7 990		16 198
Lending to and deposits with credit institutions	35 287	641		7 908		43 837
Lending to customers	2 647	125 792		1 055 661		1 184 100
Commercial paper and bonds	40 471	121 600				162 071
Shareholdings	10 854	4 100				14 954
Financial derivatives	69 903		6 878			76 781
Commercial paper and bonds, held to maturity					113 751	113 751
Other assets				8 482		8 482
Total financial assets	167 370	252 133	6 878	1 080 042	113 751	1 620 173
Loans and deposits from credit institutions	104 036	121 350		32 544		257 931
Deposits from customers	36 768	15 756		611 488		664 012
Financial derivatives	58 794		1 828			60 622
Debt securities issued	153 941	39 875		315 631		509 447
Other liabilities				13 009		13 009
Subordinated loan capital		1 260		32 214		33 474
Total financial liabilities [2]	353 539	178 241	1 828	1 004 887	0	1 538 495

As at 31 December 2009 **DnB NOR Bank Group**

Amounts in NOK million	Financial instruments at fair value through profit and loss: Trading	Financial instruments at fair value through profit and loss: Designated as at fair value	Financial derivatives designated as hedging instruments	Financial instruments carried at amortised cost [1]	Investments held to maturity	Total
Cash and deposits with central banks				31 859		31 859
Lending to and deposits with credit institutions	48 844	694		9 214		58 751
Lending to customers	1 422	160 030		967 340		1 128 791
Commercial paper and bonds	44 251	133 362				177 613
Shareholdings	10 998	2 398				13 396
Financial derivatives	64 540		4 633			69 173
Commercial paper and bonds, held to maturity					113 302	113 302
Other assets				7 513		7 513
Total financial assets	170 053	296 484	4 633	1 015 926	113 302	1 600 399
Loans and deposits from credit institutions	134 833	118 074		49 787		302 694
Deposits from customers	45 982	19 860		547 784		613 627
Financial derivatives	51 589		770			52 359
Debt securities issued	168 033	37 913		294 960		500 907
Other liabilities				9 839		9 839
Subordinated loan capital		1 379		37 672		39 051
Total financial liabilities [2]	400 437	177 227	770	940 042	0	1 518 476

1) *Includes hedged liabilities.*

2) *Contractual obligations of financial liabilities designated as at fair value totalled NOK 177 777 million as at 31 December 2010 and NOK 177 346 million as at 31 December 2009.*

Note 30 Fair value of financial instruments at amortised cost

	DnB NOR Bank ASA			
Amounts in NOK million	Recorded value 31 Dec. 2010	Fair value 31 Dec. 2010	Recorded value 31 Dec. 2009	Fair value 31 Dec. 2009
Cash and deposits with central banks	4 789	4 789	29 023	29 023
Lending to and deposits with credit institutions	109 507	109 507	189 375	189 375
Lending to customers	572 910	573 928	492 414	490 239
Commercial paper and bonds, held to maturity	113 751	112 821	113 302	112 846
Total financial assets	800 957	801 045	824 113	821 482
Loans and deposits from credit institutions	23 466	23 466	33 426	33 426
Deposits from customers	572 447	572 447	515 323	515 323
Securities issued	168 693	167 388	204 056	206 016
Subordinated loan capital	32 126	30 340	36 308	33 836
Total financial liabilities	796 733	793 642	789 111	788 601

	DnB NOR Bank Group			
Amounts in NOK million	Recorded value 31 Dec. 2010	Fair value 31 Dec. 2010	Recorded value 31 Dec. 2009	Fair value 31 Dec. 2009
Cash and deposits with central banks	7 990	7 990	31 859	31 859
Lending to and deposits with credit institutions	7 908	7 908	9 214	9 214
Lending to customers	1 055 661	1 056 490	967 340	961 957
Commercial paper and bonds, held to maturity	113 751	112 821	113 302	112 846
Total financial assets	1 185 310	1 185 210	1 121 715	1 115 876
Loans and deposits from credit institutions	32 544	32 544	49 787	49 787
Deposits from customers	611 488	611 488	547 784	547 784
Securities issued	315 631	313 962	294 960	296 242
Subordinated loan capital	32 214	30 428	37 672	35 200
Total financial liabilities	991 877	988 422	930 204	929 014

Financial instruments at amortised cost

Most assets and liabilities in the DnB NOR Bank Group's balance sheet are carried at amortised cost. This primarily applies to loans, deposits and borrowings in the banking group's balance sheet, but also investments in bonds held to maturity. Long-term borrowings in Norwegian kroner are carried at fair value, while long-term borrowings in other currencies are carried at amortised cost. Hedge accounting may be applied.

Recording balance sheet items at amortised cost implies that the originally agreed cash flows are used, possibly adjusted for impairment. Such valuations will not always give values which are consistent with market assessments of the same instruments. Discrepancies may be due to diverging views on macro-economic prospects, market conditions, risk aspects and return requirements, as well as varying access to accurate information. The above table shows estimated fair values of items carried at amortised cost. Values are measured based on prices quoted in an active market where such information is available, internal models calculating a theoretical value when no such active market exists, or comparisons of prices on instruments in the portfolio relative to the last available transaction prices.

Valuations are based on the individual instruments' characteristics and values on the balance sheet date. However, these values do not include the total value of customer relationships, market access, brands, organisational aspects, employees and structural capital. Consequently, such intangible assets are generally not recorded in the accounts. In addition, most transactions with customers are assessed and priced collectively for several products, and products recorded in the balance sheet are considered along with other products and services used by the customer. Individual assets and liabilities recorded in the balance sheet thus give no adequate reflection of the total value of the Bank Group's operations.

Note 30 Fair value of financial instruments at amortised cost (continued)

Lending to and deposits with credit institutions and lending to customers

The market for the purchase and sale of loan portfolios was restricted at year-end 2010. When valuing loans, the loan portfolio has been divided into the following categories: retail customers, shipping/offshore/logistics, energy, international corporates, Nordic corporates, regional corporate clients, credit institutions, Sweden, DnB NOR Finans and Nordlandsbanken. In addition, separate calculations have been made for DnB NORD.

The valuations are based on average margins in December, considered relative to the business units' best estimate of the potential margin requirement at year-end 2010 if the loans had been extended at that time. Differentiated margin requirements have been calculated for each category, as specified above, based on estimated costs related to lending. The margin requirement includes costs covering normalised losses, which, as opposed to write-downs recorded in the annual accounts, represent a long-term assessment of loss levels. Normalised losses for shipping, offshore and logistics are above the DnB NOR Bank Group's average normalised losses.

In DnB NORD loan terms, especially in Poland, are much longer than for other units in the banking group. These calculations are based on the units' best estimates for duration and market terms.

There is fierce competition in the Norwegian retail market. There were no notified interest rate adjustments which had not been implemented in this market at year-end 2010. The fair value of retail loans and deposits at current prices has thus been set at amortised cost.

With respect to impaired loans, an assessment has been made of potential cash flows for the loans discounted by the effective rate of interest adjusted for changes in market conditions for corresponding non-impaired loans. Lending rates prior to provisions being made reflect the increased credit risk of the commitment. Given the general uncertainty in fair value measurements, the banking group believes that the impaired value gives a good reflection of the fair value of these loans.

Customers will often use loan products which are carried partly at amortised cost and partly at fair value. The profitability of a customer relationship is considered on an aggregate basis, and prices are set based on an overall evaluation. Correspondingly, a possible reduction in the customer relationship value is based on an overall assessment of all products. Any decline or change in the value of products recorded at fair value is assessed based on the difference between the agreed price and the corresponding price of new products on the balance sheet date. Any decline in value apart from price changes on specific products is included in the overall assessment of credits in the relevant customer relationship. Any reduction in the total customer relationship value is measured on the basis of amortised cost and reported under write-downs on loans.

Commercial paper and bonds, held to maturity (see note 35 Commercial paper and bonds, held to maturity)

The bond market improved somewhat through 2010, though it is still not possible to observe prices for large parts of the portfolio. Thus, models have been used to stipulate the value of parts of the bond portfolios. These models are based on available indices representing credit risk and liquidity aspects.

Lending to and deposits from credit institutions and deposits from customers

The estimated fair value equals the balance sheet value for credit institutions. With respect to deposits from customers, fair value is assessed to equal amortised cost.

Securities issued and subordinated loan capital

Fair value measurement of securities issued and subordinated loan capital raised in foreign currency is based on future cash flows and assessed credit risk on the balance sheet date. The valuation is based on broker quotes. Values in connection with potential new issues are used, in the same way as for loans.

Note 31 Financial instruments at fair value

DnB NOR Bank ASA

Amounts in NOK million	Valuation based on quoted prices in an active market Level 1	Valuation based on observable market data Level 2	Valuation based on other than observable market data Level 3	Accrued interest [1)]	Total
Assets as at 31 December 2010					
Deposits with central banks	0	8 208	0	0	8 208
Lending to and deposits with credit institutions	0	106 712	0	213	106 925
Lending to customers	0	2 646	93 322	576	96 543
Commercial paper and bonds	128 250	147 386	3 852	935	280 423
Shareholdings [2)]	12 031	(124)	2 683		14 590
Financial derivatives	0	84 504	515		85 019
Liabilities as at 31 December 2010					
Loans and deposits from credit institutions	0	233 096	0	577	233 673
Deposits from customers	0	51 882	0	259	52 141
Debt securities issued	0	173 595	0	473	174 067
Subordinated loan capital	0	1 248	0	12	1 260
Financial derivatives	0	72 370	401		72 771
Assets as at 31 December 2009					
Deposits with central banks	0	0	0	0	0
Lending to and deposits with credit institutions	0	86 573	0	137	86 709
Lending to customers	0	1 598	132 093	701	134 392
Commercial paper and bonds	150 433	151 856	2 019	640	304 948
Shareholdings [2)]	11 207	946	888		13 041
Financial derivatives	0	70 549	453		71 002
Liabilities as at 31 December 2009					
Loans and deposits from credit institutions	0	260 106	0	658	260 764
Deposits from customers	0	65 344	0	246	65 590
Debt securities issued	0	193 640	0	535	194 175
Subordinated loan capital	0	1 367	0	12	1 379
Financial derivatives	0	63 988	350		64 338

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

2) In addition to pure equity investments, this item includes mutual fund holdings and equity-related derivatives linked to DnB NOR Markets' market-making activities (level 2). See note 32 Shareholdings.

DnB NOR Bank Group

Amounts in NOK million	Valuation based on quoted prices in an active market Level 1	Valuation based on observable market data Level 2	Valuation based on other than observable market data Level 3	Accrued interest [1)]	Total
Assets as at 31 December 2010					
Deposits with central banks	0	8 208	0	0	8 208
Lending to and deposits with credit institutions	0	35 894	0	35	35 929
Lending to customers	0	2 646	125 118	674	128 439
Commercial paper and bonds	135 355	21 881	3 856	978	162 071
Shareholdings [2)]	12 229	(124)	2 848		14 954
Financial derivatives	0	76 266	515		76 781
Liabilities as at 31 December 2010					
Loans and deposits from credit institutions	0	224 816	0	571	225 387
Deposits from customers	0	52 265	0	259	52 524
Debt securities issued	0	192 541	0	1 275	193 816
Subordinated loan capital	0	1 248	0	12	1 260
Financial derivatives	0	60 221	401		60 622
Assets as at 31 December 2009					
Deposits with central banks	0	0	0	0	0
Lending to and deposits with credit institutions	0	49 503	0	34	49 537
Lending to customers	0	1 425	159 224	802	161 452
Commercial paper and bonds	155 572	19 196	2 148	697	177 613
Shareholdings [2)]	11 399	949	1 047		13 396
Financial derivatives	0	68 720	453		69 173
Liabilities as at 31 December 2009					
Loans and deposits from credit institutions	0	252 251	0	656	252 907
Deposits from customers	0	65 596	0	246	65 842
Debt securities issued	0	204 744	0	1 203	205 947
Subordinated loan capital	0	1 367	0	12	1 379
Financial derivatives	0	52 009	350		52 359

1) *Accrued interest on financial derivatives is included in the amounts in levels 2 and 3.*
2) *In addition to pure equity investments, this item includes mutual fund holdings and equity-related derivatives linked to DnB NOR Markets' market-making activities (level 2). See note 32 Shareholdings.*

Valuation based on prices in an active market
Classified as level 1 are financial instruments valued by using quoted prices in active markets for identical assets or liabilities.

Instruments in this category include listed shares and mutual funds, Treasury bills and commercial paper traded in active markets.

Valuation based on observable market data
Classified as level 2 are financial instruments which are valued by using inputs other than quoted prices, but where prices are directly or indirectly observable for the assets or liabilities, including quoted prices in non-active markets for identical assets or liabilities.

Included in this category are, among others, interbank derivatives such as interest rate swaps, currency swaps and forward contracts with prices quoted on Reuters or Bloomberg, basis swaps between the currencies NOK, EUR, USD and GBP and cross-currency interest rate derivatives with customers with insignificant credit margins. Exchange-traded options are classified as level 2 if it is possible to scan or interpolate/extrapolate implicit volatility based on observable prices.

Valuation based on other than observable market data
Included in this category are loans to customers and instruments where credit margins constitute a major part of adjustments to market value.

Lending to and deposits with credit institutions (level 2)
Lending to and deposits with credit institutions are primarily relevant for DnB NOR Markets. The valuation is mainly based on agreed interest rate terms measured against a swap curve. The fixed-rate period is relatively short.

Note 31 Financial instruments at fair value (continued)

Lending to customers (level 3)
Loans consist primarily of fixed-rate loans in Norwegian kroner and parts of the portfolio of margin loans in Norwegian kroner. The value of fixed-rate loans is determined by discounting agreed interest flows over the term of the loan, using a discount factor adjusted for margin requirements. A margin requirement is calculated for margin loans, and the difference between the agreed and the actual margin is discounted over the average expected time to the repricing of the loan.

In addition, DnB NORD has a small portfolio of loans carried at fair value. The value of this portfolio converted into Norwegian kroner will be affected by exchange rate movements when converting the company's balance sheet from local currency.

Commercial paper and bonds (levels 2 and 3)
The valuation under level 2 is primarily based on observable market data in the form of interest rate curves, exchange rates and credit margins related to the characteristics of the individual credit or bond. For paper classified as level 3, the valuation is based on indicative prices from third parties or comparable paper.

The value of DnB NORD's portefolio converted into Norwegian kroner will be affected by exchange rate movements in connection with the conversion of the company's balance sheet from local currency.

Equities including mutual fund holdings and equity-related derivatives related to market-making (levels 2 and 3)
Equities classified as level 2 comprise equity derivatives used in DnB NOR Markets' market-making activities. Most of these derivatives are related to the most traded equities on Oslo Børs, and the valuation is based on the price development of the relevant/underlying equity and observable or estimated volatility. Instruments which are classified as level 3 essentially comprise property funds, limited partnership units, private equity investments and investments in unquoted equities.

Financial derivatives (levels 2 and 3)
The market values classified as level 2 are primarily currency forward contracts and interest rate and currency swaps. The valuation is based on swap curves, and credit margins constitute a minor part of the value. In addition, the item comprises derivatives related to commodities and forward rate agreements. These are valued based on observable market prices. The market values classified as level 3 are primarily connected to currency options, interest rate options in Norwegian kroner, as well as index derivatives. The valuation is based on indicative prices from third parties.

Loans and deposits from credit institutions (level 2)
See "Lending to and deposits with credit institutions" above. The item also includes borrowings from Norges Bank in connection with the Norwegian government's covered bonds exchange scheme. The funding obtained through this scheme totalled NOK 118.1 billion at year-end 2010. See note 50 Information on related parties.

Deposits from customers (level 2)
Deposits carried at fair value include special-term deposits. The valuation is primarily based on measurement in relation to a swap curve, and changes in credit margins have an insignificant effect.

