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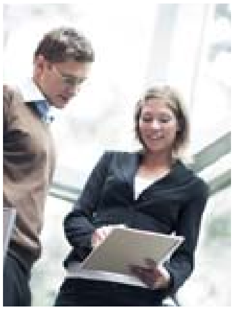

DnB NOR Bank
Quarterly report
Second quarter 2011

(unaudited)

DnB NOR

Key figures

DnB NOR Bank Group

Income statement *Amounts in NOK million*	2nd quarter 2011	2nd quarter 2010	1st half 2011	1st half 2010	Full year 2010
Net interest income	6 039	5 736	12 054	11 297	23 387
Net commissions and fees, operational reporting [1)]	*1 290*	*1 130*	*2 454*	*2 194*	*4 604*
Net financial items	*1 860*	*3 401*	*3 128*	*5 199*	*8 463*
Net other operating income, total	3 150	4 531	5 582	7 392	13 067
Ordinary operating expenses	4 524	4 350	9 415	8 026	16 252
Other expenses	44	614	(462)	677	790
Pre-tax operating profit before write-downs	4 622	5 303	8 684	9 986	19 412
Net gains on fixed and intangible assets	8	(2)	13	8	23
Write-downs on loans and guarantees	457	878	1 349	1 825	2 997
Pre-tax operating profit	4 173	4 423	7 348	8 169	16 437
Taxes	1 168	1 415	2 057	2 652	4 827
Profit from operations and non-current assets held for sale, after taxes	11	(8)	(30)	(13)	75
Profit for the period	**3 015**	**2 999**	**5 261**	**5 505**	**11 685**
Profit attributable to shareholders	3 015	3 441	5 261	6 146	12 437
Profit attributable to minority interests	0	(442)	0	(641)	(752)

Balance sheet *Amounts in NOK million*	30 June 2011	31 Dec. 2010	30 June 2010
Total assets	1 614 349	1 637 639	1 772 666
Lending to customers	1 215 365	1 184 100	1 168 394
Deposits from customers	668 506	664 012	645 346
Total equity	88 892	89 859	85 367
Average total assets	1 892 641	1 752 123	1 733 042

Key figures *Per cent*	2nd quarter 2011	2nd quarter 2010	1st half 2011	1st half 2010	Full year 2010
Average combined spread for lending and deposits	1.08	1.13	1.09	1.11	1.12
Cost/income ratio	49.7	48.1	50.8	48.3	47.6
Write-downs relative to net lending to customers, annualised	0.15	0.31	0.22	0.32	0.25
Return on equity	13.4	16.6	11.7	14.9	13.9
Core (Tier 1) capital ratio at end of period [2)]	8.8	8.4	8.8	8.4	9.2
Capital adequacy ratio at end of period [2)]	10.9	11.2	10.9	11.2	11.7

1) *Net commissions and fees, operational reporting includes commissions and fees related to money transfers and interbank transactions, asset management services, real estate broking, custodial services, securities trading, sale of insurance products and other income from banking services. The revenues are expected to be fairly stable over time.*

2) *Including 50 per cent of profit for the period, except for the full year figures.*

There has been no full or partial external audit of the quarterly directors' report and accounts, though the report has been reviewed by the DnB NOR Bank Group's Audit.

First half and second quarter report 2011

Accounts

Additional information

Directors' report

First half 2011

The DnB NOR Bank Group [1)] recorded a profit of NOK 5 261 million in the first half of 2011, down from NOK 5 505 million in the first half of 2010. Pre-tax operating profits before write-downs were NOK 8 684 million, down from NOK 9 986 million in the first half of 2010.

There was a NOK 47.0 billion increase in lending from end-June 2010. Lending spreads were stable measured against the 3-month money market rate. Net interest income increased by NOK 757 million during the period, mainly due to rising volumes.

Other operating income declined by NOK 1 810 million from the first half of 2010. The reduction must be viewed in light of the NOK 1 170 million gain recorded by the banking group in the first half of 2010 in connection with the merger between the payment services company Nordito and the Danish PBS Holding. Adjusted for the gain from the merger and a reduction in income from mark-to-market adjustments of liabilities and associated instruments of NOK 1 061 million, other operating income rose by NOK 421 million or 7.3 per cent. There was a very healthy underlying income trend during the period.

Operating expenses rose by NOK 250 million from the first half of 2010. However, the comparison is affected by a number of items of a non-recurring nature. In 2010, costs for contractual pension agreements (CPA) of NOK 355 million were reversed in the first quarter, while impairment losses for goodwill and intangible assets totalled NOK 591 million in the second quarter. Adjusted for these items, the underlying rise in costs represented NOK 486 million. The cost increase must be seen in association with the rise in income and higher activity levels. Among other things, the DnB NOR Bank Group has escalated its IT initiatives over the past year parallel to a strong increase in market activities, also outside Norway, for example in the energy sector.

Risk developments in the banking group's loan portfolio were well under control, and individual write-downs mainly related to a few commitments. There was a significant reduction in write-downs in DnB NORD compared with the first half of 2010.

Return on equity was 11.7 per cent, down from 14.9 per cent in the first half of 2010.

DnB NOR's General Meeting has decided to change the name of the Group from DnB NOR to DNB and to include the Group's products and services under this brand name. The name change is scheduled to be implemented in November 2011. In June, the Group's new DNB logo was made public. Uniting operations under one brand name will offer opportunities to further strengthen initiatives targeted at the Group's customers.

As part of the process to establish a common brand, all of Postbanken's customer accounts were transferred to DnB NOR Bank's IT systems during the Easter of 2011. This step will give the banking group a less complex portfolio of IT systems and thus reduce risk and costs.

Second quarter 2011

The DnB NOR Bank Group achieved a profit of NOK 3 015 million in the second quarter of 2011, up NOK 16 million from the second quarter of 2010. Apart from the particularly healthy profits recorded in the fourth quarter of 2010, this is the best quarterly performance since the financial crisis. All business areas showed improved profitability. Operating profits reflected rising interest rate levels and strong competition for both loans and deposits. In addition, unease over developments in the international real economy and the financial situation in certain European countries characterised the quarter. Although the Norwegian economy showed a sound and stable trend, the unease resulted in relatively strong fluctuations in share prices and in the value of financial instruments. As opposed to the first quarter of 2011 and second quarter of 2010, technical accounting items had little impact on the banking group's accounts, which ensures a realistic picture of underlying operations.

There was a NOK 47.0 billion increase in lending volumes from end-June 2010. The DnB NOR Bank Group is in the process of reversing the falling trend in its market shares of lending. Lending spreads contracted by 0.04 percentage points from the second quarter of 2010, while deposit spreads remained relatively unchanged. Spreads narrowed primarily in the home mortgage market, reflecting fierce competition. In addition, lags in the implementation of interest rate adjustments also had an effect on spreads. Total interest income rose by NOK 303 million from the second quarter of 2010.

Other operating income declined by NOK 1 381 million compared with the second quarter of 2010. Adjusted for the NOK 1 170 million gain from the Nordito merger in 2010 and a NOK 547 million reduction in income due to mark-to-market adjustments of liabilities and associated instruments, income showed an underlying increase of NOK 336 million or 11.8 per cent. There was a rise in other operating income from many areas of operation.

Operating expenses were reduced by NOK 396 million from the second quarter of 2010. Adjusted for impairment losses for goodwill and intangible assets totalling NOK 591 million in the second quarter of 2010, there was a NOK 195 million rise in costs. The rise in costs in excess of ordinary wage and price inflation primarily reflected a rise in income and higher activity levels. During the quarter, Postbanken's IT system was decommissioned. This gave a temporary rise in costs, but will ensure cost savings for the banking group in several areas over the coming years.

There was a generally low level of write-downs in the second quarter, with a further reduction in write-downs in DnB NORD. Pre-tax profits from DnB NORD's operations in the Baltic region and Poland are estimated at NOK 22 million in the second quarter of 2011.

Return on equity was 13.4 per cent, compared with 16.6 per cent in the second quarter of 2010.

The bank continued its preparations for the new liquidity and capital requirements which are expected to be introduced over the coming years and maintained a high level of activity in the long-term funding markets during the second quarter. Funding was obtained at favourable terms.

DnB NOR's corporate reputation score increased by 1.7 points to 65.8 points in RepTrak's latest survey among Norway's 50 most high-profile companies.

In the latest Universum survey of business students' preferred employers, DnB NOR climbed from third to second place.

DnB NORD's operations in the Baltic region and Poland have been further integrated into DnB NOR Bank. During the second quarter, ownership of the banks in Lithuania and Latvia was transferred from Bank DnB NORD in Denmark to DnB NOR Bank in Oslo. Once the restructuring has been completed, DnB NORD in Denmark will only engage in pure investment activity.

The DnB NOR Bank Group has decided to open a new representtative office in Aberdeen in Scotland, aiming to further improve the

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[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.*

offering to large customers in the banking group's strategic priority areas shipping, energy and seafood.

Changes were made to the Board of Directors of DnB NOR Bank ASA during the second quarter, whereby Jarle Bergo and Sverre Finstad replaced Bent Pedersen and Per Hoffmann as board members.