Debt securities issued (level 2)
The valuation is primarily based on observable market data in the form of interest rate curves and credit margins. The item consists mainly of funding in Norwegian kroner. For foreign currency funding, hedge accounting is used. In all other respects, securities are carried at amortised cost.

Subordinated loan capital (level 2)
Subordinated loans carried at fair value consist of two loans in Norwegian kroner, and the valuation is based on observable interest rate curves and credit margins.

Financial instruments at fair value, level 3

DnB NOR Bank ASA

	Financial assets				Financial liabilities
Amounts in NOK million	Lending to customers	Commercial paper and bonds	Share-holdings [1)]	Financial derivatives	Financial derivatives
Balance as at 31 December 2009	**132 093**	**2 019**	**888**	**453**	**350**
Net gains on financial instruments	(40)	(45)	602	(44)	28
Additions/purchases	603	2 775	1 383	305	238
Sales	2 091	1 081	190	0	0
Settled	37 242	480	0	199	215
Transferred from Level 1 or Level 2	0	1 053	0	0	0
Transferred to Level 1 or Level 2	0	344	0	0	0
Other	0	(45)	0	0	0
Balance as at 31 December 2010	**93 322**	**3 852**	**2 683**	**515**	**401**

Note 31 Financial instruments at fair value (continued)

Financial instruments at fair value, level 3 — **DnB NOR Bank Group**

	Financial assets				Financial liabilities
Amounts in NOK million	Lending to customers	Commercial paper and bonds	Shareholdings [1]	Financial derivatives	Financial derivatives
Balance as at 31 December 2009	**159 224**	**2 148**	**1 047**	**453**	**350**
Net gains on financial instruments	(27)	(45)	613	(44)	28
Additions/purchases	5 067	2 775	1 384	305	238
Sales	0	1 081	197	0	0
Settled	39 062	480	0	199	215
Transferred from Level 1 or Level 2	0	1 053	0	0	0
Transferred to Level 1 or Level 2	0	461	0	0	0
Other [2]	(83)	(53)	2	0	0
Balance as at 31 December 2010	**125 118**	**3 856**	**2 848**	**515**	**401**

1) *Equities classified as level 3 comprise, in addition to pure equity investments, property fund units, limited partnership units and private equity investments. Shares in Nets received as consideration in connection with the merger between the payment services company Nordito and the Danish PBS Holding, representing NOK 1 226 million, are included under "additions/purchases". The value of the investment increased by NOK 420 million from the merger date till year-end 2010.*

2) *Includes exchange rate effects arising from the translation of foreign operations.*

Lending to customers

The portfolio of loans carried at fair value consists primarily of fixed-rate loans in Norwegian kroner and a share of margin loans in Norwegian kroner. In addition, DnB NORD has a small loan portfolio which is recorded at fair value.

Fixed-rate loans

The valuation of the loans is based on interest rates agreed with the customers concerned, discounted by a margin requirement based on the market situation at year-end 2010, as evaluated by Retail Banking. Fierce competition and transparency in the form of interest rate barometers within this market segment mean that there is relatively little uncertainty surrounding the margin requirement for such loans. With respect to these loans, customers have, as a rule, no possibility to withdraw from the agreements without paying compensation for the difference between the estimated and the registered margin. Fixed-rate loans carried at fair value totalled NOK 31 993 million at year-end 2010.

Margin loans carried at fair value

A typical margin loan is a loan with a reference interest rate and a margin add-on. Reference rates will normally be set for a period of three months, but the margin can be determined for considerably longer periods. In times of significant interest rate fluctuations and reduced liquidity in the market, as was the case during the financial turmoil, long-term funding costs increased. This is of significance for the margin requirements used by the bank in its calculations. The margin requirements are measured against agreed margins, and discrepancies are discounted over average periods up until the expected margin adjustment. This period is based on feedback from the banking group's business areas, but will require significant judgment based on past experience. The period up until the actual adjustment of the margin represents the largest element of uncertainty in these calculations. Margin loans carried at fair value totalled NOK 93 125 million at year-end 2010.

Commercial paper and bonds

Investments classified as level 3 primarily consisted of municipal and government securities with short fixed-interest terms. The securities were of high quality, but with limited liquidity.

Equities including mutual fund holdings

Of the total invested amount of NOK 2 848 million, NOK 459 million was invested in private equity funds, NOK 131 million in property funds, NOK 30 million in limited partnerships and NOK 2 228 million in unquoted equities. A common denominator for these investments is that there is a lag in the access to information from the units. In times of financial market turmoil, there may be considerable uncertainty related to the valuation of these investments.

Financial derivatives, assets and liabilities

Items classified as level 3 are primarily currency options, interest rate options in Norwegian kroner and derivatives related to developments in the consumer price index.

DnB NOR Bank ASA — **Sensitivity analysis, level 3** — **DnB NOR Bank Group**

DnB NOR Bank ASA: Effect of reasonably possible alternative assumptions	DnB NOR Bank ASA: Recorded value 31 Dec. 2010	*Amounts in NOK million*	DnB NOR Bank Group: Recorded value 31 Dec. 2010	DnB NOR Bank Group: Effect of reasonably possible alternative assumptions
(89)	93 322	Lending to customers	125 118	(157)
(7)	3 852	Commercial paper and bonds	3 856	(7)
-	2 683	Shareholdings	2 848	-
-	114	Financial derivatives, net	114	-

In order to show the sensitivity of the loan portfolio, the discount rate on fixed-rate loans and the margin requirement on margin-based loans have been increased by 10 basis points. Level 3 bonds mainly represent investments in Norwegian municipalities, country municipalities, savings banks and power companies. The table shows the effects of a 10 basis point increase in the discount rate. In the bank's portfolio of level 3 equities, alternative assumptions for important items have had only insignificant effects.

Note 32 Shareholdings

Investments in shares, mutual funds and equity certificates [1)]

DnB NOR Bank ASA			DnB NOR Bank Group	
31 Dec. 2009	31 Dec. 2010	*Amounts in NOK million*	31 Dec. 2010	31 Dec. 2009
13 041	**14 590**	**Total investments in shares, mutual funds and equity certificates**	**14 954**	**13 396**

Specification of the largest investments in shares, mutual funds and equity certificates as at 31 December 2010

DnB NOR Bank ASA

Recorded value in NOK 1 000	Number of shares	Ownership share in per cent [2)]	Recorded value
Financial institutions			
Gjensidige Forsikring [3)]	2 292 632	0.5	70 573
Storebrand [3)]	1 206 382	0.2	100 073
Other financial institutions			462 750
Total financial institutions			**633 396**
Norwegian companies			
Aker Solutions [3)]	2 048 184	0.7	203 282
DnB NOR Eiendomsinvest I [3)]	2 883 124	7.9	129 741
Hurtigruten	16 479 125	3.9	80 418
IT-Fornebu Holding	1 464 294	12.6	207 930
Kongsberg Automotive	26 835 050	6.6	130 150
Marine Harvest [3)]	114 958 546	3.2	709 294
Norsk Hydro [3)]	9 669 757	0.6	412 028
Norvestor IV LP	1	19.2	141 270
Orkla [3)]	8 744 419	0.8	495 809
Petroleum Geo-Services [3)]	1 873 923	0.9	170 246
Renewable Energy Corporation [3)]	9 449 806	0.9	168 112
Statoil [3)]	8 878 858	0.3	1 230 610
Telenor [3)]	7 038 244	0.4	667 226
TGS Nopec Geophysical [3)]	590 227	0.6	77 615
Yara International [3)]	1 475 074	0.5	497 837
Other Norwegian companies			812 926
Total Norwegian companies			**6 134 493**
Companies based abroad			
Deep Sea Supply [3)]	7 368 930	5.8	88 943
Nets	33 547 173	18.2	1 645 828
Noble	470 000	0.2	97 123
Pride International [3)]	8 070 800	4.7	1 568 718
Prosafe	1 289 092	0.6	59 814
Rowan Cos. [3)]	1 938 708	1.5	394 618
Royal Caribbean Cruises [3)]	459 531	0.6	126 968
Seadrill [3)]	8 037 817	2.2	1 585 058
Subsea 7 [3)]	875 326	0.4	125 172
Teekay [3)]	1 610 000	0.2	310 629
Transocean [3)]	300 500	0.1	121 700
Other companies based abroad			409 209
Total companies based abroad			**6 533 780**
Equity related derivatives [3)]			**(521 120)**
Mutual funds			
Interest funds			1 213 173
Combination funds			0
Mutual funds			183 803
Other funds			412 597
Total mutual funds			**1 809 574**
Total short-term investments in shares, mutual funds and equity sertificates			14 590 122

DnB NOR Bank Group

Recorded value in NOK 1 000	Number of shares	Ownership share in per cent [2)]	Recorded value
Financial institutions			
Gjensidige Forsikring [3)]	2 292 632	0.5	70 573
Storebrand [3)]	1 206 382	0.2	100 073
Other financial institutions			464 594
Total financial institutions			**635 240**
Norwegian companies			
Aker Solutions [3)]	2 048 184	0.7	203 282
DnB NOR Eiendomsinvest I [3)]	2 883 124	7.9	129 741
Hurtigruten	16 479 125	3.9	80 418
IT-Fornebu Holding	1 464 294	12.6	207 930
Kongsberg Automotive	26 835 050	6.6	130 150
Marine Harvest [3)]	114 958 546	3.2	709 294
Norsk Hydro [3)]	9 669 757	0.6	412 028
Norvestor IV LP	1	19.2	141 270
Orkla [3)]	8 744 419	0.8	495 809
Petroleum Geo-Services [3)]	1 873 923	0.9	170 246
Renewable Energy Corporation [3)]	9 449 806	0.9	168 112
Statoil [3)]	8 878 858	0.3	1 230 610
Telenor [3)]	7 038 244	0.4	667 226
TGS Nopec Geophysical [3)]	590 227	0.6	77 615
Yara International [3)]	1 475 074	0.5	497 837
Other Norwegian companies			851 341
Total Norwegian companies			**6 172 908**
Companies based abroad			
Cape Investment	9 261	13.9	120 942
Deep Sea Supply [3)]	7 368 930	5.8	88 943
Nets	33 547 173	18.2	1 645 828
Noble	470 000	0.2	97 123
Pride International [3)]	8 070 800	4.7	1 568 718
Prosafe	1 289 092	0.6	59 814
Rowan Cos. [3)]	1 938 708	1.5	394 618
Royal Caribbean Cruises [3)]	459 531	0.6	126 968
Seadrill [3)]	8 037 817	2.2	1 585 058
Subsea 7 [3)]	875 326	0.4	125 172
Teekay [3)]	1 610 000	0.2	310 629
Transocean [3)]	300 500	0.1	121 700
Other companies based abroad			410 691
Total companies based abroad			**6 656 203**
Equity related derivatives [3)]			**(521 120)**
Mutual funds			
Interest funds			1 216 507
Combination funds			872
Mutual funds			186 019
Other funds			607 608
Total mutual funds			**2 011 006**
Total short-term investments in shares, mutual funds and equity sertificates			14 954 237

1) *Primary capital certificates were savings banks' form of "shares", but did not give full ownership rights to equity, as is the case with shares. During 2009, a change was made to primary capital certificates, whereby the name was changed to equity certificates. The main difference between equity certificates and primary capital certificates is that investors' ownership interests in savings banks can now be held stable. This is possible as a larger share of profits can be distributed in the form of gifts. Savings banks can thus avoid dilution effects.*
2) *Ownership share in per cent is based on the company's total share capital and does not include derivative contracts.*
3) *Shares and funds carried at fair value in DnB NOR Markets totalled NOK 10 660 million at year-end 2010, and equity-related derivatives represented minus NOK 521 million. DnB NOR Markets' equity investment are mainly an instrument in hedging its equity derivative exposure through the business area's market making activities. Value at Risk for the equity operations in DnB NOR Markets represented approximately NOK 3,1 million at year-end 2010.*

Note 33 Repurchase agreements and securities lending

Transferred assets still recognised in the balance sheet	**DnB NOR Bank ASA**	
Amounts in NOK million	31 Dec. 2010	31 Dec. 2009
Repurchase agreements		
Commercial paper and bonds - Treasury bills / bonds	295	292
Securities lending		
Shares	1 370	373
Total repurchase agreements and securities lending	1 665	665

Liabilities associated with the assets	**DnB NOR Bank ASA**	
Amounts in NOK million	31 Dec. 2010	31 Dec. 2009
Repurchase agreements		
Loans and deposits from credit institutions	295	292
Deposits from customers	0	0
Securities lending		
Loans and deposits from credit institutions	1 310	319
Deposits from customers	129	73
Total liabilities	1 733	683

Transferred assets still recognised in the balance sheet	**DnB NOR Bank Group**	
Amounts in NOK million	31 Dec. 2010	31 Dec. 2009
Repurchase agreements		
Commercial paper and bonds - Treasury bills / bonds	319	292
Securities lending		
Shares	1 370	373
Total repurchase agreements and securities lending	1 689	665

Liabilities associated with the assets	**DnB NOR Bank Group**	
Amounts in NOK million	31 Dec. 2010	31 Dec. 2009
Repurchase agreements		
Loans and deposits from credit institutions	295	292
Deposits from customers	21	0
Securities lending		
Loans and deposits from credit institutions	1 310	319
Deposits from customers	129	73
Total liabilities	1 754	683

Note 34 Securities recieved which can be sold or repledged

Securities received [1)]	**DnB NOR Bank ASA**	
Amounts in NOK million	31 Dec. 2010	31 Dec. 2009
Reverse repurchase agreements		
Commercial paper and bonds	1 003	1 148
Securities borrowing		
Shares	3 073	2 542
Total securities received	4 077	3 690
Of which securities received and subsequently sold or repledged:		
Commercial paper and bonds	*1 003*	*1 148*
Shares	*1 895*	*441*

Securities received [1)]	**DnB NOR Bank Group**	
Amounts in NOK million	31 Dec. 2010	31 Dec. 2009
Reverse repurchase agreements		
Commercial paper and bonds	1 189	1 148
Securities borrowing		
Shares	3 073	2 542
Total securities received	4 262	3 690
Of which securities received and subsequently sold or repledged:		
Commercial paper and bonds	*1 003*	*1 148*
Shares	*1 895*	*441*

1) Securities received are not recognized in the balance sheet.

Note 35 Commercial paper and bonds, held to maturity

As part of ongoing liquidity management, DnB NOR Bank has invested in a portfolio of securities. The portfolio can be used in different ways to regulate the liquidity requirement and as a basis for furnishing collateral for operations in various countries. Among other things, the securities serve as collateral for short and long-term borrowing in a number of central banks and as a basis for liquidity buffers to meet regulatory requirements. With effect from 1 July 2008, the liquidity portfolio in DnB NOR Markets was reclassified from the category "fair value through profit or loss" to " held-to-maturity investments". Portfolios in this category are recorded at amortised cost and written down if there is objective evidence of a decrease in value.

Measurement

The reclassification in accordance with IAS 39 Financial Instruments: Recognition and Measurements requires that the value of the liquidity portfolio based on the principles applied before the reclassification must be reported. In a normal market situation, the liquidity portfolio would have been recorded at external observable prices before the reclassification. Due to the financial turmoil, there were no such observable prices in the market in 2008. The markets normalised through 2009. However, due to increasing financial market turmoil resulting from the debt situation in a number of European countries, especially in the first half of 2010, there were still no observable prices for large parts of the portfolio. In order to meet the disclosure requirement at end-December 2010, the liquidity portfolio has been measured at fair value according to models used for financial instruments not traded in an active market. The model applied is based on a regression analysis whereby historical market data (explanatory variables) which have been observable even during the financial turmoil are used to explain historical changes in value in the liquidity portfolio. During the period from the fourth quarter of 2006 up to and including the second quarter of 2008, the model shows a high level of correlation between changes in given market data and changes in value in the liquidity portfolio, which at the time was priced in an active market or through broker quotes which were believed to be fairly reliable. If the model had been applied to the liquidity portfolio in 2010, there would have been a NOK 107 million increase in profits.

Effects of the reclassifications of the liquidity portfolio

The reclassification of the liquidity portfolios resulted in a rise in profits of NOK 634 million at end-December 2010 compared with the result if the previous valuation principle had been retained. On the reclassification date, the book value of the portfolio was NOK 88.0 billion, compared with NOK 54.1 billion at year-end 2010. The average term to maturity of the portfolio is 3.6 years, and the change in value resulting from an interest rate adjustment of one basis point was NOK 15 million at end-December 2010.

Effects of the reclassification of the liquidity portfolio	**DnB NOR Bank Group**	
Amounts in NOK million	2010	2009
Effects on profits		
Recorded amortisation effect	429	544
Net gain if valued at fair value	536	2 819
Effects of reclassification on profits	(107)	(2 275)
Effects on the balance sheet		
Recorded, unrealised losses at end of period	1 234	1 662
Unrealised losses, if valued at fair value	1 868	2 404
Effects of reclassification on the balance sheet	634	741

Development in the liquidity portfolio after the reclassification	**DnB NOR Bank Group**	
	31 Dec.	31 Dec.
Amounts in NOK million	2010	2009
Liquidity portfolio, recorded value	54 087	68 600
Liquidity portfolio, if valued at fair value	53 453	67 859
Effects of reclassification on the balance sheet	634	741

DnB NOR Markets' liquidity portfolio

After the reclassification date, DnB NOR Markets has chosen to increase its investments in held-to-maturity securities. As at 31 December 2010, DnB NOR Markets' portfolio represented NOK 113 billion. 96.3 per cent of the securities in the portfolio had an AAA rating, while 3.0 per cent were rated AA. There were no synthetic securities in the portfolio and no investments in US sub-prime bonds or Collateralised Debt Obligations, CDOs. The structure of DnB NOR Markets' liquidity portfolio is shown below.

DnB NOR Bank ASA			**DnB NOR Bank Group**	
NOK million 31 Dec. 2010	Per cent 31 Dec. 2010		Per cent 31 Dec. 2010	NOK million 31 Dec. 2010
		Asset class		
2 190	2	Consumer credit	2	2 190
73 387	64	Residential mortgages	64	73 387
2 578	2	Corporate loans [1)]	2	2 578
35 909	31	Government-related	31	35 909
114 064	100	Total liquidity portfolio DnB NOR Markets, nominal values	100	114 064
(1 497)		Accrued interest, including amortisation effects		(1 497)
112 567	100	Total liquidity portfolio DnB NOR Markets	100	112 567
54 087		Of which reclassified portfolio		54 087

1) *The exposure to the insurance sector represented only 0.01 per cent of the total portfolio at end-December. With effect from the second quarter of 2010, the exposure to this sector is included in the asset class corporate loans.*

The average term to maturity of DnB NOR Markets' liquidity portfolio is 3.4 years, and the change in value resulting from an interest rate adjustment of one basis point was NOK 34 million at end-December 2010.

Commercial paper and bonds, held to maturity

DnB NOR Bank ASA		**Commercial paper and bonds, held to maturity**	**DnB NOR Bank Group**	
31 Dec. 2009	31 Dec. 2010	*Amounts in NOK million*	31 Dec. 2010	30 Dec. 2009
112 969	112 567	DnB NOR Markets	112 567	112 969
333	1 184	Other units	1 184	333
113 302	**113 751**	**Commercial paper and bonds, held to maturity**	**113 751**	**113 302**

Note 36 Investment properties

Amounts included in the income statement	DnB NOR Bank Group	
Amounts in NOK million	2010	2009
Rental income from investment properties	18	18
Direct expenses (including repairs and maintenance) related to investment properties generating rental income	4	20
Direct expenses (including repairs and maintenance) related to investment properties not generating rental income	1	0
Total	13	(2)

Changes in the value of investment properties	DnB NOR Bank Group
Amounts in NOK million	Investment properties
Recorded value as at 31 December 2008	**167**
Additions, purchases of new properties	13
Additions, capitalised investments	30
Additions, acquired companies	520
Net gains resulting from adjustment to fair value	(109)
Disposals	13
Exchange rate movements	6
Recorded value as at 31 December 2009	**614**
Additions, purchases of new properties [1)]	2 213
Additions, capitalised investments	118
Additions, acquired companies	0
Net gains resulting from adjustment to fair value	0
Disposals	56
Exchange rate movements	(17)
Recorded value as at 31 December 2010	**2 872**

Contractual commitments related to the acquisition or construction of investment properties, not capitalised as at 31 December 2010	0

1) *On 1 December 2010, DnB NOR Bank ASA took over the property portfolio of Bovista, a company in liquidation. The bank paid a total of DKK 2 023 million for the properties. For further information, see note 2 Changes in group structure.*

Note 37 Investments in associated companies

	DnB NOR Bank Group	
Amounts in NOK million	2010	2009
Recorded value as at 1 January	2 502	2 499
Share of profits after tax	180	93
Additions/disposals	(111)	17
Dividends	(280)	(106)
Recorded value as at 31 December [1)]	**2 291**	**2 502**

DnB NOR Bank Group

Amounts in NOK million	Assets 31 Dec. 2010 [2)]	Liabilities 31 Dec. 2010 [2)]	Income 2010 [2)]	Profit 2010 [2)]	Ownership share (%) 31 Dec. 2010	Recorded value 31 Dec. 2010 [3)]	Recorded value 31 Dec. 2009 [3)]
Eksportfinans AS	215 549	210 394	818	622	40	1 831	1 911
Faktor Eiendom ASA [4)]	2 329	1 258	522	(125)	31	148	
Amports Inc. [5)]	903	412	88	2	29	142	
Nordito AS [6)]							395
Nordito Property AS [6)]	137	67	21	10	40	80	
Doorstep AS	9	0	2	1	50	9	8
Other associated companies						80	187
Total						**2 291**	**2 502**

1) *Include deferred tax positions and value adjustments not reflected in the company's balance sheet.*
2) *Values in the accounts of associated companies. Preliminary accounts have been used.*
3) *Eksportfinans entered into an agreement with a syndicate comprising most of the companys' owners. With effect from 1 March 2008, the agreement protects the company from further value reductions in the liquidity portfolio of bonds. Taking the guarantee into account, there was a profit contribution of NOK 200 million from the company as at 31 December 2010 compared with a loss of NOK 200 million as at 31 December 2009.*
4) *During the second quarter of 2010, Faktor Eiendom ASA completed a private placement totalling NOK 250 million, and the bank converted NOK 249 million from debt to equity. The fair value of the bank's ownership interest in the company on the conversion date was based on the company's share price on 21 May 2010, the day after the general meeting approved the share issue. The closing price of the share was NOK 0.87 on 21 May. After the conversion, DnB NOR Bank acquired a 30.8 per cent ownership interest in the company, which was later reduced to 30.6 per cent. Based on the share price of NOK 0.51 as at 31 December 2010, the fair value of the bank's ownership interest was NOK 113 million. Projected financial statement for the third quarter of 2010 is used.*
5) *This auto transport company receives and prepares cars prior to and following overseas shipping. In the fourth quarter of 2010, the company's three large creditors agreed to recapitalise the company. The company's debt was converted to share capital in November 2010.*
6) *Nordito AS was merged with PBS Holding AS on 14 April 2010. The DnB NOR Bank Group has a 18.2 per cent ownership interest in the merged company, Nets AS. In connection with the merger, the properties owned by Nordito AS were demerged into a separate company, Nordito Property AS.*

Note 38 Investments in subsidiaries

							DnB NOR Bank ASA	
Amounts in NOK 1 000		Share	Number		Nominal	Ownership share in	Book
Values in NOK unless otherwise indicated		capital	of shares		value	per cent	value
Foreign subsidiaries							
DnB NORD	EUR	1 082 095	1 082 095 100	EUR	1 082 095	100.0	4 149 876
Den Norske Syndicates	GBP	200	200 000	GBP	200	100.0	1 810
DnB NOR Asia	SGD	20 000	20 000 000	SGD	20 000	100.0	91 218
DnB NOR Luxembourg	EUR	17 352	70 000	EUR	17 352	100.0	135 592
DnB NOR Markets Inc.	USD	1	1 000	USD	1	100.0	2 142
DnB NOR Monchebank	RUB	800 000	800 000 000	RUB	800 000	100.0	249 356
DnB NOR Reinsurance		21 000	21 000		21 000	100.0	21 000
SalusAnsvar	SEK	85 614	21 403 568	SEK	85 614	100.0	508 907
Svensk Fastighetsförmedling	SEK	8 940	89 400	SEK	8 940	100.0	33 785
Domestic subsidiaries							
DnB NOR Boligkreditt		1 577 000	15 770 000		1 577 000	100.0	9 920 000
DnB NOR Eiendom		10 003	100 033		10 003	100.0	150 349
DnB NOR Eiendomsutvikling		91 000	91 000 000		91 000	100.0	226 331
DnB NOR Gjenstandsadministrasjon		3 000	30		3 000	100.0	3 000
DnB NOR Invest Holding		100 000	200 000		100 000	100.0	243 000
DnB NOR Meglerservice		1 200	12		1 200	100.0	10 221
DnB NOR Næringskreditt		550 000	550 000		550 000	100.0	5 240 942
DnB NOR Næringsmegling		1 000	10 000		1 000	100.0	24 000
Hafjell Holding		10 000	1 000		10 000	100.0	12 400
Nordlandsbanken		625 062	50 004 984		625 062	100.0	1 864 444
Postbanken Eiendom		2 000	20 000		2 000	100.0	31 455
Viul Hovedgård		7 500	750 000		7 500	100.0	11 766
Total investments in subsidiaries							**22 931 600**

Hedging of investments in subsidiaries

In DnB NOR Bank ASA, currency risk associated with foreign currency investments in subsidiaries is subject to fair value hedging. The hedging instruments used are debt securities issued and loans from credit institutions. Changes in value of the investments and hedging instruments resulting from exchange rate movements, are recorded in the income statement. At group level, net investments in subsidiaries are hedged through cash flow hedges for an amount corresponding to DnB NOR Bank's investments. Changes in the value of investments and hedging instruments recorded in the income statement are offset against other equity and the reserve for exchange rate movements. As there is a correlation between the hedged amount in DnB NOR ASA and the hedged net investment, this has no effect on the banking group's income statement. The strengthening of the Norwegian krone through 2010 reduced the value of investments in subsidiaries by NOK 133 million, which was offset by a corresponding increase in the value of hedging contracts. In 2009, there was a reduction of NOK 985 million.

Note 39 Intangible assets

DnB NOR Bank ASA 31 Dec. 2009	31 Dec. 2010	Amounts in NOK million	DnB NOR Bank Group 31 Dec. 2010	31 Dec. 2009
1 650	2 419	Goodwill 1)	3 471	3 605
51	0	Postbanken brand name 1)	0	51
629	789	Capitalised systems development	1 160	1 199
232	370	Sundry intangible assets	370	699
2 562	**3 578**	**Total intangible assets**	**5 001**	**5 554**

DnB NOR Bank ASA

Amounts in NOK million	Goodwill 1)	Postbanken brand name 1)	Capitalised systems development 2)	Sundry intangible assets 3)	Total
Cost as at 31 December 2008	2 040	119	782	174	3 114
Additions			280	219	499
Additions from the acquisition/establishment of other companies					0
Increase/reduction in cost price					0
Disposals			274		274
Exchange rate movements	(4)				(4)
Cost as at 31 December 2009	2 036	119	787	393	3 335
Total depreciation and impairment as at 31 December 2008	383	68	333	156	940
Depreciation			99	4	104
Impairment					0
Disposals			274		274
Exchange rate movements	(4)				(4)
Total depreciation and impairment as at 31 December 2009	387	68	158	161	773
Recorded value as at 31 December 2009	**1 650**	**51**	**629**	**232**	**2 562**
Cost as at 1 January 2010 4)	2 793	119	865	778	4 553
Additions			376		376
Additions from the acquisition/establishment of other companies					0
Increase/reduction in cost price					0
Disposals			48		48
Exchange rate movements	17			2	19
Cost as at 31 December 2010	2 809	119	1 193	780	4 901
Total depreciation and impairment as at 1 January 2010 4)	407	68	193	321	989
Depreciation			210	95	305
Impairment		51			51
Disposals					0
Exchange rate movements	17			4	21
Total depreciation and impairment as at 31 December 2010	390	119	403	413	1 325
Recorded value as at 31 December 2010	**2 419**	**0**	**789**	**370**	**3 578**

1) *See note 40 for information regarding goodwill and intangible assets with an indefinite useful life.*
2) *Software expenses recorded in the balance sheet are depreciated according to the straight line principle over their expected useful life, usually five years.*
3) *Sundry intangible assets mainly comprise IT software and excess values relating to customer contracts, distributor networks and the loan portfolio taken over from DnB NORD. Sundry intangible assets are depreciated according to the straight line principle over the assets' expected useful lives, which range from three to ten years.*
4) *DnB NOR Finans was merged into DnB NOR Bank ASA in 2010. This explains the difference between cost and total depreciation and impairment as at 31 December 2009 and cost as at 1 January 2010.*

Note 39 Intangible assets (continued)

DnB NOR Bank Group

Amounts in NOK million	Goodwill [1]	Postbanken brand name [1]	Capitalised systems development [2]	Sundry intangible assets [3] [4]	Total
Cost as at 31 December 2008	5 213	119	1 189	938	7 458
Additions			585	254	839
Additions from the acquisition/establishment of other companies	29				29
Increase/reduction in cost price					0
Disposals	24		274		298
Exchange rate movements	(109)		(6)	(27)	(142)
Cost as at 31 December 2009	5 109	119	1 493	1 165	7 886
Total depreciation and impairment as at 31 December 2008	665	68	329	292	1 353
Depreciation			183	130	313
Impairment	730		50	16	797
Disposals			274		274
Exchange rate movements	(109)		(6)	(27)	(142)
Total depreciation and impairment as at 31 December 2009	1 504	68	294	466	2 332
Recorded value as at 31 December 2009	**3 605**	**51**	**1 199**	**699**	**5 554**
Cost as at 1 January 2010	5 109	119	1 493	1 165	7 886
Additions			613	14	626
Additions from the acquisition/establishment of other companies					0
Increase/reduction in cost price					0
Disposals			48	226	274
Exchange rate movements	30		(12)	7	25
Cost as at 31 December 2010	5 139	119	2 046	959	8 263
Total depreciation and impairment as at 1 January 2010	1 504	68	294	466	2 332
Depreciation			236	129	365
Impairment [5]	194	51	346		589
Disposals					0
Exchange rate movements	30		(12)	7	25
Total depreciation and impairment as at 31 December 2010	1 668	119	886	589	3 263
Recorded value as at 31 December 2010	**3 471**	**0**	**1 160**	**370**	**5 001**

1) *See note 40 for information regarding goodwill and intangible assets with an indefinite useful life.*
2) *Software expenses recorded in the balance sheet are depreciated according to the straight line principle over their expected useful life, usually five years.*
3) *Sundry intangible assets mainly comprise IT software and excess values relating to customer contracts and distributor networks. Sundry intangible assets are depreciated according to the straight line principle over the assets' expected useful lives, which range from three to ten years.*
4) *The banking group's investment in Nordisk Tekstil Holding AS is reported as an investment held for sale, and the value of the "KID" brand is presented under "Operations and non-current assets held for sale" in the balance sheet. The investment was valued at NOK 559 million at year-end 2010 and was not subject to depreciation or impairment in 2010.*
5) *For some time, DnB NORD has been working on developing new IT solutions for its operations. Due to significant changes in framework conditions and in the assumptions underlying the project, a new implementation plan and updated cost estimates were worked out, whereby the IT solutions were impaired by EUR 43 million in the second quarter of 2010, the equivalent of NOK 346 million.*

Note 40 Goodwill and intangible assets with an indefinite useful life

The DnB NOR Bank Group continually reviews whether the value of recorded goodwill and other intangible assets with an indefinite useful life is intact, and a complete impairment test of all cash-generating units is performed at least once a year. In the DnB NOR Bank Group's balance sheet, the individual goodwill items and intangible assets with an indefinite useful life are allocated to cash-generating units according to which units benefit from the acquired asset. The cash-generating unit is chosen based on considerations relating to where it is possible to identify and distinguish cash flows related to the unit. A cash-generating unit may record goodwill from several transactions, and an impairment test is then performed on the total goodwill entered in the accounts in the cash-generating unit.