Income statement

Net interest income

Amounts in NOK million	2nd quarter 2011	Change	2nd quarter 2010
Net interest income	6 039	303	5 736
Lending and deposit volumes		498	
Reduced guarantee fund levy		183	
Equity and non-interest bearing items		60	
Lending and deposit spreads		(132)	
Exchange rate movements		(147)	
Long-term funding costs		(155)	
Other net interest income		(4)	

Net interest income rose by NOK 303 million from the second quarter of 2010, reflecting strong volume growth and rising pressure on spreads. Lending and deposits in the personal customer market in Norway showed healthy growth, and the DnB NOR Bank Group recorded higher market shares for lending to the household sector. Corporate lending also showed a good trend during the quarter, though the accounting figures were somewhat affected by lower exchange rates. Average lending volumes increased by 4.9 per cent and deposit volumes by 9.8 per cent. Adjusted for exchange rate effects, lending increased by 7.7 per cent. The rise in volumes gave a NOK 498 million rise in net interest income for the period.

Lending spreads narrowed by 0.04 percentage points, while deposit spreads remained virtually unchanged. Lending spreads in the personal customer market and in DnB NORD were affected by intense competition, while spreads showed a positive trend in other segments.

Interest rate increases during the second quarter necessitated price adjustments. Due to notification rules for interest rate adjustments on personal customer loans, it will take some time before the interest rate adjustments for these customers will take effect. The lag effect will initially give somewhat lower income, though in the longer term, interest rate increases have a positive effect on the banking group's earnings. Certain adjustments were also made to terms and conditions for customers in connection with the conversion of Postbanken's customer accounts. This had a negative impact on spreads.

Long-term funding costs reduced income by NOK 155 million compared with the second quarter of 2010. However, as the banking group was subject to no guarantee fund levy in 2011, the reduction in income was offset.

Net other operating income

Amounts in NOK million	2nd quarter 2011	Change	2nd quarter 2010
Net other operating income	3 150	(1 381)	4 531
Net stock market-related income		182	
Net other commissions and fees		115	
Real estate broking		63	
Profits from associated companies		24	
Net gains on foreign exchange and interest rate instruments [1)]		(675)	
Gain, Nordito		(1 170)	
Other operating income		80	

1) Excluding guarantees.

Net other operating income was reduced by NOK 1 381 million from the second quarter of 2010. Adjusted for the gain of NOK 1 170 million related to Nordito, recorded in the second quarter of 2010, and an overall reduction in income due to mark-to-market adjustments of liabilities and associated instruments of NOK 547 million, other operating income rose by NOK 336 million during the period.

A number of units in the banking group recorded healthy income. There was a rise in market activity during the second quarter, though there was a more cautious trend in some areas, including equity trading.

Operating expenses

Amounts in NOK million	2nd quarter 2011	Change	2nd quarter 2010
Operating expenses	4 568	(396)	4 964
Non-recurring costs			
Impairment losses for goodwill and intangible assets in the 2nd quarter of 2010		(591)	
Direct income-related items			
Operational leasing		26	
København Ejendomme		11	
Performance-based pay		33	
Marketing expenses		20	
Expenses directly related to operations			
Cost programme		(97)	
Wage and price inflation		140	
Rise in pension expenses		35	
Increase in investments		27	

The banking group's total expenses were reduced by NOK 396 million from the second quarter of 2010. Adjusted for a few large impairment losses for goodwill and intangible assets totalling NOK 591 million relating to operations in Sweden, DnB NORD and Postbanken in the second quarter of 2010, there was a NOK 195 million rise in costs.

The banking group further expanded its international operations and increased its income from areas which record costs directly related to sales and remuneration. This gave a certain rise in costs during the period.

Non-recurring costs relating to the decommissioning of Postbanken's IT systems were recorded in the second quarter.

Write-downs on commitments

Write-downs on loans and guarantees totalled NOK 457 million for the quarter, down NOK 421 million from the second quarter of 2010.

There was a continued decline in the level of individual write-downs, which was lower than normalised losses for the banking group as a whole. Individual write-downs in DnB NORD totalled NOK 184 million, close to a 72 per cent reduction from NOK 653 million in the second quarter of 2010.

There were reversals on collective write-downs during all quarters in 2010, while there was a slight increase in collective write-downs in the first two quarters of 2011.

Net non-performing and doubtful commitments totalled NOK 16.1 billion at end-June 2011, down from NOK 21.4 billion a year earlier. Net non-performing and doubtful commitments represented 1.30 and 1.79 per cent, respectively, of lending volume on the same dates.

Taxes

The DnB NOR Bank Group's tax charge for the second quarter of 2011 was NOK 1 168 million, down from NOK 1 415 million in the year-earlier period. Relative to pre-tax operating profits, the tax charge was reduced from 32 per cent in the second quarter of 2010 to 28 per cent in the second quarter of 2011. The main factor behind the high tax charge in the second quarter of 2010 was losses in DnB NORD for which no tax value could be calculated. The tax charge in the second quarter of 2011 was in accordance with the long-term guiding.

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.

From year-end 2010, DnB NORD is wholly-owned by DnB NOR Bank. Operations in the Baltic region and Poland were organised under Large Corporates and International, but will still be reported as a separate profit centre.

Retail Banking

Retail Banking is responsible for serving the banking group's 2.1 million personal customers and some 220 000 corporate customers through the branch network in Norway. DnB NOR aspires to be a local bank for the whole of Norway while offering the expertise of a large bank. The aim is that coordinated service to these customer segments will make the services more accessible and give customers good personal financial advice.

Pre-tax operating profits totalled NOK 1 756 million in the second quarter of 2011, an increase of NOK 190 million from the year-earlier period. There was a positive development in volumes and a satisfactory trend in non-performing commitments and write-downs.

Income statement in NOK million	2nd quarter 2011	2nd quarter 2010	Change
Net interest income	3 455	3 572	(117)
Other operating income	906	910	(4)
Income attributable to product suppliers	319	340	(22)
Net other operating income	1 225	1 250	(25)
Total income	4 680	4 822	(142)
Ordinary operating expenses	2 672	2 592	81
Costs attributable to product suppliers	151	187	(36)
Impairment losses for goodwill	0	194	(194)
Total operating expenses	2 824	2 972	(148)
Pre-tax operating profit before write-downs	1 856	1 850	6
Net gains on fixed assets	0	1	(0)
Net write-downs on loans [1)]	100	284	(184)
Pre-tax operating profit	1 756	1 566	190
Average balance sheet items in NOK billion			
Net lending to customers	772.7	732.7	40.0
Deposits from customers	394.0	370.3	23.7
Key figures in per cent			
Lending spread [2)]	1.51	1.67	
Deposit spread [2)]	0.45	0.44	
Return on risk-adjusted capital [3)]	23.1	23.1	
Cost/income ratio	60.3	57.6	
Ratio of deposits to lending	51.0	50.5	
Number of full-time positions, end period	4 928	4 938	

1) Including collective write-downs from 2011.

2) Calculated relative to the 3-month money market rate.

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

Average net lending increased by 5.5 per cent from the second quarter of 2010 to the corresponding period in 2011. Adjusted for the sale of the DnB NOR Bank Group's home mortgage portfolio in Sweden at end-March 2011, lending rose by 6.2 per cent. The growth rate for home mortgages increased in the second quarter of 2011. In addition, lending to small and medium-sized businesses showed a positive volume trend. Compared with the year-earlier period, average deposits rose by 6.4 per cent, while the average ratio of deposits to lending was 51 per cent for the quarter. Along with customer deposits, covered bonds based on residential mortgages in DnB NOR Boligkreditt were key sources of funding. At end-June 2011, 91 per cent of lending volume in Retail Banking was funded by deposits and covered bonds.

Adjusted for the discontinuation of guarantee fund levies, net interest income declined by NOK 231 million compared with the year-earlier period. The reduction reflected rising funding costs and lag effects related to the implementation of interest rate adjustments. The weighted interest rate spread, defined as total margin income on loans and deposits relative to total loans and deposits, was 1.15 per cent in the second quarter of 2011, down from 1.26 per cent in the year-earlier period. Retail Banking has competitive products and wishes to offer attractive prices in both the retail and corporate markets.

Rising income from real estate broking in Norway contributed to increasing other operating income, while a negative trend in the value of shares held by partially-owned companies had a negative effect on income compared with the second quarter of 2010.

Ordinary operating expenses, adjusted for impairment losses for goodwill, were up NOK 81 million in the second quarter of 2011 compared with the year-earlier period. The increase reflected a rise in depreciation on operational leasing in DnB NOR Finans and higher marketing expenses due to an increase in market activities. In addition, IT systems recorded in the balance sheet were written down in consequence of the conversion of Postbanken's customer accounts to DnB NOR Bank's IT systems. The merging of the DnB NOR and Postbanken brands will give customers access to a wider distribution network and product range. This is also a step towards improved future cost efficiency.

The number of full-time positions was 4 928 at end-June 2011, of whom 4 607 worked in the business area's units in Norway.

The quality of the loan portfolio was sound, with relatively low net write-downs in both the retail and corporate markets. On an annual basis, net write-downs represented 0.05 per cent of lending in the second quarter of 2011, compared with 0.16 per cent in the year-earlier period. Net impaired commitments amounted to NOK 5.0 billion at end-June 2011, up NOK 0.2 billion from end-June 2010.

As at 31 May 2011, the market share of credit to households was 27.5 per cent, down 0.3 percentage points from end-June 2010. Developments during the first half of 2011 indicated a reversal of the negative trend, with a positive development in market shares. The market share of household deposits was 32.5 per cent.

Interest rates levels are expected to remain low, but to show a rising trend. Corporate credit demand is expected to increase further, which will be reflected in a rise in lending to Retail Banking's small and medium-sized corporate customers. The price pressure on low-risk housing loans is expected to continue, and Retail Banking expects the low level of write-downs on loans to prevail in both the personal and corporate customer segments. Competition for stable deposits will continue to be strong, reflecting the introduction of new liquidity requirements for banks.