Testing of values and key assumptions used in value in use calculations

Impairment testing of capitalised values is done by discounting expected future cash flows from the unit. The assessments are based on value in use of the cash-generating units. The value in use represents the sum total of the estimated present value of expected cash flows for the plan period and projected cash flows after the plan period. Cash flows for the plan period normally have a three-year perspective based on budgets and plans approved by management. It must be possible to prove that budgets and plans based on past performance in the relevant unit are realistic. In the medium term, projections beyond the plan period are based on the expected economic growth rate for the cash-generating units. In the long-term an annual growth of 2.5 per cent is anticipated, which equals the expected long-term inflation rate. When a deviating long-term growth rate is used for cash-generating units, an explanation is provided in the description below.

The discount rate is based on an assessment of the market's required rate of return for the type of activity performed in the cash-generating unit. This required rate of return reflects the risk of operations. Impairment tests are generally performed on cash flows after tax in order to be able to directly employ the market's required rate of return. If the test shows that there may be a need for impairment, an assessment is also made of the pre-tax value of the cash flows. In assessments for the 2010 accounting year, a discount rate based on an adjusted capital asset pricing model has been used wish a risk-free interest rate corresponding to the 10-year government bond yield in the unit's home market plus a 4.5 per cent risk premium. Beta values are estimated for each cash-generating unit. For units in countries outside the Nordic region, such as the Baltic States, Poland and Russia, the discount rate is adjusted for country risk.

For units where recorded goodwill approximates the estimated value in use, DnB NOR has carried out sensitivity analyses. These consider whether a change of key assumptions used in valuations of a unit would result in its capitalised value exceeding its value in use.

Goodwill and intangible assets with an indefinite useful life

DnB NOR Bank ASA		Goodwill	DnB NOR Bank Group	
Recorded 31 Dec. 2009	Recorded 31 Dec. 2010	Unit	Recorded 31 Dec. 2010	Recorded 31 Dec. 2009
		DnB NORD [1]	218	223
987	987	Retail Banking - parent bank	987	987
502	502	Cresco	502	502
		Nordlandsbanken	478	478
	365	DnB NOR Finans - Car financing in Norway [2]	365	365
	344	DnB NOR Finans - Car financing in Sweden [2]	344	319
		Svensk Fastighetsförmedling AB	0	188
		SalusAnsvar	231	215
161	221	Other	346	328
1 650	2 419	Total goodwill	3 471	3 605

DnB NOR Bank ASA		Intangible assets with an indefinite useful life	DnB NOR Bank Group	
Recorded 31 Dec. 2009	Recorded 31 Dec. 2010	Unit	Recorded 31 Dec. 2010	Recorded 31 Dec. 2009
51	0	Postbanken	0	51

1) DnB NOR Bank's share of recorded goodwill in DnB NORD is 51 per cent.
2) DnB NOR Finans was merged into DnB NOR ASA in 2010.

Note 40 Goodwill and intangible assets with an indefinite useful life (continued)

DnB NORD

DnB NORD was established in 2005 and thus took over NORD/LB's existing subsidiaries in the Baltic States and Poland. Recorded goodwill in DnB NORD stems from the establishment and from the acquisition of BISE Bank in Poland in 2007. Goodwill related to operations in the Baltic region has been impaired to nil. Goodwill recorded by DnB NOR represents 51 per cent of recorded goodwill in DnB NORD, also after DnB NOR's acquisition of the remaining shares in DnB NORD. Key assumptions for cash flows during the plan period are expected growth, developments in funding costs and margins and the level of write-downs on loans. DnB NORD has prepared specific plans for the period up until 2019 which are used in the impairment tests. A required rate of return of 10.8 per cent after tax was used, corresponding to around 13.2 per cent before tax.

Retail Banking – parent bank

The unit encompasses banking operations (loans and deposits) in the regional network in Norway, excluding Nordlandsbanken and Postbanken, and recorded goodwill mainly represents goodwill from the merger between DnB and Gjensidige NOR and some goodwill from previously acquired offices in Gjensidige NOR. Key assumptions for cash flows during the plan period are developments in margins, volumes and write-downs on loans. A required rate of return corresponding to 10.9 per cent before tax has been used.

Cresco

The unit encompasses external distribution of credit cards under the Cresco brand. Goodwill stems from the merger between DnB and Gjensidige NOR and the previous acquisition premium from the acquisition of Gjensidige Bank's credit card portfolio. Key assumptions for cash flows during the plan period are developments in margins, volumes and write-downs on loans. A required rate of return corresponding to 11.6 per cent before tax has been used.

Nordlandsbanken

The unit encompasses banking operations (loans and deposits) in Nordlandsbanken. Goodwill represents the acquisition premium from the acquisition of Nordlandsbanken. Nordlandsbanken remains a separate company in the DnB NOR Bank Group and is a logical cash-generating unit. Key assumptions for cash flows during the plan period are developments in margins, volumes and write-downs on loans. A required rate of return corresponding to 8.5 per cent before tax has been used.

DnB NOR Finans – Car financing in Norway

The unit encompasses DnB NOR car financing operations in Norway, and goodwill stems from DnB NOR acquisition of SkandiaBanken Bilfinans' operations in Norway with effect from 2008. Critical assumptions for cash flows during the plan period are car sales figures in Norway and DnB NOR Finans' ability to retain customer relations with important car dealers, along with long-term margin developments and the level of write-downs on loans. A required rate of return corresponding to 11.3 per cent before tax has been used.

DnB NOR Finans – Car financing in Sweden

The unit encompasses DnB NOR Finans' car financing operations and leasing portfolio in Sweden. Goodwill stems from the previous acquisition of leasing portfolios and operations within vendor-based car financing in Sweden, and from the acquisition of SkandiaBanken's car financing operations in Sweden in 2008. For 2008, the respective acquired operations were classified as separate cash-generating units, but from 2009, operations in Sweden are integrated and followed up as one cash-generating unit. Key assumptions for cash flows are car sales figures in Sweden and DnB NOR Finans' ability to retain customer relations with important car dealers, along with long-term margin developments and the level of write-downs on loans. A required rate of return corresponding to 14.1 per cent before tax has been used.

SalusAnsvar

In 2007, DnB NOR acquired 96 per cent of the shares in SalusAnsvar, which is an independent distributor of life and pension insurance, non-life insurance and banking products to members of associations and trade unions in Sweden. The remaining 4 per cent of the shares was acquired in 2008. Key assumptions for cash flows during the plan period are developments in the sales volume of insurance and banking products. A required rate of return corresponding to 13.2 per cent before tax has been used.

Note 40 Goodwill and intangible assets with an indefinite useful life (continued)

Recorded impairment losses

Impairment losses per unit	DnB NOR Bank Group	
Amounts in NOK million	2010	2009
Svensk Fastighetsförmedling AB	194	99
Brand name Postbanken	51	0
SalusAnsvar	0	102
DnB NORD [1)]	0	529
Total impairment losses on intangible assets	245	730

1) *DnB NOR Bank's share of impairment losses for DnB NORD.*

Svensk Fastighetsförmedling AB

Recorded goodwill for Svensk Fastighetsförmedling AB including the housing loan portfolio in Sweden was SEK 232 million at year-end 2009. Svensk Fastighetsförmedling provides real estate brokerage services in Sweden and was acquired in the second quarter of 2007. In consequence of a revised strategy in Sweden, it has been decided to discontinue the sale of housing loans from DnB NOR in Sweden. The remaining goodwill, the equivalent of NOK 194 million, was thus impaired to nil in the second quarter of 2010. A required rate of return of 9.0 per cent after tax was used in the evaluation, which corresponds to approximately 10.8 per cent before tax. Impairment losses were also recorded in 2009, representing NOK 99 million. The cash-generating unit is included in the Retail Banking business area, see note 3 Segments.

Postbanken brand

The recorded value of the brand stems from the merger between DnB NOR and Postbanken in 1999. DnB NOR has decided to integrate Postbanken and DnB NOR, whereby the Postbanken brand will be phased out. In consequence of the decision, the remaining value of the brand, NOK 51 million, was impaired in its entirety in the second quarter of 2010.

SalusAnsvar

Goodwill relating to SalusAnsvar totalled SEK 266 million, the equivalent of NOK 231 million, at year-end 2010. DnB NOR has changed its strategy for these operations, whereby SalusAnsvar has now been given more independent responsibility for its strategic direction. The company showed a positive development in 2010, and no impairment losses relating to the company were identified for 2010, but the test is sensitive to changes in key assumptions. In 2009, impairment losses of SEK 124 million, the equivalent of NOK 102 million, were recorded. The cash-generating unit is included in the Retail Banking business area, see note 3 Segments.

DnB NORD

DnB NORD's recorded goodwill relates to operations in Poland and represented EUR 52.7 million or NOK 428 million at end-December 2010, of which DnB NOR recorded 51 per cent or NOK 218 million. DnB NORD has prepared plans covering the period up till 2019, which have been used in the impairment test. The cash flows are based on financial plans approved by DnB NORD's Board of Directors. The unit has shown low operational profitability, but Poland has a relatively strong economy, and the situation with respect to write-downs on loans is better than in the Baltic States. DnB NORD has initiated measures to reduce costs and increase income. Combined with relatively strong annual growth in net lending of 23 per cent during the plan period, these measures are gradually expected to increase profitability. Long-term growth is estimated at 3 per cent. The test did not identify further impairment losses relating to the unit for 2010, but the test is sensitive to changes in key assumptions. In 2009, the test identified an impairment loss of EUR 35.3 million, the equivalent of NOK 311 million, relating to DnB NORD's operations in Poland, of which DnB NOR's share was NOK 159 million. During 2009, recorded goodwill in DnB NORD relating to operations in Lithuania, Latvia and Estonia was impaired to nil. The write-down of acquisition costs and DnB NOR's share of impairment losses for goodwill in DnB NORD gave an overall cost of NOK 529 million in DnB NOR's accounts for 2009. The cash-generating unit is included in the DnB NORD profit centre, see note 3 Segments.

Note 41 Fixed assets

Amounts in NOK million	DnB NOR Bank ASA 31 Dec. 2010	31 Dec. 2009
Bank buildings and other properties	93	64
Machinery, equipment and vehicles	4 896	750
Other fixed assets	15	3
Total fixed assets	**5 004**	**817**

Amounts in NOK million	DnB NOR Bank ASA Bank buildings and other properties	Machinery, equipment and vehicles [1)]	Total [2)]
Recorded value as at 31 December 2008	50	794	843
Additions	21	245	266
Additions from the aquisition/establishment of other companies			
Fixed assets, reclassified as held for sale			
Depreciation [3)]	5	251	255
Impairment			
Disposals	0	33	33
Exchange rate movements	(2)	(6)	(8)
Recorded value as at 31 December 2009	64	750	813
Original cost	92	2 944	3 036
Total depreciation and impairment	28	2 194	2 223
Recorded value as at 31 December 2009	64	750	813
Additions	35	2 045	2 080
Additions from the aquisition/establishment of other companies [4)]		3 749	3 749
Fixed assets, reclassified as held for sale			
Depreciation [3)]	5	995	1 001
Impairment			
Disposals		649	649
Exchange rate movements		(3)	(3)
Recorded value as at 31 December 2010	93	4 896	4 989
Original cost	126	10 215	10 341
Total depreciation and impairment	33	5 318	5 351
Recorded value as at 31 December 2010	93	4 897	4 989

DnB NOR Bank ASA has not furnished security for loans/funding of fixed assets, including property.

1) *Including computer equipment and related software.*
2) *The total does not include "Other fixed assets".*
3) *Based on cost less any residual value, other assets are subject to straight-line depreciation over their expected useful life within the following limits:*

Technical installations	*10*	*years*
Machinery	*3-10*	*years*
Fixtures and fittings	*5-10*	*years*
Computer equipment	*3-5*	*years*
Means of transport	*5-7*	*years*

4) *DnB NOR Finans was merged with DnB NOR Bank ASA on 1 September 2010 with accounting effect from 1 January 2010.*

Note 41 Fixed assets (continued)

Amounts in NOK million	DnB NOR Bank Group 31 Dec. 2010	31 Dec. 2009
Bank buildings and other properties	554	506
Machinery, equipment and vehicles	5 101	4 813
Other fixed assets	112	115
Total fixed assets	**5 767**	**5 434**

DnB NOR Bank Group

Amounts in NOK million	Bank buildings and other properties	Machinery, equipment and vehicles [1)]	Total [2)]
Recorded value as at 31 December 2008	569	4 522	5 092
Additions	185	1 790	1 975
Additions from the aquisition/establishment of other companies			
Fixed assets, reclassified as held for sale			
Depreciation [3)]	29	962	991
Impairment			
Disposals	161	469	631
Exchange rate movements	(59)	(68)	(127)
Recorded value as at 31 December 2009	506	4 813	5 319
Original cost	632	10 413	9 294
Total depreciation and impairment	126	5 600	3 976
Recorded value as at 31 December 2009	506	4 813	5 319
Additions	309	2 107	2 416
Additions from the aquisition/establishment of other companies			
Fixed assets, reclassified as held for sale			
Depreciation [3)]	17	1 092	1 109
Impairment			
Disposals	220	714	934
Exchange rate movements	(24)	(12)	(36)
Recorded value as at 31 December 2010	554	5 101	5 655
Original cost	693	10 999	11 693
Total depreciation and impairment	139	5 898	6 037
Recorded value as at 31 December 2010	554	5 101	5 655

DnB NOR Bank Group has not furnished security for loans/funding of fixed assets, including property.

1) *Including computer equipment and related software.*
2) *The total does not include "Other fixed assets".*
3) *Based on cost less any residual value, other assets are subject to straight-line depreciation over their expected useful life within the following limits:*

Technical installations	*10*	*years*
Machinery	*3-10*	*years*
Fixtures and fittings	*5-10*	*years*
Computer equipment	*3-5*	*years*
Means of transport	*5-7*	*years*

Note 42 Leasing

DnB NOR Bank ASA		Financial leases (as lessor) [1]	DnB NOR Bank Group	
31 Dec. 2009	31 Dec. 2010	*Amounts in NOK million*	31 Dec. 2010	31 Dec. 2009
		Gross investment in the lease		
0	8 358	Due within 1 year	9 622	8 126
0	21 316	Due in 1-5 years	23 199	25 099
0	2 188	Due in more than 5 years	2 244	2 900
0	31 863	Total gross investment in the lease	35 065	36 126
		Present value of minimum lease payments		
0	8 098	Due within 1 year	9 170	7 775
0	17 156	Due in 1-5 years	18 838	20 674
0	1 451	Due in more than 5 years	1 501	1 975
0	26 705	Total present value of lease payments	29 509	30 425
0	5 158	Unearned financial income	5 556	5 701
0	46	Unguaranteed residual values accruing to the lessor	46	38
0	1 356	Accumulated loan-loss provisions	1 529	759
0	37	Variable lease payments recognised as income during the period	115	133

DnB NOR Bank ASA		Operational leases (as lessor) [1]	DnB NOR Bank Group	
31 Dec. 2009	31 Dec. 2010	*Amounts in NOK million*	31 Dec. 2010	31 Dec. 2009
		Future minimum lease payments under non-cancellable leases		
7	268	Due within 1 year	269	80
2	1 338	Due in 1-5 years	1 338	1 042
0	22	Due in more than 5 years	22	35
9	1 627	Total future minimum lease payments under non-cancellable leases	1 628	1 158

DnB NOR Bank ASA		Operational leases (as lessee)	DnB NOR Bank Group	
31 Dec. 2009	31 Dec. 2010	*Amounts in NOK million*	31 Dec. 2010	31 Dec. 2009
		Minimum future lease payments under non-cancellable leases		
66	84	Due within 1 year	102	91
932	988	Due in 1-5 years	1 148	1 022
7 517	7 177	Due in more than 5 years	7 224	7 611
8 514	8 248	Total minimum future lease payments under non-cancellable leases	8 475	8 724
466	403	Total minimum future sublease payments expected to be received under non-cancellable subleases	154	154
		Leases recognised as an expense during the period		
804	809	Minimum lease payments	846	815
0	0	Variable lease payments	0	0
804	809	Total leases recognised as an expense during the period	846	815
17	11	Impairment on leases	11	17

1) *DnB NOR Finans was merged with DnB NOR Bank ASA on 1 September 2010 with accounting effect from 1 January 2010.*

Financial leases (as lessor)
The DnB NOR Bank Group's financial leasing operations apply to DnB NOR Bank ASA and DnB NORD in Poland and the Baltic States.

Operational leases (as lessor)
Comprises operational leasing operations in DnB NOR Bank ASA and DnB NORD in Poland.

Operational leases (as lessee)
Mainly comprises premises leased by DnB NOR Bank ASA. The strong growth in contractual minimum lease payments which are due in more than five years must be seen in conjunction with the agreement to lease new headquarters in Bjørvika in Oslo, which will be ready in 2012.

Note 43 Other assets

DnB NOR Bank ASA			DnB NOR Bank Group	
31 Dec. 2009	31 Dec. 2010	*Amounts in NOK million*	31 Dec. 2010	31 Dec. 2009
641	1 717	Accrued expenses and prepaid revenues	1 713	953
730	1 363	Amounts outstanding on documentary credits and other payment services	1 374	744
920	955	Unsettled contract notes	983	970
3 855	5 297	Other amounts outstanding [1]	4 412	4 846
6 146	**9 332**	**Total other assets [2]**	**8 482**	**7 513**

1) DnB NOR Bank ASA had outstanding group contributions totaling NOK 1 652 million as at 31 December 2010.
2) Other assets are generally of a short-term nature.

Note 44 Deposits from customers for principal sectors [1]

DnB NOR Bank ASA			DnB NOR Bank Group	
31 Dec. 2009	31 Dec. 2010	*Amounts in NOK million*	31 Dec. 2010	31 Dec. 2009
216 620	229 243	Retail customers	247 241	234 199
48 307	60 499	International shipping	60 543	48 335
28 916	30 400	Real estate	32 556	30 192
19 927	19 916	Manufacturing	21 980	21 115
87 831	99 468	Services	104 608	92 729
26 650	32 526	Trade	34 826	28 102
26 007	21 967	Oil and gas	22 236	26 011
25 339	21 836	Transportation and communication	23 117	26 255
12 059	13 134	Building and construction	15 085	13 652
10 108	22 029	Power and water supply	24 255	11 521
2 864	3 914	Seafood	4 961	3 442
1 658	1 728	Hotels and restaurants	1 838	1 782
2 117	2 184	Agriculture and forestry	2 986	2 665
16 049	19 527	Central and local government	20 473	17 160
56 131	45 585	Finance	46 585	56 015
580 583	623 956	Total deposits from customers, nominal amount	663 289	613 173
330	632	Adjustments	723	454
580 913	**624 588**	**Deposits from customers**	**664 012**	**613 627**

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

Note 45 Debt securities issued

	DnB NOR Bank ASA	
Amounts in NOK million	31 Dec. 2010	31 Dec. 2009
Commercial paper issued, nominal amount	153 910	167 989
Bond debt, nominal amount [1)]	183 140	224 418
Adjustments	5 711	5 824
Total debt securities issued	**342 761**	**398 231**

Changes in debt securities issued

DnB NOR Bank ASA

Amounts in NOK million	Balance sheet 31 Dec. 2010	Issued 2010	Matured/ redeemed 2010	Exchange rate movements 2010	Other adjustments 2010	Balance sheet 31 Dec. 2009
Commercial paper issued, nominal amount	153 910	153 910	167 989	0		167 989
Bond debt, nominal amount [1)]	183 140	27 397	63 279	(5 396)		224 418
Adjustments	5 711				(113)	5 824
Total debt securities issued	**342 761**	**181 307**	**231 268**	**(5 396)**	**(113)**	**398 231**

Maturity of debt securities issued recorded at amortised cost as at 31 December 2010 [1) 2)]

DnB NOR Bank ASA

Amounts in NOK million	NOK	Foreign currency	Total
2011	0	53 229	53 229
2012	0	19 578	19 578
2013	0	19 977	19 977
2014	0	37 062	37 062
2015	0	7 430	7 430
2016	0	7 354	7 354
2017 and later	0	19 458	19 458
Total bond debt, recorded at amortised cost, nominal amount	0	164 088	164 088

Maturity of debt securities issued recorded at fair value as at 31 December 2010 [1)]

DnB NOR Bank ASA

Amounts in NOK million	NOK	Foreign currency	Total
2011	6	153 904	153 910
Total commercial paper issued, nominal amount	6	153 904	153 910
2011	5 149	0	5 149
2012	1 296	0	1 296
2013	1 809	0	1 809
2014	10 296	0	10 296
2015	4	0	4
2016	0	0	0
2017 and later	497	0	497
Total bond debt, nominal amount	19 052	0	19 052
Total debt securities issued recorded at fair value, nominal amount	19 058	153 904	172 962
Adjustments	1 074	4 637	5 711
Debt securities issued	20 132	322 629	342 761

1) *Minus own bonds.*
2) *Includes hedged items.*

Note 45 Debt securities issued (continued)

	DnB NOR Bank Group	
Amounts in NOK million	31 Dec. 2010	31 Dec. 2009
Commercial paper issued, nominal amount	153 934	168 028
Bond debt, nominal amount [1]	344 392	319 917
Adjustments	11 122	12 962
Total debt securities issued	**509 447**	**500 907**

Changes in debt securities issued

	DnB NOR Bank Group					
Amounts in NOK million	Balance sheet 31 Dec. 2010	Issued 2010	Matured/ redeemed 2010	Exchange rate movements 2010	Other adjustments 2010	Balance sheet 31 Dec. 2009
Commercial paper issued, nominal amount	153 934	153 934	168 028	0		168 028
Bond debt, nominal amount [1]	344 392	124 303	88 985	(10 844)		319 917
Adjustments	11 122				(1 840)	12 962
Total debt securities issued	**509 447**	**278 237**	**257 013**	**(10 844)**	**(1 840)**	**500 907**

Maturity of debt securities issued recorded at amortised cost as at 31 December 2010 [1] [2]

	DnB NOR Bank Group		
Amounts in NOK million	NOK	Foreign currency	Total
2011	0	24	24
Total commercial paper issued, nominal amount	0	24	24
2011	0	70 316	70 316
2012	0	32 941	32 941
2013	0	36 624	36 624
2014	0	37 062	37 062
2015	0	45 719	45 719
2016	0	10 555	10 555
2017 and later	0	73 563	73 563
Total bond debt, recorded at amortised cost, nominal amount	0	306 782	306 782
Total debt securities issued recorded at amortised cost, nominal amount	0	306 805	306 805

Maturity of debt securities issued recorded at fair value as at 31 December 2010 [1]

	DnB NOR Bank Group		
Amounts in NOK million	NOK	Foreign currency	Total
2011	6	153 904	153 910
Total commercial paper issued, nominal amount	6	153 904	153 910
2011	5 149	7	5 156
2012	1 296	0	1 296
2013	1 809	0	1 809
2014	17 786	0	17 786
2015	5 494	0	5 494
2016	663	0	663
2017 and later	5 405	0	5 405
Total bond debt, nominal amount	37 603	7	37 610
Total debt securities issued recorded at fair value, nominal amount	37 609	153 911	191 520
Adjustments	2 265	8 857	11 122
Debt securities issued	39 874	469 574	509 447

1) *Minus own bonds. Outstanding covered bonds in DnB NOR Boligkreditt totalled NOK 285.9 billion as at 31 December 2010. The cover pool represented NOK 395.4 billion.*
2) *Includes hedged items.*

Note 46 Subordinated loan capital and perpetual subordinated loan capital securities

	DnB NOR Bank ASA	
	31 Dec.	31 Dec.
Amounts in NOK million	2010	2009
Term subordinated loan capital, nominal amount	17 085	21 111
Perpetual subordinated loan capital, nominal amount	7 004	6 830
Perpetual subordinated loan capital securities, nominal amount [1)]	8 241	8 468
Adjustments	1 056	1 277
Total subordinated loan capital and perpetual subordinated loan capital securities	**33 386**	**37 686**

Changes in subordinated loan capital and perpetual subordinated loan capital securities

					DnB NOR Bank ASA	
			Matured/	Exchange rate	Other	
	Balance sheet	Issued	redeemed	movements	adjustments	Balance sheet
Amounts in NOK million	31 Dec. 2010	2010	2010	2010	2010	31 Dec. 2009
Term subordinated loan capital, nominal amount	17 085		3 522	(504)		21 111
Perpetual subordinated loan capital, nominal amount	7 004			173		6 830
Perpetual subordinated loan capital securities, nominal amount [1)]	8 241			(227)		8 468
Adjustments	1 056				(221)	1 277
Total subordinated loan capital and perpetual subordinated loan capital securities	**33 386**	**0**	**3 522**	**(558)**	**(221)**	**37 686**

						DnB NOR Bank ASA
	Recorded value in					Recorded value
Year raised	foreign currency		Interest rate	Maturity	Call date	in NOK
Term subordinated loan capital						
2004	EUR	200	3-month EURIBOR + 0.30%	2016	2011	1 563
2006	EUR	500	3-month EURIBOR + 0.20%	2017	2012	3 907
2006	USD	500	3-month LIBOR + 0.23%	2016	2011	2 923
2007	GBP	150	6.52% p.a.	2017	2012	1 358
2008	GBP	250	6.17% p.a.	2018	2013	2 263
2008	NOK	1 200	3-month NIBOR + 1.60%	2018	2013	1 200
2008	NOK	250	7.60% p.a.	2018	2013	250
2008	GBP	400	7.25% p.a.	2020	2015	3 621
Total, nominal amount						17 085
Perpetual subordinated loan capital						
1985	USD	215	3-month LIBOR + 0.25%			1 257
1986	USD	150	6-month LIBOR + 0.15%			877
1986	USD	200	6-month LIBOR + 0.13%			1 169
1996	JPY	3 000	4.00% p.a.		2011	216
1996	JPY	7 000	4.00% p.a.		2011	503
1999	JPY	10 000	4.51% p.a.		2029	719
2006	GBP	250	4.88% p.a.		2011	2 263
Total, nominal amount						7 004
Perpetual subordinated loan capital securities [1)]						
2001	USD	400	7.73% p.a.		2011	2 338
2002	EUR	350	7.07% p.a.		2012	2 735
2007	GBP	350	6.01% p.a.		2017	3 168
Total, nominal amount						8 241

1) *Perpetual subordinated loan capital securities are eligible for inclusion in core capital by an amount not exceeding 15 per cent of total core capital. Finanstilsynet may require the securities to be written down proportionally to equity if the bank's core capital ratio falls below 5 per cent or capital adequacy ratio falls below 6 per cent. Amounts written down on the securities must be revalued before the distribution of dividends to shareholders or revaluation of equity.*

Note 46 Subordinated loan capital and perpetual subordinated loan capital securities (continued)

	DnB NOR Bank Group	
Amounts in NOK million	31 Dec. 2010	31 Dec. 2009
Term subordinated loan capital, nominal amount	17 167	22 455
Perpetual subordinated loan capital, nominal amount	7 005	6 830
Perpetual subordinated loan capital securities, nominal amount [1]	8 241	8 468
Adjustments	1 060	1 297
Total subordinated loan capital and perpetual subordinated loan capital securities	**33 474**	**39 051**

Changes in subordinated loan capital and perpetual subordinated loan capital securities

					DnB NOR Bank Group	
Amounts in NOK million	Balance sheet 31 Dec. 2010	Issued 2010	Matured/ redeemed 2010	Exchange rate movements 2010	Other adjustments 2010	Balance sheet 31 Dec. 2009
Term subordinated loan capital, nominal amount	17 167		4 704	(583)		22 455
Perpetual subordinated loan capital, nominal amount	7 005			175		6 830
Perpetual subordinated loan capital securities, nominal amount [1]	8 241			(227)		8 468
Adjustments	1 060				(237)	1 297
Total subordinated loan capital and perpetual subordinated loan capital securities	**33 474**	**0**	**4 704**	**(636)**	**(237)**	**39 051**

						DnB NOR Bank Group
Year raised	Recorded value in foreign currency		Interest rate	Maturity	Call date	Recorded value in NOK
Term subordinated loan capital						
2004	EUR	11	6-month EURIBOR + 2.40%	2014	2009	86
2004	EUR	200	3-month EURIBOR + 0.30%	2016	2011	1 563
2006	EUR	500	3-month EURIBOR + 0.20%	2017	2012	3 907
2006	USD	500	3-month LIBOR + 0.23%	2016	2011	2 923
2007	GBP	150	6.52% p.a.	2017	2012	1 358
2008	GBP	250	6.17% p.a.	2018	2013	2 263
2008	NOK	1 200	3-month NIBOR + 1.60%	2018	2013	1 200
2008	NOK	250	7.60% p.a.	2018	2013	250
2008	GBP	400	7.25% p.a.	2020	2015	3 621
Other						(3)
Total, nominal amount						17 167
Perpetual subordinated loan capital						
1985	USD	215	3-month LIBOR + 0.25%			1 257
1986	USD	150	6-month LIBOR + 0.15%			877
1986	USD	200	6-month LIBOR + 0.13%			1 169
1996	JPY	3 000	4.00% p.a.		2011	216
1996	JPY	7 000	4.00% p.a.		2011	503
1999	JPY	10 000	4.51% p.a.		2029	719
2006	GBP	250	4.88% p.a.		2011	2 263
Other						1
Total, nominal amount						7 005
Perpetual subordinated loan capital securities [1]						
2001	USD	400	7.73% p.a.		2011	2 338
2002	EUR	350	7.07% p.a.		2012	2 735
2007	GBP	350	6.01% p.a.		2017	3 168
Total, nominal amount						8 241

1) *Perpetual subordinated loan capital securities are eligible for inclusion in core capital by an amount not exceeding 15 per cent of total core capital. Finanstilsynet may require the securities to be written down proportionally to equity if the bank's core capital ratio falls below 5 per cent or capital adequacy ratio falls below 6 per cent. Amounts written down on the securities must be revalued before the distribution of dividends to shareholders or revaluation of equity.*

Note 47 Provisions

Amounts in NOK million	DnB NOR Bank ASA Issued financial guarantees	 Other provisions	 Total provisions [1]
Recorded value as at 31 December 2009	**252**	**487**	**739**
New provisions, recorded in the accounts	24	349	374
Amounts used	0	241	241
Reversals of unutilised provisions	122	43	164
Other changes	0	2	2
Recorded value as at 31 December 2010	**155**	**554**	**709**

1) *Provisions which are assumed to be settled after 12 months totalled NOK 323 million as at 31 December 2010.*

Amounts in NOK million	DnB NOR Bank Group Issued financial guarantees	 Other provisions	 Total provisions [1]
Recorded value as at 31 December 2009	**303**	**544**	**847**
New provisions, recorded in the accounts	28	509	536
Amounts used	3	275	278
Reversals of unutilised provisions	127	43	170
Other changes	(5)	(5)	(10)
Recorded value as at 31 December 2010	**195**	**730**	**925**

1) *Provisions which are assumed to be settled after 12 months totalled NOK 376 million as at 31 December 2010.*

Note 48 Other liabilities

DnB NOR Bank ASA 31 Dec. 2009	 31 Dec. 2010	*Amounts in NOK million*	DnB NOR Bank Group 31 Dec. 2010	 31 Dec. 2009
402	2 624	Short-term funding	2 624	638
2 731	2 905	Accrued expenses and prepaid revenues	3 163	3 346
0	126	Liabilities related to factoring	126	102
662	1 719	Documentary credits, cheques and other payment services	1 729	682
1 766	1 892	Unsettled contract notes	1 892	1 766
5 208	8 333	Group contribution/dividends	-	-
262	468	Accounts payable	659	484
1 831	2 238	Other liabilities	2 818	2 820
12 863	**20 304**	**Total other liabilities [1]**	**13 009**	**9 839**

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

Note 49 Remunerations etc.