Large Corporates and International

Large Corporates and International offers large Norwegian and international corporate customers the DnB NOR's full range of financial services. Broad industry expertise and long-term relationships are key elements in the business area's strategic initiatives.

Operations in the second quarter of 2011 reflected rising competition in a banking market which was no longer marked by the financial crisis levels. Pre-tax operating profits came to NOK 1 735 million, up NOK 261 million from the year-earlier period.

Income statement in NOK million	2nd quarter 2011	2nd quarter 2010	Change
Net interest income	1 929	1 593	337
Other operating income	315	201	114
Income attributable to product suppliers	494	458	36
Net other operating income	809	659	150
Total income	2 739	2 252	487
Operating expenses	582	521	61
Costs attributable to product suppliers	201	195	6
Total operating expenses	783	716	67
Pre-tax operating profit before write-downs	1 956	1 536	419
Net write-downs on loans 1)	220	63	157
Pre-tax operating profit	1 735	1 474	261
Average balance sheet items in NOK billion			
Net lending to customers	352.8	338.9	13.9
Deposits from customers	230.9	202.9	28.0
Key figures in per cent			
Lending spread 2)	1.62	1.40	
Deposit spread 2)	0.03	0.11	
Return on risk-adjusted capital 3)	21.1	17.1	
Cost/income ratio	28.6	31.8	
Ratio of deposits to lending	65.4	59.9	
Number of full-time positions, end period	1 117	1 080	

1) *Collective write-downs included from 2011.*
2) *Calculated relative to the 3-month money market rate.*
3) *Calculated on the basis of internal measurement of risk-adjusted capital.*

The Norwegian krone appreciated by 11 per cent relative to the US dollar from the second quarter of 2010 to the corresponding period in 2011, which had a negative effect on the business area's lending and deposit volumes measured in Norwegian kroner. The underlying level of activity showed a positive trend. Lending increased by 4.1 per cent from the second quarter of 2010. Adjusted for exchange rate movements, there was an 8.9 per cent rise. There was a positive trend from the first to the second quarter of 2011, with increases in lending of NOK 3 billion and NOK 13 billion, respectively, adjusted for exchange rate movements.

Deposits rose by 13.8 per cent from the second quarter of 2010, while the ratio of deposits to lending increased by 5.6 percentage points. Deposit volumes were virtually unchanged from the first quarter of 2011.

Measured against the 3-month money market rate, lending spreads widened by 0.22 percentage points from the second quarter of 2010 and by 0.06 percentage points from the first quarter of 2011, to 1.62 per cent. The widening spreads helped compensate for higher long-term funding costs. There was strong competition for deposits, and deposit spreads were relatively stable at a low level over the past three quarters. Competition for deposits intensified compared with the second quarter of 2010, and deposit spreads in the second quarter of 2011 were 0.08 percentage points lower than in the year-earlier period.

The increase in other operating income was mainly attributable to a positive development in the value of repossessed assets in the form of equities.

Operating expenses rose by 9.4 per cent from the second quarter of 2010, mainly due to a rise in staff numbers in strategic priority areas and increased IT development activity. There was a 2.9 per cent reduction in costs compared with the first quarter of 2011. At end-June 2011, staff in the business area represented 1 117 full-time positions, including 648 positions outside Norway.

Net write-downs on loans represented 0.25 per cent of net lending to customers on an annual basis, of which individual write-downs represented 0.15 per cent. In the second quarter of 2010, net individual write-downs came to 0.07 per cent of net lending. Net impaired commitments totalled NOK 1.6 billion at end-June 2011, down NOK 2.2 billion from end-March 2011. The corresponding figure at end-June 2010 was NOK 5.6 billion.

The quality of the loan portfolio remained sound, and the improved macroeconomic situation, close follow-up of customers and preventive measures ensured a positive trend from the preceding quarters. Certain customer segments may nevertheless face challenges if the macroeconomic situation worsens. The banking group will give priority to retaining and developing long-term and profitable customer relationships through sound professional skills, good solutions, close follow-up and support. A positive market trend is anticipated in most of the business area's priority segments, which may offer good opportunities for growth. Average lending spreads are expected to increase somewhat, while the pressure on deposits spreads is expected to continue.

DnB NOR Markets

DnB NOR Markets recorded satisfactory profits in the second quarter of 2011. Pre-tax operating profits totalled NOK 1 069 million, up NOK 91 million compared with the year-earlier period.

Income statement in NOK million	2nd quarter 2011	2nd quarter 2010	Change
FX, interest rate and commodity derivatives	309	331	(22)
Investment products	82	99	(16)
Corporate finance	230	201	29
Securities services	62	57	5
Total customer revenues	683	687	(4)
Net income liquidity portfolio	262	265	(2)
Other market making/trading revenues	589	474	115
Total trading revenues	851	738	113
Interest income on allocated capital	35	36	(1)
Total income	1 569	1 462	108
Operating expenses	500	484	17
Pre-tax operating profit	1 069	978	91
Key figures in per cent			
Return on risk-adjusted capital 1)	59.1	47.4	
Cost/income ratio	31.9	33.1	
Number of full-time positions, end period	688	676	

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

Unrest in the so-called PIGS countries and fear of lower global growth resulted in a decline in market and customer activity. On the other hand, the volatile markets gave higher income from proprietary trading and thus an increase in total income.

Operating expenses rose by 3.5 per cent from the second quarter of 2010, while the cost/income ratio declined by 1.2 percentage points.

Customer-related income from foreign exchange and interest rate and commodity derivatives declined, mainly due to less currency and commodity hedging activity. There was greater demand for interest rate hedging towards the end of the quarter.

Customer-related income from the sale of securities and other investment products was reduced compared with the second quarter of 2010. Stock market developments reflected the uncertain macroeconomic situation and lack of risk willingness among investors, resulting in lower activity levels. There was rising interest in investing in property projects.

Customer-related revenues from corporate finance services increased by 14.4 per cent from the second quarter of 2010. Due to the weak stock market, there was reduced activity within equity issues and initial public offerings. However, there was a high level of activity in the debt capital markets, especially at the start of the quarter. During the second quarter, DnB NOR Markets established a debt capital markets unit in Singapore with responsibility for Asia.

There was a rise in customer-related revenues from custodial and other securities services from the second quarter of 2010, in spite of reduced stock market activity. There was seasonally high activity within securities services.

Income from market making and other proprietary trading increased by 15.3 per cent from the second quarter of 2010, to NOK 851 million. There was a rise in income from trading in fixed income instruments, while income from foreign exchange trading was somewhat lower than the previous year.

Strong competition and the increasing use of electronic trading caused pressure on prices for many of DnB NOR Markets' products. However, the pressure on prices is expected to be counteracted by a high level of activity and rising volumes.

DnB NORD

DnB NORD recorded a pre-tax operating loss of NOK 49 million in the second quarter of 2011, an improvement of NOK 857 million from the second quarter of 2010. The improved performance was due to a reduction in write-downs on loans and the fact that DnB NORD's financial performance in the second quarter of 2010 was affected by write-downs on intangible assets.

Income statement in NOK million	2nd quarter 2011	2nd quarter 2010	Change
Net interest income	317	385	(68)
Other operating income	165	99	67
Total income	482	483	(1)
Ordinary operating expenses	356	336	20
Impairment losses for goodwill and intangible assets	0	346	(346)
Total operating expenses	356	682	(326)
Pre-tax operating profit before write-downs	126	(198)	325
Net gains on fixed assets	4	(8)	12
Net write-downs on loans	180	699	(520)
Pre-tax operating profit	(49)	(906)	857
Average balance sheet items in NOK billion			
Net lending to customers	59.6	62.9	(3.3)
Deposits from customers	25.0	21.9	3.1
Key figures in per cent			
Lending spread [1)]	1.72	1.86	
Deposit spread [1)]	0.79	0.48	
Return on risk-adjusted capital [2)]	(3.8)	(37.9)	
Ordinary cost/income ratio	73.8	69.5	
Ratio of deposits to lending	41.9	34.8	
Number of full-time positions, end period	3 169	3 136	

1) *Calculated relative to the 3-month money market rate.*

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

Average net lending to customers was reduced by 5.2 per cent from the second quarter of 2010 to the corresponding period in 2011. Measured relative to lending at the end of the period, there was a 3.1 per cent reduction from end-June 2010, with a 1.4 per cent decline in lending in the Baltic States and Poland. In spite of an improved macroeconomic situation in the Baltic region, it will take time before this is reflected in rising credit demand. However, the downward trend seems to have slowed, and there was a slight increase in lending in both Latvia and Estonia from end-March 2011. Average customer deposits rose by 14.4 per cent from the second quarter of 2010.

Total income was stable from the second quarter of 2010, while there was a slight increase in ordinary operating expenses.

The level of net write-downs on loans remained high compared with the banking group's other operations, though there was a significant reduction from the second quarter of 2010. Relative to average lending, write-downs came to 1.21 per cent on an annual basis in the second quarter of 2011, down from 1.45 per cent in the first quarter of 2011 and 4.46 per cent in the second quarter of 2010.

The operations in DnB NORD are mainly concentrated in the Baltic States and Poland, and will be continued as a separate division in Large Corporates and International. The process of integrating operations more closely with the banking group started immediately after the full acquisition of DnB NORD in December 2010. Measures include the downscaling of operations in Copenhagen and the transfer of key functions to Oslo. The future strategy in Poland is being assessed. One of the alternatives under consideration is the sale of these operations.