Pursuant to Section 6-16a of the Norwegian Public Limited Companies Act, the Board of Directors will present the following remuneration guidelines to the Annual General Meeting:

"The Board of Directors' statement on the stipulation of salaries and other remunerations to senior executives
DnB NOR'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 remunerations 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 no resolution entailing changes to the principles for the stipulation of remunerations compared with statements presented previously.

Decision-making process
The Board of Directors in DnB NOR ASA has established a compensation committee consisting of three members: the chairman of the Board, the vice-chairman and one board member.

The Compensation Committee prepares matters for the Board of Directors and has the following main responsibilities:

- Annually evaluate and present its recommendations regarding the total remuneration awarded to the group chief executive
- Annually prepare a recommendation for the group chief executive's score card
- Based on suggestions from the group chief executive, decide the remuneration and other key benefits awarded to the group executive vice president, Group Audit
- Act in an advisory capacity to the group chief executive regarding remunerations and other key benefits for members of the group management team and, when applicable, for others who report to the group chief executive
- Consider other matters as decided by the Board of Directors and/or the Compensation Committee
- Evaluate other personnel-related issues which can be assumed to entail great risk to the Group's reputation

A. Guidelines for the coming accounting year

<u>Remuneration to the group chief executive</u>
The total remuneration to the group chief executive consists of fixed salary (main element), benefits in kind, variable salary, and pension and insurance schemes. The total remuneration is determined based on a total evaluation, and the variable part of the salary is primarily based on the following elements: financial risk-adjusted profits, customer satisfaction and the DnB NOR Group's reputation. In addition, the total evaluation will also reflect compliance with the Group's vision, values, code of ethics and leadership principles. The new regulations on remuneration schemes in the financial services industry and the appurtenant guidelines in a circular from Finanstilsynet will be taken into consideration with respect to remunerations for 2011.

The fixed salary is subject to an annual evaluation and is determined based on general salary levels in the labour market and especially in the financial industry.

Variable salary to the group chief executive is determined based on specific performance measurements of defined target areas stipulated in the group chief executive's score card and an overall assessment. Variable salary cannot exceed 50 per cent of fixed salary. The group chief executive is not awarded performance-based payments other than the stated bonus.

In addition to variable salary, the group chief executive can be granted benefits in kind such as company car, newspapers/periodicals and telephone schemes. Benefits in kind should be relevant to the group chief executive's function or in line with market practice, and should not be significant relative to the group chief executive's fixed salary.

The Board of Directors will respect the agreement entered into with the group chief executive, whereby his retirement age is 60 years with a pension representing 70 per cent of fixed salary. If employment is terminated prior to the age of 60, the pension will be paid from the age of 60 with the deduction of 1/14 of the pension amount for each full year remaining to his 60th birthday. According to the agreement, the group chief executive is entitled to a termination payment for two years if employment is terminated prior to the age of 60. If, during this period, the group chief executive receives income from other employment, the termination payment will be reduced by an amount corresponding to the salary received from this employment. Benefits in kind will be maintained for a period of three months.

<u>Remuneration to other senior executives</u>
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 must neither pose a threat to DnB NOR's reputation nor be market-leading, but should ensure that DnB NOR attracts and retains senior executives with the desired skills and experience.

The fixed salary is subject to an annual evaluation and is determined based on general salary levels in the labour market and especially in the financial industry.

Benefits in kind may be offered to senior executives to the extent the benefits have a relevant connection to the employee's function in the Group or are in line with market practice. The benefits should not be significant relative to the employee's fixed salary.

<u>Implementation of regulations on remuneration schemes in the financial services industry</u>
DnB NOR will work on the implementation and follow-up of the regulations through and beyond 2011. The Group will prepare revised group remuneration guidelines to ensure compliance with the regulations and appurtenant guidelines. The regulations will be implemented in the organisation in accordance with the provisions of the regulations and guidelines in a manner which ensures that the Group's practices safeguard DnB NOR's reputation.

Note 49 Remunerations etc. (continued)

There will be challenges of a legal nature related to the Group's international branches and subsidiaries, as the Norwegian regulations and guidelines will not always correspond to local legislation and local rules concerning remunerations in financial institutions. In such cases, the Group will seek advice from Finanstilsynet and international experts to ensure that the Group's practices are in compliance with both Norwegian and local regulations concerning remuneration in financial institutions.

Variable salary is based on specific performance measurements of defined target areas stipulated in the executive's score card and an overall assessment reflecting compliance with the Group's vision, values, code of ethics and leadership principles. The scheme should be performance-based without exposing the Group to unwanted risk, nor should the scheme pose a threat to DnB NOR's reputation. Variable salary (bonus) cannot exceed 50 per cent of fixed salary.

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 NOR'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 pension scheme for all employees, defined benefit 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 NOR Group will honour existing agreements. A defined contribution scheme was established for the Group with effect from 1 January 2011, whereby pensionable income will be limited to 12 times the National Insurance basic amount. Parallel to this, the Group's defined benefit pension scheme was closed for new members as from 31 December 2010. Senior executives who are covered by the defined benefit scheme will be given the opportunity to transfer to defined contribution pensions.

As a main rule, no termination payment agreements will be signed. However, the Group will honour existing agreements.

When entering into new agreements, the guidelines generally apply and comprise all senior executives.

See table of remunerations for senior executives below.

B. Binding guidelines for shares, subscription rights, options etc. for the coming accounting year

An amount corresponding to 50 per cent of the earned variable salary of the group chief executive and senior executives is invested in shares in DnB NOR ASA. The minimum holding periods are one year for one-third of the shares, two years for one-third of the shares and three years for the final one-third of the shares. Guidelines for the shareholdings have been established for 2011.

No additional shares, subscription rights, options or other forms of remuneration only linked to shares or only to developments in the share price of the company or other companies within the Group, will be awarded to the group chief executive or senior executives. The group chief executive and senior executives are, however, given the opportunity to participate in a share subscription scheme on the same terms as other employees in the DnB NOR Group.

C. Statement on the senior executive salary policy in the previous account year

As in previous years, the performance-based pay agreement for 2010 for the head of DnB NOR Markets deviates from the model used for the other group executive vice presidents. The agreement has a higher maximum limit.

In all other respects, the guidelines determined for 2010 have been followed.

D. Statement on the effects for the company and the shareholders of remuneration agreements awarding shares, subscription rights, options etc.

An amount corresponding to 20 per cent of the gross variable salary earned by the group chief executive and senior executives in 2010 is invested in shares in DnB NOR ASA. The Board of Directors believes that the awarding of shares to senior executives, in view of the total number of shares in the company, will have no negative consequences for the company or the shareholders."

Terms for the chairman of the Board of Directors

Anne Carine Tanum received a total remuneration of NOK 355 000 in 2010, the same as in 2009. In addition, she received NOK 445 000 as chairman of the Board of Directors of DnB NOR ASA, compared with NOK 430 000 in 2009.

Terms for the group chief executive

Rune Bjerke received an ordinary salary of NOK 4 667 000 in 2010, compared with NOK 4 639 000 in 2009. The Board of Directors of DnB NOR ASA stipulated the group chief executive's bonus payment for 2010 at NOK 1 890 000, compared with NOK 676 000 for 2009. The bonus for 2010 will be paid in 2011. Benefits in kind were estimated at NOK 276 000, compared with NOK 305 000 in 2009. Costs for DnB NOR in connection with the group chief executive's pension scheme were NOK 3 494 000 for the 2010 accounting year, compared with NOK 3 272 000 in 2009. Costs are divided between DnB NOR ASA and DnB NOR Bank ASA.

Remunerations etc. in 2010

DnB NOR Bank Group

Amounts in NOK 1 000	Fixed annual salary as at 31 Dec. 2010 [1]	Paid remunera-tion in 2010 [2]	Paid salaries in 2010 [3]	Bonus earned in 2009, paid in 2010 [4] [5]	Benefits in kind in 2010	Total remunera-tion in 2010	Bonus earned in 2010, to be paid in 2011 [4]	Loans as at 31 Dec. 2010 [6]	Accrued pension expenses	Current value of pension agree-ment [7]
The Board of Directors of DnB NOR Bank ASA										
Anne Carine Tanum (chairman)	-	800	-	-	0	800	-	0	-	-
Bent Pedersen (vice-chairman)	-	630	-	-	1	631	-	0	-	-
Per Hoffmann	579	520	585	9	14	1 128	20	1 601	48	1 676
Berit Svendsen (from 15 June 2010)	-	141	-	-	0	141	-	10 545	-	-
Kari Lotsberg (until 15 June 2010)	-	119	-	-	0	119	-	0	-	-
Kai Nyland	-	260	-	-	722	982	-	1	133	2 026
Torill Rambjør	-	260	-	-	1	261	-	6	-	-
Ingjerd Skjeldrum	633	520	657	9	11	1 197	20	452	84	2 098
Total Board of Directors	1 212	3 250	1 242	18	748	5 258	40	12 606	265	5 799
Group management										
Rune Bjerke, CEO	4 592	-	4 667	674	276	5 618	1 890	0	3 494	12 074
Bjørn Erik Næss, CFO	3 282	-	3 409	1 044	176	4 630	1 468	1 980	4 040	10 365
Ottar Ertzeid, group EVP	1 650	-	2 439	8 409	168	11 015	8 818	42	574	6 885
Liv Fiksdahl, group EVP	1 826	-	1 866	695	169	2 730	871	2 797	797	7 023
Solveig Hellebust, group EVP	1 906	-	1 870	564	177	2 610	859	0	157	270
Cathrine Klouman, group EVP	2 161	-	2 246	796	321	3 364	1 011	3 495	1 075	6 879
Karin Bing Orgland, group EVP	2 768	-	2 861	923	177	3 961	989	3	1 348	17 325
Tom Rathke, group EVP	2 884	-	3 098	1 199	177	4 474	1 282	301	2 400	15 137
Leif Teksum, group EVP	3 291	-	3 418	1 047	228	4 693	1 493	1 804	2 367	32 526
Total group management	24 359	-	25 875	15 351	1 869	43 095	18 681	10 422	16 251	108 484
Control Committee										
Frode Hassel (chairman)	-	387	-	-	-	387	-	0	-	-
Thorstein Øverland (vice-chairman)	-	283	-	-	17	300	-	1	-	-
Svein Brustad	-	243	-	-	-	243	-	0	-	-
Svein Norvald Eriksen	-	243	-	-	-	243	-	1 568	-	-
Karl Olav Hovden	-	385	-	-	4	389	-	6	-	-
Merete Smith	-	264	-	-	-	264	-	0	-	-
Total Control Committee	-	1 803	-	-	21	1 824	-	1 576	-	-
Total Supervisory Board	-	1 114	-	-	-	1 114	-	-	-	-
Total	25 571	6 167	27 117	15 369	2 638	51 215	18 721	24 604	16 516	114 284
Total lending to other employees								11 016 637		

Note 49 Remunerations etc. (continued)

Remunerations etc. in 2009 **DnB NOR Bank Group**

Amounts in NOK 1 000	Fixed annual salary as at 31 Dec. 2009 [1)]	Paid remunera-tion in 2009 [2)]	Paid salaries in 2009 [3)]	Bonus earned in 2008, paid in 2009 [4)]	Benefits in kind in 2009	Total remunera-tion in 2009	Bonus earned in 2009, to be paid in 2010 [4) 5)]	Loans as at 31 Dec. 2009 [6)]	Accrued pension expenses	Current value of pension agree-ment [7)]
The Board of Directors of DnB NOR Bank ASA										
Anne Carine Tanum (chairman)	-	785	-	-	0	785	-	0	-	-
Bent Pedersen (vice-chairman)	-	630	-	-	0	630	-	0	-	-
Per Hoffmann	561	520	573	0	23	1 116	10	1 656	44	1 706
Kari Lotsberg	-	260	-	-	0	260	-	0	-	-
Kai Nyland	-	260	-	-	749	1 009	-	133	-	-
Torill Rambjør	-	260	-	-	0	260	-	13	-	-
Ingjerd Skjeldrum	613	520	637	0	12	1 169	10	496	70	1 966
Total Board of Directors	1 174	3 235	1 210	0	785	5 229	20	2 299	115	3 672
Group management										
Rune Bjerke, CEO	4 437	-	4 639	0	305	4 945	674	106	3 272	8 846
Bjørn Erik Næss, CFO	3 186	-	3 187	956	195	4 339	1 044	2 644	2 704	4 646
Ottar Ertzeid, group EVP	1 650	-	2 520	6 300	166	8 986	8 409	6	509	5 598
Liv Fiksdahl, group EVP	1 715	-	1 744	497	184	2 425	695	2 728	637	5 543
Solveig Hellebust, group EVP (from 1 April 2009)	1 850	-	1 308	0	127	1 435	564	0	142	107
Cathrine Klouman, group EVP	2 098	-	2 133	629	161	2 923	796	3 639	952	5 657
Kari Olrud Moen, group EVP (until 1 April 2009)	1 383	-	1 498	277	146	1 921	598	0	381	1 327
Jarle Mortensen, group EVP (until 1 July 2009)	1 500	-	1 718	200	176	2 094	710	2 722	382	5 829
Karin Bing Orgland, group EVP (from 1 July 2009)	2 700	-	2 351	1 144	160	3 655	923	67	1 113	15 055
Tom Rathke, group EVP	2 800	-	3 005	420	219	3 644	1 199	362	2 019	11 814
Åsmund Skår, group EVP (until 20 February 2009)	2 913	-	3 058	437	91	3 586	701	269	1 335	17 366
Leif Teksum, group EVP	3 195	-	3 244	959	233	4 436	1 047	1 939	2 071	30 137
Total group management	29 426	-	30 406	11 818	2 165	44 390	17 360	14 482	15 517	111 923
Control Committee										
Frode Hassel (chairman)	-	389	-	-	-	389	-	0	-	-
Thorstein Øverland (vice-chairman)	-	283	-	-	-	283	-	0	-	-
Svein Brustad	-	243	-	-	-	243	-	0	-	-
Svein Norvald Eriksen	-	245	-	-	-	245	-	1 264	-	-
Ingebjørg Harto (until 21 April 2009)	-	216	-	-	-	216	-	0	-	-
Karl Olav Hovden (from 21 April 2009)	-	36	-	-	122	158	-	0	-	-
Merete Smith	-	282	-	-	-	282	-	0	-	-
Total Control Committee	-	1 694	-	-	122	1 816	-	1 264	-	-
Total Supervisory Board	-	1 272	-	-	-	1 272	-	-	-	-
Total	30 600	6 201	31 616	11 818	3 072	52 707	17 380	18 045	15 632	115 595
Total lending to other employees								12 851 777		