The new Baltics and Poland division, including administrative expenses in Norway, showed estimated pre-tax operating profits of NOK 22 million in the second quarter of 2011, down NOK 4 million from the first quarter of 2011 and up NOK 39 million from the fourth quarter of 2010.

Important future activities will be closer integration with the DnB NOR Bank Group, the mitigation of losses and improved cost-efficiency.

The positive trend in write-downs on loans is expected to continue. In the longer term, growth in the region is expected to surpass average European levels, and the DnB NOR Bank Group wishes to acquire its share of the renewed growth within a prudent region, combined with a lower write-down level risk profile. A positive volume trend due to rising growth in the, is expected to ensure greater profitability.

Balance sheet and liquidity

Total assets in the banking group's balance sheet were NOK 1 614 billion as at 30 June 2011 and NOK 1 773 billion a year earlier.

Measured in Norwegian kroner, net lending to customers increased by NOK 47 billion or 4.0 per cent from end-June 2010. Adjusted for exchange rate movements, there was a NOK 80 billion increase in lending. Customer deposits rose by NOK 23 billion or 3.6 per cent during the corresponding period. After adjusting for exchange rate movements, there was a NOK 39 billion increase in deposits.

The banking group's ratio of deposits to lending was 55.0 per cent at end-June 2011 and 55.2 per cent at end-June 2010. The ratio varied during the period due to, among other things, short-term money-market-related deposits. The ratios of deposits to lending in DnB NOR Bank ASA were 95.1 and 94.1 per cent, respectively, at end-June 2010 and end-June 2011. The ratio of deposits to lending in DnB NOR Bank reflects that loans which are not carried in the books of DnB NOR Boligkreditt or DnB NOR Næringskreditt are mainly financed through customer deposits.

With respect to short-term funding, conservative limits have been set for refunding requirements. The banking group stayed well within the established liquidity limits during the second quarter. The short-term funding markets were sound and stable for banks with good credit ratings, and a clear distinction is still made between the banks. The DnB NOR Bank Group had ample access to funding at favourable prices during the second quarter.

In order to keep the banking group's long-term 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 end-June 2011, this share was 103.5 per cent. The bank remained active in the long-term funding markets in the second quarter. Though the market situation during the quarter reflected a higher level of uncertainty among investors due to the unrest concerning Greece's sovereign debt, financially strong banks such as DnB NOR Bank had good access to funding. There was a particularly high level of activity in the covered bonds market. Among other things, the bank's funding activities in the Australian market were well received. Due to the Greek sovereign debt crisis, there were greater differences between covered bonds and ordinary senior bonds, which was reflected in higher prices in the long-term senior bond market. The cost of long-term funding remained considerably higher than was the case for DnB NOR Bank and other banks prior to the financial crisis, but the bank's good ratings and firm roots in a relatively robust Norwegian economy had a positive effect on both prices of and access to funding.

The average remaining term to maturity for the portfolio of senior bond debt and covered bonds in DnB NOR Bank was 4.5 years at end-June 2011, compared with 3.3 years a year earlier.

Risk and capital adequacy

The risk situation in the second quarter reflected Greece's debt problems and the downward adjustment of global growth prospects. This gave a downturn in the stock markets which was followed by a significant upturn a few days before the end of the quarter in connection with the savings measures approved in Greece. The price of oil remained high, and the International Energy Agency, IEA, had to implement extraordinary measures to ensure the supply of crude oil. The Norwegian krone was on a par with its strongest levels in 2003 and 2008. This presented challenges for industries exposed to competition. However, there was a positive trend in the Norwegian economy, and several sectors were approaching their capacity limits. The positive trend in the Baltic economies continued, though the starting point was weak.

The DnB NOR Bank Group quantifies risk by measuring risk-adjusted capital requirements. The net risk-adjusted capital requirement declined by NOK 0.2 billion during the second quarter of 2011, to NOK 52.6 billion. The table below shows developments in the risk-adjusted capital requirement.

Amounts in NOK billion	30 June 2011	31 March 2011	31 Dec. 2010	30 June 2010
Credit risk	46.3	45.9	45.5	48.9
Market risk	4.8	4.8	5.0	4.3
Operational risk	5.9	5.9	5.8	6.0
Business risk	4.0	4.0	3.9	3.8
Gross risk-adjusted capital requirement	61.1	60.6	60.2	63.0
Diversification effect [1)]	(8.5)	(7.8)	(8.2)	(8.5)
Net risk-adjusted capital requirement	52.6	52.8	52.0	54.6
Diversification effect in per cent of gross risk-adjusted capital requirement [1)]	13.9	12.9	13.6	13.4

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.*

The risk-adjusted capital requirement for credit showed a slight increase due to rising volumes. Credit quality showed a continued healthy trend in most sectors. Housing prices continued to climb due to a healthy income trend, consistent low interest rates and few new homes for sale in the market. There was a continuing positive value trend, especially for centrally located commercial property.

The volume of non-performing and doubtful commitments declined during the second quarter. Low spot rates in the dry bulk and tanker segments could generate higher risk in the shipping segment if these levels prevail.

There were no significant changes in market risk limits or in equity investments during the quarter. This ensured a stable trend in risk-adjusted capital for market risk.

Operational risk, measured in terms of registered loss events, remained stable at a low level. During the Easter holiday, the banking group completed a successful conversion of Postbanken's customer accounts to DnB NOR Bank's IT systems. The conversion did not cause any significant operational disruptions and will reduce operational risk in the future. Risk-adjusted capital for operational risk and business risk is updated every six months, to be reported in the first and third quarter, and thus remained unchanged in the second quarter.

Risk-weighted volume included in the calculation of the formal capital adequacy requirement increased by NOK 22.5 billion during the quarter, to NOK 947 billion. According to transitional rules, risk-weighted volume cannot be less than 80 per cent of the Basel I requirement in 2011. Including 50 per cent of interim profits, the Tier 1 capital ratio was 8.8 per cent and the capital adequacy ratio 10.9 per cent.

Calculations have also been made of the effect of full future implementation of the Basel II rules on all of the banking group's portfolios, excluding DnB NORD. The calculations showed a potential Tier 1 capital ratio of 11.0 per cent at end-June based on such implementation and on no limitations ensuing from the transitional rules.

Macroeconomic developments

The global economic growth picture was complex in the second quarter of 2011. Growth remained moderate in most of the OECD countries. In Europe, there was a clear tendency that countries in the north did relatively well, while countries in the south faced greater challenges. For example, Germany and Sweden both surpassed their pre-financial crisis GDP records, while GDP remained relatively unchanged in Italy and Spain since the trough in 2009. In Portugal, GDP was declining. The Japanese economy has been set back after the earthquake disaster in March. Unemployment was generally at a very high level in the OECD area, and housing prices continued to fall in some countries. In emerging economies, such as the BRICS countries of Brazil, Russia, India, China and South Africa, growth was high, and capacity problems coupled with high inflation were a growing challenge. These countries have been a key driving force in the world economy after the financial crisis. Since the end of 2010, growth has abated in the US, while the problem of sovereign debt has increased in Southern Europe.

High demand from emerging economies contributed to a steep increase in commodity prices. In addition, the price of oil rose sharply as disturbances in the Middle East and North Africa escalated, but then levelled off towards the end of the quarter.

In Norway, household and public spending have been the most important driving forces behind the economic growth of the past year. In the short term, relatively weak international growth is not likely to provide much impetus from other countries to the Norwegian economy. In recent months, private consumption has showed a weak trend, partly on account of high energy prices. It is likely that rising wage inflation and higher employment rates will contribute to increasing consumption growth. Higher housing prices have greatly stimulated house building and this trend looks set to continue. The labour market is clearly recovering and the lack of skilled labour is increasing in several industry sectors. The future investment plans of Norwegian businesses indicate a return to stronger growth.

New regulatory framework

The DnB NOR Bank Group expects to benefit from continued ample access to funding, but at prices which are higher than prior to the financial crisis. This is partly attributable to the expected new regulatory framework for the financial services industry, including the Basel III regulatory framework, which will introduce stricter capital adequacy, liquidity and funding requirements. Within the EU/EEA, Basel III will be introduced in the form of a new capital requirements directive, CRD IV. The new directive is expected to be published during the third quarter of 2011. Criteria will also be drawn up for the definition of systemically important banks both nationally and internationally. It is assumed that such banks will be subject to stricter requirements for loss-absorbing capacity. After a consultation round, a proposal outlining definitions and loss-absorbing capacity requirements is scheduled to be presented at the G20 meeting in November 2011. The DnB NOR Bank Group is working to become well positioned to meet the new requirements, and up until the new and stricter regulations are introduced, the banking group's funding activities will reflect a gradual adaptation to the regulations.

Finance Norway and DnB NOR have both responded to the report from the Norwegian Financial Crisis Commission. DnB NOR is particularly critical to the Commission's suggestion concerning an early introduction of the entire or parts of the new regulatory framework. The same applies to the proposal to impose special taxes and fees on Norwegian financial institutions. The principle of "a level playing field" is crucial if Norwegian banks are to strengthen their competitive ability in the best interests of the Norwegian business community and private households.

Future prospects

The DnB NOR Bank Group has a strong platform and a robust strategy for profitable growth. The banking group's position in Norway, a country which has both high GDP growth and high population growth, combined with low unemployment, provides an important basis for future growth ambitions. The banking group's international strategy, focusing on high expertise within shipping, energy and seafood, together with its initiatives in the prospective Baltic growth markets, provides a good platform for international growth. In addition, expected higher interest rate levels will contribute to improved profitability in the future.