1) *Fixed annual salary at year-end for employees who were members of the Board of Directors or the group management team during the year.*
2) *Includes remuneration received from all companies within the DnB NOR Group for service on Boards of Directors and committees. For those who have received remuneration for more than one position in 2010, the following amounts are related to their board positions in DnB NOR Bank ASA:*
   Anne Carine Tanum: NOK 355 000
   Bent Pedersen: NOK 285 000
   Per Hoffmann: NOK 260 000
   Ingjerd Skjeldrum: NOK 260 000
3) *Includes salary payments for the entire year and holiday pay on bonuses. Some employees were members of the Board of Directors or the group management team for only parts of the year.*
4) *20 per cent of variable salary is in the form of shares at the market price prevailing at the time of allotment. The shares have a minimum holding period of two years. The allotment date was 29 April 2010 for bonuses earned in 2009, and a total of 19 896 shares were bought in the market at a price of NOK 69.08 per share. The allotment date for bonuses earned in 2008 was 7 May 2009, and a total of 20 436 shares were bought in the market at a price of NOK 44.89 per share.*
5) *The variable salary earned by group executive vice president Ottar Ertzeid, head of DnB NOR Markets, in 2009 was invested in its entirety in shares in DnB NOR ASA. The shares have a minimum holding period of three years.*
6) *Loans to shareholder-elected representatives are extended on ordinary customer terms. Loans to DnB NOR employees are extended on special terms, which are close to ordinary customer terms.*
7) *The net present value of pension agreements represents accrued pension commitments excluding payments into funded pension schemes. Assumptions used in actuarial calculations of accrued pension expenses and the present value of pension agreements are shown in note 26 Pensions.*

Note 49 Remunerations etc. (continued)

Other information on pension agreements

Rune Bjerke has a pension agreement entitling him to a pension representing 70 per cent of fixed salary from the age of 60. Ottar Ertzeid, Liv Fiksdahl, Cathrine Klouman, Bjørn Erik Næss, Tom Rathke and Leif Teksum have pension agreements entitling them to a pension representing 70 per cent of fixed salary from the age of 62. Karin Bing Orgland has a pension agreement entitling her to a pension representing 70 per cent of fixed salary from the age of 65. Solveig Hellebust has a pension agreement entitling her to a pension representing 70 per cent of fixed salary, limited to 12 times the National Insurance basic amount, from the age of 65.

Subscription rights programme for employees

There was no subscription rights programme for employees in the DnB NOR Bank Group at year-end 2010.

DnB NOR Bank ASA		Remuneration to the statutory auditor	DnB NOR Bank Group	
2009	2010	*Amounts in NOK 1 000*	2010	2009
4 662	6 334	Statutory audit	17 033	15 731
250	524	Other certification services	1 837	1 208
281	303	Tax-related advice [1)]	826	501
0	1 370	Other services	1 406	489
5 193	8 531	Total remuneration to the statutory auditor	21 102	17 929

1) *Mainly related to assistance in tax matters for employees outside Norway.*

Note 50 Information on related parties

DnB NOR Bank ASA is 100 per cent owned by DnB NOR ASA. The largest owner of the DnB NOR Group is the Norwegian government, represented by the Ministry of Trade and Industry, which owns and controls 34 per cent of the shares in the parent company DnB NOR ASA.

A large number of bank transactions are entered into with related parties as part of ordinary business transactions, comprising loans, deposits and foreign exchange transactions. These transactions are based on market terms. The table below shows transactions with related parties, including balance sheets at year-end and related expenses and income for the year. Related companies in the table are associated companies plus Sparebankstiftelsen DnB NOR (the Savings Bank Foundation). See note 37 for a specification of associated companies. Loans to board members and their spouses/partners and under-age children are extended on ordinary customer terms. Loans to group management, like loans to other group employees, are extended on special terms, which are close to ordinary customer terms. Transactions with other DnB NOR Bank Group companies are shown in a separate table.

Transactions with related parties				DnB NOR Bank Group
	Group management and Board of Directors		Related companies	
Amounts in NOK million	2010	2009	2010	2009
Loans as at 1 January	22	26	381	9
New loans/repayments during the year	(4)	(7)	1 177	372
Changes in related parties	11	3	0	0
Loans as at 31 December	**29**	**22**	**1 558**	**381**
Interest income	**1**	**1**	**41**	**0**
Deposits as at 1 January [1)]	24	20	9 702	11 084
Deposits/withdrawals during the year	(2)	7	469	(1 382)
Changes in related parties	0	(2)	0	0
Deposits as at 31 December	**22**	**24**	**10 171**	**9 702**
Interest expenses	**1**	**1**	**168**	**188**
Guarantees [1)]	**-**	**-**	**10 483**	**20 869**

1) *DnB NOR Bank carries loans in its balance sheets which according to a legal agreement have been transferred to Eksportfinans and are guaranteed by DnB NOR Bank. According to the agreement, DnB NOR Bank still carries interest rate risk and credit risk associated with the transferred portfolio. These portfolios totalled NOK 9 203 million and NOK 9 215 million respectively at year-end 2010 and 2009. The loans are set off by deposits/payments from Eksportfinans. DnB NOR Bank has also issued guarantees for other loans in Eksportfinans.*

No write-downs were made on loans to related parties in 2009 and 2010. Reference is made to note 49 for information on loans to group management members and directors. Transactions with deputy members of the Board of Directors are not included in the table above. In general, DnB NOR employee loans should be paid by automatic debit in monthly instalments in arrear. Employees' commitments are within the term limits applying to general customer relationships. Security is furnished for employee loans in accordance with legal requirements.

Note 50 Information on related parties (continued)

DnB NOR Bank ASA		Transactions with other DnB NOR Group companies [1)]	DnB NOR Bank Group	
2009	2010	*Amounts in NOK million*	2010	2009
223 140	182 414	Loans as at 31 December	14 023	14 168
4 591	10 762	Other receiveables as at 31 December	379	1 783
35 182	30 299	Deposits as at 31 December	19 543	20 134
12 497	12 918	Other liabilities as at 31 December [2)]	777	437
6 299	5 120	Interest income	535	719
474	836	Interest expenses	542	208
2 346	4 573	Net other operating income [3)]	1 454	802
60	46	Operating expenses	35	48

1) *For DnB NOR Bank ASA, the table includes transactions with subsidiaries, sister companies and DnB NOR ASA. For the banking group, the table includes transactions with sister companies and DnB NOR ASA.*
2) *Other liabilities in DnB NOR Bank ASA as at 31 December 2010 were mainly financial derivative contracts with DnB NOR Boligkreditt as counterparty.*
3) *DnB NOR Bank ASA recorded NOK 1 680 million and NOK 545 million in group contributions from subsidiaries in 2010 and 2009, respectively.*

Major transactions and agreements with related parties

Eksportfinans
DnB NOR Bank ASA has a 40 per cent ownership interest in Eksportfinans. Financial market turbulence resulted in sizeable unrealised losses in Eksportfinans' liquidity portfolio in the first quarter of 2008. In order to ensure an adequate capital base for the company, its Board of Directors implemented three measures:

- A share issue of NOK 1.2 billion aimed at the company's owners was implemented, and all owners participated based on their proportional shares.
- A portfolio hedge agreement was entered into, and the owners were invited to participate. DnB NOR Bank ASA's share of the agreement corresponded to 40.43 per cent. The agreement secures Eksportfinans against further decreases in portfolio values of up to NOK 5 billion effective from 29 February 2008. Any recovery of values relative to nominal values will accrue to the participants in the portfolio hedge agreement as payment for their hedging commitment.
- During the first quarter of 2008, Eksportfinans' largest owner banks, DnB NOR Bank ASA, Nordea Bank AB and Danske Bank A/S, approved a committed credit line giving the company access to a liquidity reserve of up to USD 4 billion. The agreement was renewed in June 2009 and in June 2010. The most recent renewal resulted in a reduction in the limit to USD 2 billion. DnB NOR Bank ASA's share of this agreement represents approximately USD 1.1 billion. At end-December 2010, Eksportfinans had not availed itself of this credit line.

The transactions with Eksportfinans have been entered into on ordinary market terms as if they had taken place between independent parties.

DnB NOR Boligkreditt
DnB NOR Boligkreditt AS is 100 per cent owned by DnB NOR Bank ASA. As part of ordinary business transactions, a large number of banking transactions are entered into between DnB NOR Boligkreditt AS (Boligkreditt) and DnB NOR Bank ASA (the bank), including loans, deposits and financial derivatives used in currency and interest rate risk management. Transactions are carried out on market terms and are regulated in the "Agreement relating to transfer of loan portfolio between DnB NOR Bank ASA and DnB NOR Boligkreditt AS" (the transfer agreement) and the "Contract between DnB NOR Bank ASA and DnB NOR Boligkreditt AS concerning purchase of management services" (the servicing agreement).

The transfer agreement regulates the transfer of loan portfolios qualifying as collateral for the issue of covered bonds. In 2008 and 2009, portfolios representing NOK 93.6 billion and NOK 88.5 billion, respectively, were transferred from the bank to Boligkreditt. Portfolios transferred in 2010 represented a total of NOK 36.2 billion. The transfers are based on market terms.

Pursuant to the management agreement, Boligkreditt purchases services from the bank, including administration, bank production, distribution, customer contact, IT operations, financial and liquidity management. Boligkreditt pays an annual management fee for these services. The fee paid for the period January through December 2010 totalled NOK 1 261 million.

At end-December 2010 the bank had invested NOK 123.1 billion in covered bonds issued by Boligkreditt. The bank uses bonds issued by Boligkreditt as security for Treasury bills purchased from Norges Bank as part of the stimulus package for the Norwegian financial services industry.

DnB NOR Næringskreditt
DnB NOR Næringskreditt AS (Næringskreditt) is 100 per cent owned by DnB NOR Bank ASA. The mortgage institution was established to issue covered bonds secured by a cover pool comprising commercial property.

The company started operations in the third quarter of 2009. At end-December 2010, commitments with a total value of NOK 17.3 billion had been transferred from DnB NOR Bank ASA to the company. The portfolio is diversified with respect to property types, sizes and locations. The transfers are made in agreement with the customers and are based on markets terms. Like Boligkreditt, Næringskreditt purchases management and administrative services from DnB NOR Bank ASA. In addition, administrative services relating to the company's operations are purchased from Boligkreditt. The fee paid to the bank and Boligkreditt in 2010 totalled NOK 38 million.

Note 50 Information on related parties (continued)

Vital Forsikring

As part of the company's ordinary investment activity, Vital Forsikring ASA (Vital) has subscribed for covered bonds issued by Boligkreditt. Vital's investments in Boligkreditt are limited to listed covered bonds. Vital's holding of Boligkreditt bonds was valued at NOK 7.8 billion at end-December 2010.

DnB NOR Bank ASA has sold foreign currency loans guaranteed by GIEK, the Norwegian Guarantee Institute for Export Credits, to Vital for an accumulated amount equivalent to NOK 2.8 billion. In connection with the sale, interest rate and currency swaps were entered into, protecting Vital against currency risk and providing a total return based on Norwegian interest rates. DnB NOR Bank ASA still carries interest rate, settlement and credit risk associated with the relevant loans. According to the IFRS regulations, the loans have therefore not been removed from the balance sheet. The set-offs to the loans are recorded as deposits from customers.

The transactions with Vital have been entered into on ordinary market terms as if they had taken place between independent parties.

Stimulus packages

On 24 October 2008, the Norwegian parliament authorised the Ministry of Finance to launch a scheme whereby the government and the banks exchange Treasury bills for covered bonds for an agreed period. Norges Bank administers the scheme on commission from the Ministry of Finance.

Under the swap scheme, the government sells Treasury bills to the banks in a time-limited swap for covered bonds. The banks have free disposal over the Treasury bills they acquire and may sell them in the market if they so wish. Treasury bill maturities are between three and six months. The swap agreements last for periods of up to five years, and the banks undertake to purchase new Treasury bills when the agreement period expires. The Treasury bills are priced at NIBOR plus a premium corresponding to the margin at the time the agreement was concluded. As an additional requirement, there must be a spread of minimum 40 basis points between the agreed interest rate and the Treasury bill yield. Upon expiry of the agreements, the banks are under an obligation to repurchase the covered bonds from the government at the original selling price. Payments related to the covered bonds are credited to the banks on the same day as the payments are made, unless default occurs during the duration of the swap agreements.

DnB NOR Bank ASA has purchased bonds from DnB NOR Boligkreditt AS, which have been used as collateral for swap agreements with Norges Bank. The bank is required to repurchase the covered bonds at the original selling price. The bank receives yield from the covered bonds as if they never had been sold. The accounting treatment of sales of financial instruments where the seller retains substantially all the risks and returns associated with the instrument, is described in IAS 39.20 Financial Instruments – Recognition and Measurement. The bank is of the opinion that the requirement for transfer of risk and returns associated with the bonds in accordance with this standard have not been fulfilled, and that the bonds thus cannot be derecognised from the balance sheet of the bank. On a consolidated basis, the bonds are treated as own bonds and netted against issued bonds in Boligkreditt.

In practice, the swap agreements imply that the bank purchases Treasury bills from Norges Bank. These are initially recorded as investments in Treasury bills. The obligation to repurchase the bonds at a price corresponding to the value of the Treasury bills is recorded as funding from Norges Bank. At end-December 2010, this funding represented NOK 118.1 billion. At end-December 2010, the bank's investments in Treasury bills used in the swap agreements represented NOK 102.3 billion.

Note 51 Off-balance sheet transactions, contingencies and post-balance sheet events

DnB NOR Bank ASA 31 Dec. 2009	DnB NOR Bank ASA 31 Dec. 2010	Off-balance sheet transactions and additional information *Amounts in NOK million*		DnB NOR Bank Group 31 Dec. 2010	DnB NOR Bank Group 31 Dec. 2009
36 049	34 564	Performance guarantees [1)]		36 323	37 479
18 138	20 597	Payment guarantees		22 111	19 250
10 702	10 650	Loan guarantees [2)]		9 690	11 774
939	498	Guarantees to the Norwegian Banks' Guarantee Fund		498	939
4 617	4 511	Guarantees for taxes etc.		4 547	4 655
3 643	2 776	Other guarantee commitments		3 052	3 892
74 087	73 596	Total guarantee commitments		76 221	77 989
0	0	Support agreements		7 695	8 045
74 087	73 596	Total guarantee commitments etc. [*)]		83 916	86 034
401 853	431 089	Unutilised credit lines and loan offers [3)]		412 653	408 836
3 306	3 146	Documentary credit commitments [1)]		3 196	3 360
390	287	Other commitments		325	516
405 550	434 522	Total commitments		416 174	412 713
479 637	508 117	Total guarantee and off-balance commitments		500 090	498 747
151 067	169 633	Securities		169 633	151 067
150 934	169 539	- are pledged as security for:	Loans [4)]	169 539	150 934
133	94		Other activities	94	133
206	*11*	**) Of which counter-guaranteed by financial institutions*		*15*	*209*

1) With effect from the fourth quarter of 2010, documentary credit commitments which are not related to deliveries of goods have been reclassified from documentary credit commitments to performance guarantees. Figures for 2009 have been adjusted accordingly.