In the Retail Banking business area, strong growth is expected, but also intense competition and pressure on home mortgage margins in particular. Increasing activity and higher earnings are anticipated in the Large Corporates and International business area. Portfolio quality is expected to remain sound in both business areas. In DnB NOR Markets, it is anticipated that greater market activity will compensate for pressure on margins and ensure a continued high level of income. An improvement is expected in the markets of DnB NORD, resulting in improved financial performance. In the longer term, it is expected that growth in the Baltic States will again surpass average European levels.

The turmoil in the financial markets and lower international growth have put a certain damper on optimism and may influence future growth. However, in the DnB NOR Bank Group's opinion, at the end of the second quarter, the banking group has a robust and sound platform from which to reach its financial targets.

Oslo, 11 July 2011
The Board of Directors of DnB NOR Bank ASA

Anne Carine Tanum
(chairman)

Jarle Bergo
(vice-chairman)

Sverre Finstad

Kai Nyland

Torill Rambjør

Ingjerd Skjeldrum

Berit Svendsen

Rune Bjerke
(group chief executive)

Income statement

DnB NOR Bank ASA

Amounts in NOK million	Note	2nd quarter 2011	2nd quarter 2010	1st half 2011	1st half 2010	Full year 2010
Total interest income	5	11 551	10 147	22 890	19 792	44 177
Total interest expenses	5	6 481	6 197	12 947	11 997	25 471
Net interest income	5	**5 070**	**3 950**	**9 944**	**7 795**	**18 706**
Commissions and fees receivable etc.	6	1 347	1 299	2 663	2 512	5 375
Commissions and fees payable etc.	6	468	486	920	926	1 867
Net gains on financial instruments at fair value	7	1 901	1 705	2 328	2 635	2 922
Other income	8	708	2 057	1 375	2 755	6 147
Net other operating income		**3 487**	**4 575**	**5 447**	**6 977**	**12 577**
Total income		**8 557**	**8 524**	**15 390**	**14 772**	**31 283**
Salaries and other personnel expenses	9, 10	1 887	1 679	3 624	2 907	6 660
Other expenses	9	1 464	1 421	3 000	2 780	5 610
Depreciation and write-downs of fixed and intangible assets	9	488	359	833	457	1 619
Total operating expenses	9	**3 839**	**3 459**	**7 458**	**6 144**	**13 889**
Net gains on fixed and intangible assets		3	0	4	0	6
Write-downs on loans and guarantees	11	256	46	773	339	813
Pre-tax operating profit		**4 466**	**5 020**	**7 163**	**8 288**	**16 587**
Taxes		1 250	1 355	2 005	2 270	4 270
Profit for the period		**3 215**	**3 664**	**5 157**	**6 017**	**12 317**

Comprehensive income statement

DnB NOR Bank ASA

Amounts in NOK million	2nd quarter 2011	2nd quarter 2010	1st half 2011	1st half 2010	Full year 2010
Profit for the period	3 215	3 664	5 157	6 017	12 317
Exchange differences arising from the translation of foreign operations	(35)	310	(213)	357	(6)
Comprehensive income for the period	**3 181**	**3 974**	**4 944**	**6 375**	**12 310**

Balance sheet

		DnB NOR Bank ASA		
		30 June	31 Dec.	30 June
Amounts in NOK million	Note	2011	2010	2010
Assets				
Cash and deposits with central banks		12 320	12 997	6 804
Lending to and deposits with credit institutions		211 955	216 432	411 080
Lending to customers	12, 13	666 233	669 454	639 499
Commercial paper and bonds		240 757	280 423	259 627
Shareholdings		13 875	14 590	15 726
Financial derivatives		77 133	85 019	98 069
Commercial paper and bonds, held to maturity	14	99 151	113 751	116 382
Investments in associated companies		1 202	1 285	997
Investments in subsidiaries		27 047	22 932	25 752
Intangible assets	15	3 451	3 578	2 474
Deferred tax assets		516	481	1 078
Fixed assets		5 130	5 004	827
Other assets		9 287	9 332	9 239
Total assets		**1 368 059**	**1 435 278**	**1 587 553**
Liabilities and equity				
Loans and deposits from credit institutions		214 940	257 139	336 395
Deposits from customers		626 789	624 588	608 140
Financial derivatives		60 940	72 771	75 546
Debt securities issued	16	328 088	342 761	435 615
Payable taxes		1 503	1 594	2 264
Deferred taxes		56	3	7
Other liabilities		20 770	20 304	9 289
Provisions		394	709	664
Pension commitments		2 931	2 928	3 175
Subordinated loan capital	16	27 607	33 386	37 621
Total liabilities		**1 284 019**	**1 356 182**	**1 508 716**
Share capital		17 514	17 514	17 514
Share premium reserve		12 695	12 695	12 695
Other equity		53 830	48 887	48 628
Total equity		**84 040**	**79 096**	**78 837**
Total liabilities and equity		**1 368 059**	**1 435 278**	**1 587 553**
Off-balance sheet transactions, contingencies and post-balance sheet events	20			

Income statement

DnB NOR Bank Group

Amounts in NOK million	Note	2nd quarter 2011	2nd quarter 2010	1st half 2011	1st half 2010	Full year 2010
Total interest income	5	15 268	14 017	30 287	27 174	57 399
Total interest expenses	5	9 229	8 281	18 233	15 877	34 012
Net interest income	5	**6 039**	**5 736**	**12 054**	**11 297**	**23 387**
Commissions and fees receivable etc.	6	1 583	1 555	3 131	3 007	6 337
Commissions and fees payable etc.	6	487	516	953	988	1 986
Net gains on financial instruments at fair value	7	1 332	1 767	1 995	3 065	4 973
Profit from companies accounted for by the equity method		(28)	(52)	44	9	180
Other income	8	749	1 778	1 365	2 299	3 562
Net other operating income		**3 150**	**4 531**	**5 582**	**7 392**	**13 067**
Total income		**9 189**	**10 267**	**17 636**	**18 689**	**36 454**
Salaries and other personnel expenses	9, 10	2 346	2 183	4 481	3 856	8 170
Other expenses	9	1 806	1 828	3 664	3 557	6 737
Depreciation and write-downs of fixed and intangible assets	9	416	954	807	1 291	2 135
Total operating expenses	9	**4 568**	**4 964**	**8 953**	**8 703**	**17 042**
Net gains on fixed and intangible assets		8	(2)	13	8	23
Write-downs on loans and guarantees	11	457	878	1 349	1 825	2 997
Pre-tax operating profit		**4 173**	**4 423**	**7 348**	**8 169**	**16 437**
Taxes		1 168	1 415	2 057	2 652	4 827
Profit from operations and non-current assets held for sale, after taxes		11	(8)	(30)	(13)	75
Profit for the period		**3 015**	**2 999**	**5 261**	**5 505**	**11 685**
Profit attributable to shareholders		3 015	3 441	5 261	6 146	12 437
Profit attributable to minority interests		0	(442)	0	(641)	(752)

Comprehensive income statement

DnB NOR Bank Group

Amounts in NOK million	2nd quarter 2011	2nd quarter 2010	1st half 2011	1st half 2010	Full year 2010
Profit for the period	3 015	2 999	5 261	5 505	11 685
Exchange differences arising from the translation of foreign operations	(41)	342	(227)	298	(135)
Comprehensive income for the period	**2 974**	**3 341**	**5 034**	**5 803**	**11 550**
Comprehensive income attributable to shareholders	2 974	3 778	5 034	6 547	12 444
Comprehensive income attributable to minority interests	0	(437)	0	(744)	(894)

Balance sheet

Amounts in NOK million	Note	DnB NOR Bank Group 30 June 2011	31 Dec. 2010	30 June 2010
Assets				
Cash and deposits with central banks		15 828	16 198	9 807
Lending to and deposits with credit institutions		35 431	43 837	200 364
Lending to customers	12, 13	1 215 365	1 184 100	1 168 394
Commercial paper and bonds		138 366	162 071	141 028
Shareholdings		14 277	14 954	16 115
Financial derivatives		66 243	76 781	95 039
Commercial paper and bonds, held to maturity	14	99 151	113 751	116 382
Investment property		4 991	2 872	685
Investments in associated companies		2 140	2 291	1 799
Intangible assets	15	4 951	5 001	4 751
Deferred tax assets		356	262	223
Fixed assets		5 947	5 767	5 573
Operations and non-current assets held for sale		1 172	1 271	1 310
Other assets		10 131	8 482	11 197
Total assets		**1 614 349**	**1 637 639**	**1 772 666**
Liabilities and equity				
Loans and deposits from credit institutions		207 494	257 931	338 956
Deposits from customers		668 506	664 012	645 346
Financial derivatives		51 016	60 622	61 726
Debt securities issued	16	543 181	509 447	582 775
Payable taxes		1 579	4 822	2 630
Deferred taxes		185	113	670
Other liabilities		21 930	13 009	11 656
Operations held for sale		331	387	376
Provisions		492	925	889
Pension commitments		3 045	3 038	3 337
Subordinated loan capital	16	27 697	33 474	38 937
Total liabilities		**1 525 457**	**1 547 780**	**1 687 299**
Minority interests		0	0	2 011
Share capital		17 514	17 514	17 514
Share premium reserve		13 411	13 411	13 411
Other equity		57 967	58 933	52 430
Total equity		**88 892**	**89 859**	**85 367**
Total liabilities and equity		**1 614 349**	**1 637 639**	**1 772 666**
Off-balance sheet transactions, contingencies and post-balance sheet events	20			

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 2009	**17 514**	**12 695**	**42 253**	**72 462**
Profit for the period			6 017	6 017
Exchange differences arising from the translation of foreign operations			357	357
Comprehensive income for the period			6 375	6 375
Balance sheet as at 30 June 2010	**17 514**	**12 695**	**48 628**	**78 837**
Balance sheet as at 31 December 2010	**17 514**	**12 695**	**48 887**	**79 096**
Profit for the period			5 157	5 157
Exchange differences arising from the translation of foreign operations			(213)	(213)
Comprehensive income for the period			4 944	4 944
Balance sheet as at 30 June 2011	**17 514**	**12 695**	**53 830**	**84 040**
Of which currency translation reserve :				
Balance sheet as at 31 December 2009			*(283)*	*(283)*
Comprehensive income for the period			*357*	*357*
Balance sheet as at 30 June 2010			*75*	*75*
Balance sheet as at 31 December 2010			*(270)*	*(270)*
Comprehensive income for the period			*(213)*	*(213)*
Balance sheet as at 30 June 2011			*(483)*	*(483)*

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 2009	**2 755**	**17 514**	**13 411**	**49 633**	**83 314**
Profit for the period	(641)			6 146	5 505
Exchange differences arising from the translation of foreign operations	(103)			401	298
Comprehensive income for the period	(744)			6 547	5 803
Group contribution for 2009 to DnB NOR ASA				(3 750)	(3 750)
Balance sheet as at 30 June 2010	**2 011**	**17 514**	**13 411**	**52 430**	**85 367**
Balance sheet as at 31 December 2010	**0**	**17 514**	**13 411**	**58 933**	**89 859**
Profit for the period				5 261	5 261
Exchange differences arising from the translation of foreign operations				(227)	(227)
Comprehensive income for the period				5 034	5 034
Group contribution for 2010 to DnB NOR ASA				(6 000)	(6 000)
Balance sheet as at 30 June 2011	**0**	**17 514**	**13 411**	**57 967**	**88 892**
Of which currency translation reserve :					
Balance sheet as at 31 December 2009	*(63)*			*(240)*	*(303)*
Comprehensive income for the period	*(103)*			*401*	*298*
Balance sheet as at 30 June 2010	*(166)*			*161*	*(5)*
Balance sheet as at 31 December 2010				*(438)*	*(438)*
Comprehensive income for the period				*(227)*	*(227)*
Balance sheet as at 30 June 2011				*(665)*	*(665)*

Cash flow statement

DnB NOR Bank ASA Full year 2010	1st half 2010	1st half 2011	Amounts in NOK million	DnB NOR Bank Group 1st half 2011	1st half 2010	Full year 2010
			Operating activities			
6 814	6 600	(13 687)	Net receipts/payments on loans to customers	(48 876)	(21 412)	(56 030)
43 944	15 216	6 205	Net receipts on deposits from customers	8 360	20 160	50 491
26 870	11 085	14 254	Interest received from customers	23 839	20 909	44 214
(10 834)	(4 931)	(6 250)	Interest paid to customers	(6 615)	(5 287)	(11 527)
18 264	20 161	52 424	Net receipts on the sale of financial assets for investment or trading	36 812	48 729	508
3 646	1 537	1 845	Net receipts on commissions and fees	2 280	1 970	4 433
(12 975)	(6 366)	(6 518)	Payments to operations	(8 039)	(8 091)	(15 584)
(7 912)	(7 072)	(2 077)	Taxes paid	(5 319)	(8 639)	(8 032)
4 811	2 796	1 379	Other receipts	1 369	3 418	2 529
72 627	**39 027**	**47 575**	**Net cash flow relating to operating activities**	**3 811**	**51 758**	**11 003**
			Investment activities			
(2 495)	(177)	(840)	Net payments on the acquisition of fixed assets	(956)	(668)	(1 968)
200	200	85	Receipts on the sale of long-term investments in shares	85	200	0
(1 313)	(60)	(4 147)	Payments on the acquisition of long-term investment in shares	0	(60)	(1 253)
216	330	100	Dividends received on long-term investments in shares	100	16	438
(3 391)	**293**	**(4 802)**	**Net cash flow relating to investment activities**	**(770)**	**(511)**	**(2 783)**
			Funding activities			
(20 032)	(89 708)	(36 754)	Net payments on loans to credit institutions	(38 887)	(104 595)	(26 351)
(9 331)	(3 354)	5 140	Net receipts/payments on other short-term liabilities	5 432	4 184	2 131
181 307	217 352	173 553	Receipts on issued bonds and commercial paper	259 448	224 798	278 237
(231 268)	(180 743)	(181 518)	Payments on redeemed bonds and commercial paper	(215 044)	(181 531)	(257 013)
(3 522)	(1 861)	(4 601)	Redemptions of subordinated loan capital	(4 601)	(1 861)	(4 704)
(3 224)	451	(4 584)	Dividend/group contribution payments/receipts	(6 000)	(3 750)	(3 750)
17 340	4 246	8 636	Interest receipts on funding activities	6 449	1 658	13 219
(14 599)	(7 254)	(6 664)	Interest payments on funding activities	(11 585)	(10 778)	(22 454)
(83 329)	**(60 870)**	**(46 792)**	**Net cash flow from funding activities**	**(4 788)**	**(71 876)**	**(20 685)**
234	**97**	**(1 570)**	**Effects of exchange rate changes on cash and cash equivalents**	**(1 602)**	**8**	**(153)**
(13 860)	**(21 454)**	**(5 589)**	**Net cash flow**	**(3 350)**	**(20 621)**	**(12 618)**
46 037	46 036	32 177	Cash as at 1 January	23 459	36 078	36 078
(13 860)	(21 454)	(5 589)	Net payments of cash	(3 350)	(20 621)	(12 618)
32 177	24 582	26 587	Cash at end of period *)	20 109	15 457	23 459
			*) *Of which:*			
12 997	*6 804*	*12 320*	*Cash and deposits with central banks*	*15 828*	*9 807*	*16 198*
19 180	*17 778*	*14 267*	*Deposits with credit institutions with no agreed period of notice* [1]	*4 281*	*5 650*	*7 261*

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 period. 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.

Note 1 Accounting principles

The second quarter accounts 2011 have been prepared according to IAS 34 Interim Financial Reporting. A description of the accounting principles applied by the banking group is found in the annual report for 2010. The annual and interim accounts are prepared according to IFRS principles as approved by the EU. The banking group's accounting principles and calculation methods are essentially the same as those described in the annual report for 2010. No new or amended accounting standards or interpretations entered into force during the second quarter of 2011.

Note 2 Important accounting estimates and discretionary assessments

When preparing the accounts of the bank and the banking group, management makes estimates and discretionary assessments and prepares assumptions that influence the effect of the accounting principles applied and thus the recorded values of assets, liabilities, income and expenses. A more detailed description of important estimates and assumptions is presented in note 1 Important accounting estimates and discretionary assessments in the annual report for 2010.

Note 3 Changes in group structure

On 16 June 2011, DnB NOR Bank ASA took over all the shares in Royston Norway from Propinvest Ltd. as part of the restructuring of the bank's commitment with the company. In addition, a company in Sweden and another in Finland were acquired. The acquired companies are organised into three independent sub-groups and own a total of 62 commercial properties, of which 55 are located in Norway, four in Sweden and three in Finland. The fair value of the properties was estimated at approximately NOK 1.8 billion on the acquisition date. The bank will seek to further develop the properties, aiming for a future sale. The bank is expected to own the properties for a few years, which means that the consolidation requirement must be fulfilled.

The companies were taken over at the price of NOK 1. On the acquisition date, the acquired companies had a total negative equity of NOK 218 million. Prior to the acquisition, DnB NOR Bank ASA had written down the commitment by a corresponding amount.

Note 4 Segments

Business areas

The operational structure of the DnB NOR Bank Group includes three business areas and four staff and support units. 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. Throughout 2010, the DnB NOR Bank Group owned 51 per cent of DnB NORD's operations. With effect from 23 December 2010, however, the DnB NOR Bank Group acquired all shares in the company. Operations were organised under Large Corporates and International, but will still be regarded as a separate profit centre.

Retail Banking	- offers a broad range of financial products and services through a wide distribution network. In cooperation with several of the banking group's product areas, customers are offered various financing and leasing, deposit and investment alternatives, insurance, as well as real estate broking and financial advisory services. In addition, extensive everyday banking services are provided through the internet bank, mobile banking, SMS services, branch offices, in-store banking outlets, in-store postal outlets and Norway Post.
Large Corporates and International	- offers a broad range of financial products and services to large Norwegian and international customers in cooperation with several of the 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 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 the DnB NOR Bank Group's management model and accounting principles. The figures have been restated in accordance with the banking 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 banking group's economic capital, based on its risk systems. It is used to measure the capital required to fund transactions and volumes. The banking 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. 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". Double entries are eliminated in the group accounts.