2) DnB NOR Bank carries loans in its balance sheet that subject to legal agreement have been transferred to Eksportfinans and for which DnB NOR Bank has issued guarantees. According to the agreement, DnB NOR Bank still carries interest rate risk and credit risk for the transferred portfolio. Customer loans in the portfolio totalling NOK 9 202 million were recorded in the balance sheet as at 31 December 2010. These loans are not included under guarantees in the table.

3) Unutilised credit lines have been changed in line with the Basel II definition. Figures for 2009 have thus been increased by NOK 33 billion.

4) As at 31 December 2010, NOK 92 309 million in securities has been pledged as collateral for credit facilities with Norges Bank (the Norwegian central bank). According to regulations, these loans must be fully collateralised by a mortgage on interest-bearing securities and/or the bank's deposits with Norges Bank. As at 31 December 2010, the DnB NOR Group had borrowings of NOK 3 billion from Norges Bank.

As a member of Continuous Linked Settlement Bank (CLS Bank) DnB NOR Bank ASA has an obligation to contribute to cover any deficit in CLS Bank's central settlement account for member banks, even if the default is caused by another member bank. Initially, such deficit will be sought covered by other member banks based on transactions the respective banks have had with the member bank which has caused the deficit in CLS Bank. Should there remain an uncovered deficit in CLS Bank, this will be covered pro rata by the member banks in CLS (currently 71 of the world's largest banks), according to Article 9 "Loss Allocations" of CLS Bank's International Rules. According to the agreements between CLS and the member banks, the pro rata payment obligations related to such coverage of any remaining deficit are limited to USD 30 million per member bank. At the end of 2010, DnB NOR Bank ASA had not recorded any obligations in relation to CLS.

DnB NOR Boligkreditt AS (Boligkreditt)

At end-December 2010, Boligkreditt had issued covered bonds with a total balance sheet value of NOK 285.0 billion. In the event of bankruptcy, the bondholders have preferential rights to the company's cover pool. At year-end 2010, DnB NOR Bank ASA had invested NOK 123.1 billion in covered bonds issued by Boligkreditt, used in the exchange scheme with the Norwegian government.

Covered bonds *Amounts in NOK million*	Boligkreditt 31 Dec. 2010	Boligkreditt 31 Dec. 2009
Total listed covered bonds	255 760	205 700
Total private placements under the bond programme	29 251	17 536
Adjustment		
Accrued interest	3 696	2 554
Unrealised gains/losses	699	4 762
Total debt securities issued	289 406	230 552

Cover pool *Amounts in NOK million*	Boligkreditt 31 Dec. 2010	Boligkreditt 31 Dec. 2009
Pool of eligible loans	388 579	311 366
Market value of derivatives	6 869	9 868
Supplementary assets	0	1 557
Total collateralised assets	395 449	322 790
Over-collateralisation (per cent)	135	140

Note 51 Off-balance sheet transactions, contingencies and post-balance sheet events (continued)

Contingencies

Due to its extensive operations in Norway and abroad, the DnB NOR Bank Group will regularly be party to a number of legal actions. None of the current disputes are expected to have any material impact on the banking group's financial position.

Bovista ApS in Copenhagen, which is a wholly-owned subsidiary of RC Real Estate, has sued Bank DnB NORD A/S for up to DKK 180 million plus interest, claiming that the bank has wrongfully used proceeds from the sale of properties as loan repayments without consulting the company. During the fourth quarter of 2010, a settlement was reached whereby DnB NOR Bank ASA purchased the property portfolio of the company in liquidation at market value plus a compensation in order to settle the dispute. The case was formally settled on 4 March 2011.

DnB NOR Markets Inc. in New York has been sued for up to USD 25 million plus interest and charges in connection with the underwriting of a bond issue (Lehman Brothers). The company contests the claim.

Ivar Petter Røeggen has instituted legal proceedings against DnB NOR Bank ASA, claiming that two investment agreements for structured products be declared null and void. The bank was ordered by the Oslo District Court to pay the plaintiff costs of NOK 230 000 plus interest on late payments. The judgment was passed with dissent and the bank has appealed the decision. The disputed amount only applies to the civil action in question, which must be evaluated as a separate case.

In addition to the civil action brought by Ivar Petter Røeggen, a group action against DnB NOR Bank ASA with 19 plaintiffs has been described in previous quarterly reports, relating to the sale of the same structured products as the action brought by Røeggen. The group action has been dismissed in a final judgment. The plaintiffs have subsequently submitted individual civil actions against DnB NOR Bank ASA. Other units in the DnB NOR Bank Group are also involved in legal disputes relating to structured products. The DnB NOR Bank Group contests the claims.

DnB NOR Bank ASA has brought an action against seven Norwegian municipalities for the settlement of interest swaps on commercial terms. The municipalities have stopped their payments under the agreements citing that full settlement took place upon payment of the residual value of the investments made. The bank's total claim in the civil action is NOK 968 million plus interest on overdue payments.

KLP Kreditt AS has instituted legal proceedings against DnB NOR Bank ASA, claiming repayment of too high guarantee commissions paid and has contended that the bank is not entitled to regulate guarantee commission rates for a loan portfolio of just under NOK 2 billion in excess of an alleged agreed fixed rate. The bank contests the claims.

DnB NOR Bank ASA has brought an action against seven Norwegian municipalities for the settlement of interest swaps on commercial terms. The municipalities have stopped their payments under the agreements citing that full settlement took place upon payment of the residual value of the investments made. The bank's total claim in the civil action is NOK 968 million plus interest on overdue payments.

Post balance sheet events

No new information has come to light about important matters which had occurred on the balance sheet date 31 December 2010 and up until the Board of Directors' final consideration of the annual accounts on 16 March 2011.

Oslo, 16 March 2011
The Board of Directors of DnB NOR Bank ASA

Anne Carine Tanum
(chairman)

Bent Pedersen
(vice-chairman)

Per Hoffmann

Kai Nyland

Torill Rambjør

Ingjerd Skjeldrum

Berit Svendsen

Rune Bjerke
(group chief executive)

Statement pursuant to Section 5-5 of the Securities Trading Act

We hereby confirm that the annual accounts for the banking group and the company for 2010 to the best of our knowledge have been prepared in accordance with applicable accounting standards and give a true and fair view of the assets, liabilities, financial position and profit or loss of the banking group and the company taken as a whole.

The directors' report gives a true and fair review of the development and performance of the business and the position of the banking group and the company, as well as a description of the principal risks and uncertainties facing the banking group.

Oslo, 16 March 2011
The Board of Directors of DnB NOR Bank ASA

Anne Carine Tanum
(chairman)

Bent Pedersen
(vice-chairman)

Per Hoffmann

Kai Nyland

Torill Rambjør

Ingjerd Skjeldrum

Berit Svendsen

Rune Bjerke
(group chief executive)

Bjørn Erik Næss
(chief financial officer)

Auditor’s report for 2010

To the Annual General Meeting and Supervisory Board of DnB NOR Bank ASA

Report on the financial statements

We have audited the accompanying financial statements of DnB NOR Bank ASA, comprising the financial statements for the Parent Company and the Group. The financial statements of the Parent Company comprise the balance sheet as at 31 December 2010, the statements of income, changes in equity and cash flows for the year then ended as well as a summary of significant accounting policies and other explanatory information. The financial statements of the Group comprise the consolidated balance sheet as at 31 December 2010, the statements of income and comprehensive income, cash flows and changes in equity for the year then ended as well as a summary of significant accounting policies and other explanatory information.

The Board of Directors' and Group Chief Executive’s responsibility for the financial statements

The Board of Directors and Group Chief Executive are responsible for the preparation and fair presentation of these financial statements in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway for the financial statements of the Parent Company and the International Financial Reporting Standards as adopted by the EU for the Group, and for such internal control as the Board of Directors and Group Chief Executive determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor’s responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We have conducted our audit in accordance with laws, regulations and auditing standards and practices generally accepted in Norway, including International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements for the Parent Company and the Group.

Opinion on the financial statements of the Parent Company

In our opinion, the financial statements of DnB NOR Bank ASA have been prepared in accordance with laws and regulations and present fairly, in all material respects, the financial position of the Company as of 31 December 2010 and its financial performance and cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

Opinion on the financial statements of the Group

In our opinion, the financial statements of DnB NOR Bank ASA have been prepared in accordance with laws and regulations and present fairly, in all material respects, the financial position of the Group as of 31 December 2010 and its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards on Accounting as adopted by the EU.

Report on other legal and regulatory requirements

Opinion on the Board of Directors’ report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Directors’ report concerning the financial statements, the going concern assumption and the proposal for the allocation of the result is consistent with the financial statements and complies with the law and regulations.

Opinion on registration and documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the international standard on assurance engagements (ISAE) 3000, «Assurance Engagements Other than Audits or Reviews of Historical Financial Information», it is our opinion that the Board of Directors and Group Chief Executive have fulfilled their duty to properly record and document the Company’s accounting information as required by law and generally accepted bookkeeping practice in Norway.

Oslo, 16 March 2011
Ernst & Young AS

Erik Mamelund
State Authorised Public Accountant (Norway)
(sign.)

(This translation from Norwegian has been made for information purposes only).

Control Committee's Report

To the Supervisory Board and the Annual General Meeting of DnB NOR Bank ASA

The Control Committee has carried out supervision of DnB NOR Bank ASA and the banking group in accordance with law and instructions laid down by the Supervisory Board.

In connection with the closing of the accounts for the 2010 financial year, the Control Committee has examined the Director's Report, the annual accounts and the Auditor's Report for DnB NOR Bank ASA.

The Committee finds that the Board of Directors gives an adequate description of the financial position of DnB NOR Bank and the banking group, and recommends the approval of the Director's Report and annual accounts for the 2010 financial year.

Oslo, 16 March 2011

Frode Hassel
(chairman)

Thorstein Øverland
(vice-chairman)

Svein N. Eriksen

Karl Olav Hovden

Svein Brustad
(deputy)

Merethe Smith
(deputy)

Key figures

		DnB NOR Bank Group	
		2010	2009
Interest rate analyses			
1.	Combined weighted total average spread for lending and deposits (%)	1.12	1.14
2.	Spread for ordinary lending to customers (%)	1.59	1.59
3.	Spread for deposits from customers (%)	0.30	0.29
Rate of return / profitability			
4.	Net other operating income, per cent of total income	35.8	33.8
5.	Cost/income ratio (%)	47.6	45.9
6.	Return on equity (%)	13.9	10.0
Financial strength			
7.	Core (Tier 1) capital ratio at end of period (%)	9.2	8.4
8.	Capital adequacy ratio at end of period (%)	11.7	11.4
9.	Core capital at end of period (NOK million)	84 441	80 400
10.	Risk-weighted volume at end of period (NOK million)	918 659	960 208
Loan portfolio and write-downs			
11.	Individual write-downs relative to average net lending to customers, annualised	0.34	0.52
12.	Write-downs relative to average net lending to customers, annualised	0.25	0.66
13.	Net non-performing and doubtful commitments, per cent of net lending	1.53	1.69
14.	Net non-performing and doubtful commitments at end of period (NOK million)	18 409	19 127
Liquidity			
15.	Ratio of customer deposits to net lending to customers at end of period (%)	56.1	54.4
Staff			
16.	Number of full-time positions at end of period	11 970	12 263

Definitions

1, 2, 3 Based on nominal values excluding lending to and deposits with credit institutions and impaired loans, measured against the 3-month money market rate.

5 Total operating expenses relative to total income. Expenses exclude impairment losses for goodwill.

6 Profit for the period, excluding profit attributable to minority interests, adjusted for the period's change in fair value recognised in equity. Average equity is calculated on the basis of recorded equity excluding minority interests.

Governing bodies in DnB NOR Bank ASA

Supervisory Board

Members elected by shareholders

Amund Skarholt, Oslo (chairman)
Eldbjørg Løwer, Kongsberg (vice-chairman)
Nils Halvard Bastiansen, Bærum
Jan-Erik Dyvi, Oslo
Toril Eidesvik, Bergen
Anne Cathrine Frøstrup, Hønefoss
Camilla Grieg, Bergen
Elisabeth Grændsen, Lillehammer
Herbjørn Hansson, Sandefjord
Leif O. Høegh, Oslo
Knut Hartvig Johannson, Snarøya
Tomas Leire, Kristiansand
Dag J. Opedal, Oslo
Ole Robert Reitan, Asker
Gudrun B. Rollefsen, Hammerfest
Arthur Sletteberg, Stabekk
Merethe Smith, Oslo
Birger Solberg, Oslo
Gine Wang, Stavanger
Hanne Rigmor Egenæss Wiig, Halden

Deputies elected by shareholders

Erik Buchmann, Oslo
Turid Dankertsen, Oslo
Rolf Domstein, Måløy
Harriet Hagan, Alta
Bente Hagem, Ås
Rolf Hodne, Stavanger
Liv Johannson, Oslo
Herman Mehren, Nevnlunghamn
Gry Nilsen, Drammen
Einar Nistad, Rådal
Asbjørn Olsen, Skedsmo
Oddbjørn Paulsen, Bodø
Anne Bjørg Thoen, Oslo
Elsbeth Sande Tronstad, Stabekk
Lars Wenaas, Måndalen

Members elected by employees

Else Carlsen, Bødalen
Bente H. Espenes, Oslo
Marion Hagland, Tønsberg
Lillian Hattrem, Ski
Bjørn Hennum, Drammen
Svein Ove Kvalheim, Bergen
Tove Nakken, Trondheim
Einar Pedersen, Kristiansund
Eli Solhaug, Oslo
Marianne Steinsbu, Oslo

Deputies elected by employees

Tore Müller Andresen, Bergen
Terje Bakken, Alta
Randi Bergsveen, Vestre Toten
Rune André Bernbo, Ås
Solvor Hagen, Sørum
Arve Hatlevoll, Oslo
Eli Jotun, Lillehammer
Bjørg Dalberg Karlstad, Ringebu
Vigdis Mathisen, Asker
Henrik Strand, Songdalen
Per Storstad, Molde
Viktor Sæther, Oslo
Astrid Waaler, Oslo
Arvid Åsen, Fjell

Control Committee

Members

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

Deputies

Svein Brustad, Hvalstad
Merete Smith, Oslo

Board of Directors

Members

Anne Carine Tanum, Rømskog (chairman)
Bent Pedersen, Stenløse (vice-chairman)
Per Hoffmann, Oslo [1)]
Kai Nyland, Hamar
Torill Rambjør, Tjøme
Ingjerd Skjeldrum, Drammen [1)]
Berit Svendsen, Oslo

Deputies for the employee representatives

Sverre Finstad, Moelv [1)]
Jorunn Løvås, Fjell [1)]

Election Committee

Amund Skarholt, Oslo (chairman)
Eldbjørg Løwer, Kongsberg
Per Otterdahl Møller, Skien
Arthur Sletteberg, Stabekk
Reier Søberg, Oslo

Group management

Group chief executive
Rune Bjerke

CFO
Bjørn Erik Næss

Group executive vice president
Retail Banking
Karin Bing Orgland

Group executive vice president
Large Corporates and International
Leif Teksum

Group executive vice president
DnB NOR Markets
Ottar Ertzeid

Group executive vice president
Life and Asset Management
Tom Rathke

Group executive vice president
HR
Solveig Hellebust

Group executive vice president
IT
Cathrine Klouman

Group executive vice president
Operations
Liv Fiksdahl

Group executive vice president
Marketing and Communications
Trond Bentestuen

Group executive vice president
Corporate Centre
Kari Olrud Moen

Internal auditor

Tor Steenfeldt-Foss

External auditor

Erik Mamelund

1) Not independent.

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Cautionary statement regarding forward-looking statements

This annual report contains statements regarding the future prospects, including estimates, strategies and objectives. The risks and uncertainties inherent in all forward-looking statements can lead to actual developments and profits differing materially from what has been expressed or implied.

The annual report has been produced by Group Financial Reporting and Marketing and Communications in DnB NOR.

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