Note 4 Segments (continued)

Income statement, second quarter

DnB NOR Bank Group

	Retail Banking		Large Corporates and International		DnB NOR Markets		DnB NORD		Other operations/ eliminations [1)]		DnB NOR Bank Group	
	2nd quarter		2nd quarter		2nd quarter		2nd quarter		2nd quarter		2nd quarter	
Amounts in NOK million	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
Net interest income - ordinary operations	3 307	3 452	1 769	1 440	202	214	302	377	459	252	6 039	5 736
Interest on allocated capital [2)]	148	120	160	152	35	36	15	8	(358)	(316)	0	0
Net interest income	3 455	3 572	1 929	1 593	237	250	317	385	101	(64)	6 039	5 736
Other operating income	906	910	315	201	1 332	1 211	165	99	431	2 110	3 150	4 531
Income attributable to product suppliers	319	340	494	458	0	0	0	0	(813)	(798)	0	0
Net other operating income	1 225	1 250	809	659	1 332	1 211	165	99	(382)	1 312	3 150	4 531
Total income	4 680	4 822	2 739	2 252	1 569	1 462	482	483	(281)	1 248	9 189	10 267
Other operating expenses	2 672	2 785	582	521	500	484	356	682	457	492	4 568	4 964
Cost attributable to product suppliers	151	187	201	195	0	0	0	0	(352)	(382)	0	0
Operating expenses	2 824	2 972	783	716	500	484	356	682	104	110	4 568	4 964
Pre-tax operating profit before write-downs	1 856	1 850	1 956	1 536	1 069	978	126	(198)	(385)	1 138	4 622	5 303
Net gains on fixed and intangible assets	0	1	0	0	0	0	4	(8)	4	5	8	(2)
Write-downs on loans and guarantees [3)]	100	284	220	63	0	0	180	699	(43)	(168)	457	878
Write-downs attributable to product suppliers	0	0	0	0	0	0	0	0	0	0	0	0
Pre-tax operating profit	1 756	1 566	1 735	1 474	1 069	978	(49)	(906)	(338)	1 311	4 173	4 423

1) Other operations/eliminations:

	Elimination of income/ cost attributable to product suppliers		*Other eliminations*		*Group Centre [*)]*		*Total*	
	2nd quarter		*2nd quarter*		*2nd quarter*		*2nd quarter*	
Amounts in NOK million	*2011*	*2010*	*2011*	*2010*	*2011*	*2010*	*2011*	*2010*
Net interest income - ordinary operations	*0*	*0*	*0*	*0*	*459*	*253*	*459*	*252*
Interest on allocated capital [2)]	*0*	*0*	*0*	*0*	*(358)*	*(316)*	*(358)*	*(316)*
Net interest income	*0*	*0*	*0*	*0*	*101*	*(64)*	*101*	*(64)*
Other operating income	*0*	*0*	*(74)*	*(43)*	*505*	*2 153*	*431*	*2 110*
Income attributable to product suppliers	*(813)*	*(798)*	*0*	*0*	*0*	*0*	*(813)*	*(798)*
Net other operating income	*(813)*	*(798)*	*(74)*	*(43)*	*505*	*2 153*	*(382)*	*1 312*
Total income	*(813)*	*(798)*	*(74)*	*(43)*	*606*	*2 089*	*(281)*	*1 248*
Other operating expenses	*0*	*0*	*(74)*	*(43)*	*531*	*534*	*457*	*492*
Cost attributable to product suppliers	*(352)*	*(382)*	*0*	*0*	*0*	*0*	*(352)*	*(382)*
Operating expenses	*(352)*	*(382)*	*(74)*	*(43)*	*531*	*535*	*104*	*110*
Pre-tax operating profit before write-downs	*(461)*	*(417)*	*0*	*0*	*76*	*1 554*	*(385)*	*1 138*
Net gains on fixed and intangible assets	*0*	*0*	*0*	*0*	*4*	*5*	*4*	*5*
Write-downs on loans and guarantees [3)]	*0*	*0*	*0*	*0*	*(43)*	*(168)*	*(43)*	*(168)*
Write-downs attributable to product suppliers	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Pre-tax operating profit	*(460)*	*(417)*	*0*	*0*	*122*	*1 727*	*(338)*	*1 311*

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, Treasury, the partially owned company Eksportfinans 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.

		2nd quarter	
**)*	*Group Centre - pre-tax operating profit in NOK million*	*2011*	*2010*
	+ Gain on Nordito shareholding	*0*	*1 170*
	+ Interest on unallocated equity etc.	*212*	*174*
	+ Income from equities investments	*25*	*(107)*
	+ Mark-to-market adjustments Treasury and fair value on lending	*(7)*	*769*
	+ Eksportfinans AS	*68*	*(40)*
	- Unallocated write-downs on loans and guarantees	*(43)*	*(168)*
	- Uncallocated pension expenses	*23*	*31*
	- Impairment losses for intangible assets	*0*	*51*
	- Funding costs on goodwill	*13*	*12*
	Other	*(183)*	*(313)*
	Pre-tax operating profit	*122*	*1 727*

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

3) As from 1 January 2011, changes in collective write-downs are also included in the accounts of Retail Banking and Large Corporates and International. See note 11 Write-downs on loans and guarantees for an analysis of the gross change in write-downs for the Group.

Note 4 Segments (continued)

Main average balance sheet items — **DnB NOR Bank Group**

	Retail Banking		Large Corporates and International		DnB NOR Markets		DnB NORD		Other operations/ eliminations		DnB NOR Bank Group	
	2nd quarter		2nd quarter		2nd quarter		2nd quarter		2nd quarter		2nd quarter	
Amounts in NOK billion	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
Net lending to customers 1)	772.7	732.7	352.8	338.9	3.3	1.0	59.6	62.9	12.6	12.3	1 201.1	1 147.9
Deposits from customers 1)	394.0	370.3	230.9	202.9	26.4	18.5	25.0	21.9	19.0	19.8	695.3	633.4
Allocated capital 2)	21.9	19.6	23.8	24.9	5.2	6.0	4.2	4.7				

Key figures — **DnB NOR Bank Group**

	Retail Banking		Large Corporates and International		DnB NOR Markets		DnB NORD		Other operations		DnB NOR Bank Group	
	2nd quarter		2nd quarter		2nd quarter		2nd quarter		2nd quarter		2nd quarter	
Per cent	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
Cost/income ratio 3)	60.3	57.6	28.6	31.8	31.9	33.1	73.8	69.5			49.7	48.1
Ratio of deposits to lending 1) 4)	51.0	50.5	65.4	59.9			41.9	34.8			57.9	55.2
Return on allocated capital, annualised 2)	23.1	23.1	21.1	17.1	59.1	47.4	(3.8)	(37.9)				
Number of full-time positions as at 30 June 5)	4 928	4 938	1 117	1 080	688	676	3 169	3 136	2 264	2 232	12 165	12 063

1) *Lending to customers includes accrued interest, write-downs and value adjustments. Lending to credit institutions are not included. Correspondingly, deposits from customers include accrued interest and value adjustments. Deposits from credit institutions are not included.*
2) *The allocated capital and return on allocated capital for the business areas are calculated on the basis of internal measurement of risk-adjusted capital requirement.*
3) *Total operating expenses relative to total income. In 2010 expenses exclude impairment losses for goodwill and intangible assets and income exclude a gain from the merger between the payment services company Nordito and the Danish PBS Holding.*
4) *Deposits from customers relative to net lending to customers.*
5) *In the second quarter of 2011, 65 full-time positions were transferred to Market and Communications from other parts of the Bank Group, of which 36 full-time positions were transferred from Retail Banking.*

Comments to the income statement, second quarter

Retail Banking

Pre-tax operating profits totalled NOK 1 756 million in the second quarter of 2011, an increase of NOK 190 million from the year-earlier period. There was a positive development in volumes and a satisfactory trend in non-performing commitments and write-downs. Average net lending increased by 5.5 per cent from the second quarter of 2010 to the corresponding period in 2011. Adjusted for the sale of the DnB NOR Bank Group's home mortgage portfolio in Sweden at end-March 2011, lending rose by 6.2 per cent. The growth rate for home mortgages increased in the second quarter of 2011. In addition, lending to small and medium-sized businesses showed a positive volume trend. Compared with the year-earlier period, average deposits rose by 6.4 per cent, while the average ratio of deposits to lending was 51 per cent for the quarter. Along with customer deposits, covered bonds based on residential mortgages in DnB NOR Boligkreditt were key sources of funding. At end-June 2011, 91 per cent of lending volume in Retail Banking was funded by deposits and covered bonds. Adjusted for the discontinuation of guarantee fund levies, net interest income declined by NOK 231 million compared with the year-earlier period. The reduction reflected rising funding costs and lag effects related to the implementation of interest rate adjustments. The weighted interest rate spread, defined as total margin income on loans and deposits relative to loans and deposits, was 1.15 per cent in the second quarter of 2011, down from 1.26 per cent in the year-earlier period. Retail Banking has competitive products and wishes to offer attractive prices in both the retail and corporate markets. Rising income from real estate broking in Norway contributed to increasing other operating income, while a negative trend in the value of shares held by partially-owned companies had a negative effect on income compared with the second quarter of 2010. Ordinary operating expenses, adjusted for impairment losses for goodwill, were up NOK 81 million in the second quarter of 2011 compared with the year-earlier period. The increase reflected a rise in depreciation on operational leasing in DnB NOR Finans and higher marketing expenses due to an increase in market activities. In addition, IT systems recorded in the balance sheet were written down in consequence of the conversion of Postbanken's customer accounts to DnB NOR Bank's IT systems. The merging of the DnB NOR and Postbanken brands will give customers access to a wider distribution network and product range. This is also a step towards improved future cost efficiency. The number of full-time positions was 4 928 at end-June 2011, of whom 4 607 worked in the business area's units in Norway. The quality of the loan portfolio was sound, with relatively low net write-downs in both the retail and corporate markets. On an annual basis, net write-downs represented 0.05 per cent of lending in the second quarter of 2011, compared with 0.16 per cent in the year-earlier period. Net impaired commitments amounted to NOK 5.0 billion at end-June 2011, up NOK 0.2 billion from end-June 2011.

Large Corporates and International

Pre-tax operating profits came to NOK 1 735 million, up NOK 261 million from the year-earlier period. The Norwegian krone appreciated by 11 per cent relative to the US dollar from the second quarter of 2010 to the corresponding period in 2011, which had a negative effect on the business area's lending and deposit volumes measured in Norwegian kroner. The underlying level of activity showed a positive trend. Lending increased by 4.1 per cent from the second quarter of 2010. Adjusted for exchange rate movements, there was an 8.9 per cent rise. There was a positive trend from the first to the second quarter of 2011, with increases in lending of NOK 3 billion and NOK 13 billion, respectively, adjusted for exchange rate movements. Deposits rose by 13.8 per cent from the second quarter of 2010, while the ratio of deposits to lending increased by 5.6 percentage points. Deposit volumes were virtually unchanged from the first quarter of 2011. Measured against the 3-month money market rate, lending spreads widened by 0.22 percentage points from the second quarter of 2010 and by 0.06 percentage points from the first quarter of 2011, to 1.62 per cent. The widening spreads helped compensate for higher long-term funding costs. There was strong competition for deposits, and deposit spreads were relatively stable at a low level over the past three quarters. Competition for deposits intensified compared with the second quarter of 2010, and deposit spreads in the second quarter of 2011 were 0.08 percentage points lower than in the year-earlier period. The increase in other operating income was mainly attributable to a positive development in the value of repossessed assets in the form of equities. Operating expenses rose by 9.4 per cent from the second

Note 4 Segments (continued)

quarter of 2010, mainly due to a rise in staff numbers in strategic priority areas and increased IT development activity. There was a 2.9 per cent reduction in costs compared with the first quarter of 2011. At end-June 2011, staff in the business area represented 1 117 full-time positions, including 648 positions outside Norway. Net write-downs on loans represented 0.25 per cent of net customer lending to customers on an annual basis, of which individual write-downs represented 0.15 per cent. In the second quarter of 2010, net individual write-downs came to 0.07 per cent of net lending. Net impaired commitments totalled NOK 1.6 billion at end-June 2011, down NOK 2.2 billion from end-March 2011. The corresponding figure at end-June 2010 was NOK 5.6 billion.

DnB NOR Markets

Pre-tax operating profits totalled NOK 1 069 million, up NOK 91 million compared with the year-earlier period. Unrest in the so-called PIGS countries and fear of lower global growth resulted in a decline in market and customer activity. On the other hand, the volatile markets gave higher income from proprietary trading and thus an increase in total income. Operating expenses rose by 3.5 per cent from the second quarter of 2010, while the cost/income ratio declined by 1.2 percentage points. Customer-related income from foreign exchange and interest rate and commodity derivatives declined, mainly due to less currency and commodity hedging activity. There was greater demand for interest rate hedging towards the end of the quarter. Customer-related income from the sale of securities and other investment products was reduced compared with the second quarter of 2010. Stock market developments reflected the uncertain macroeconomic situation and lack of risk willingness among investors, resulting in lower activity levels. There was rising interest in investing in property projects. Customer-related revenues from corporate finance services increased by 14.4 per cent from the second quarter of 2010. Due to the weak stock market, there was reduced activity within equity issues and initial public offerings. However, there was a high level of activity in the debt capital markets, especially at the start of the quarter. During the second quarter, DnB NOR Markets established a debt capital markets unit in Singapore with responsibility for Asia. There was a rise in customer-related revenues from custodial and other securities services from the second quarter of 2010, in spite of reduced stock market activity. There was seasonally high activity within securities services. Income from market making and other proprietary trading increased by 15.3 per cent from the second quarter of 2010, to NOK 851 million. There was a rise in income from trading in fixed income instruments, while income from foreign exchange trading was somewhat lower than the previous year.

Revenues within various segments

	DnB NOR Markets	
Amounts in NOK million	2nd quarter 2011	2nd quarter 2010
FX, interest rate and commodity derivatives	309	331
Investment products	82	99
Corporate finance	230	201
Securities services	62	57
Total customer revenues	683	687
Net income liquidity portfolio	262	265
Other market making/trading revenues	589	474
Total trading revenues	851	738
Interest income on allocated capital	35	36
Total income	1 569	1 462

DnB NORD

DnB NORD recorded a pre-tax operating loss of NOK 49 million in the second quarter of 2011, an improvement of NOK 857 million from the second quarter of 2010. The improved performance was due to a reduction in write-downs on loans and the fact that DnB NORD's financial performance in the second quarter of 2010 was affected by write-downs on intangible assets. Average net lending to customers was reduced by 5.2 per cent from the second quarter of 2010 to the corresponding period in 2011. Measured relative to lending at the end of the period, there was a 3.1 per cent reduction from end-June 2010, with a 1.4 per cent decline in lending in the Baltic States and Poland. In spite of an improved macroeconomic situation in the Baltic region, it will take time before this is reflected in rising credit demand. However, the down-ward trend seems to have slowed, and there was a slight increase in lending in both Latvia and Estonia from end-March 2011. Average customer deposits rose by 14.4 per cent from the second quarter of 2010. Total income was stable from the second quarter of 2010, while there was a slight increase in ordinary operating expenses. The level of net write-downs on loans remained high compared with the banking group's other operations, though there was a significant reduction from the second quarter of 2010. Relative to average lending, write-downs came to 1.21 per cent on an annual basis in the second quarter of 2011, down from 1.45 per cent in the first quarter of 2011 and 4.46 per cent in the second quarter of 2010. The operations in DnB NORD are mainly concentrated in the Baltic States and Poland, and will be continued as a separate division in Large Corporates and International. The process of integrating operations more closely with the banking group started immediately after the full acquisition of DnB NORD in December 2011. Measures include the downscaling of opera-tions in Copenhagen and the transfer of key functions to Oslo. The future strategy in Poland is being assessed. One of the alternatives under consideration is the sale of the Polish operation. The new Baltics and Poland division, including administrative expenses in Norway, showed estimated pre-tax operating profits of NOK 22 million in the second quarter of 2011, down NOK 4 million from the first quarter of 2011 and up NOK 39 million from the fourth quarter of 2010.

Note 4 Segments (continued)

Group Centre

The Group Centre recorded a pre-tax operating profit of NOK 122 million in the second quarter of 2011, compared with a profit of NOK 1 727 million in the year-earlier period. Gains from the merger between the payment services company Nordito and the Danish PBS Holding in the second quarter of 2010 were NOK 1 170 million. Profits attributable to the Group from the associated company Eksportfinans totalled NOK 68 million in the second quarter of 2011, including the share of the portfolio guarantee issued for the liquidity portfolio, compared with a loss of NOK 40 million in the second quarter of 2010. Income from equity investments totalled NOK 25 million in the second quarter of 2011, a increase of NOK 133 million from the previous year. There was a negative profit contribution of NOK 7 million from own debt, loans carried at fair value and related derivatives in the second quarter of 2011, compared with a profit contribution of NOK 769 million in the corresponding period in 2010. The value of the Postbanken brand was impaired by NOK 51 million during the second quarter of 2010. There was a reduction of NOK 43 million in collective write-downs in the second quarter of 2011, compared with a reduction of NOK 168 million in the second quarter of 2010. The reduction was partly attributable to the fact that collective write-downs relating to the loan portfolios in Retail Banking and Large Corporates and International are included in the respective business areas' accounts with effect from 2011.

Income statement, first half

	Retail Banking		Large Corporates and International		DnB NOR Markets		DnB NORD		Other operations/ eliminations		DnB NOR Bank Group	
	1st half		1st half		1st half		1st half		1st half		1st half	
Amounts in NOK million	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
Net interest income - ordinary operations	6 780	6 777	3 443	2 776	411	475	601	705	820	565	12 054	11 297
Interest on allocated capital [1)]	285	227	310	288	70	67	26	17	(692)	(599)	0	0
Net interest income	7 065	7 004	3 753	3 064	481	542	627	721	128	(35)	12 054	11 297
Other operating income	1 793	1 764	590	450	2 732	2 233	340	285	128	2 661	5 582	7 392
Income attributable to product suppliers	608	651	1 004	820	0	0	0	0	(1 612)	(1 471)	0	0
Net other operating income	2 401	2 415	1 594	1 270	2 732	2 233	340	285	(1 485)	1 190	5 582	7 392
Total income	9 466	9 419	5 347	4 334	3 213	2 775	967	1 006	(1 357)	1 156	17 636	18 689
Other operating expenses	5 226	5 297	1 170	1 068	1 029	900	701	1 030	826	407	8 953	8 703
Cost attributable to product suppliers	304	362	420	346	0	0	0	0	(724)	(709)	0	0
Operating expenses	5 530	5 660	1 589	1 415	1 029	900	701	1 030	103	(302)	8 953	8 703
Pre-tax operating profit before write-downs	3 936	3 759	3 758	2 919	2 184	1 874	266	(24)	(1 459)	1 457	8 684	9 986
Net gains on fixed and intangible assets	1	1	0	0	0	0	7	(14)	5	22	13	8
Write-downs on loans and guarantees [2)]	353	491	605	312	0	0	393	1 255	(1)	(233)	1 349	1 825
Write-downs attributable to product suppliers	0	0	2	2	0	0	0	0	(2)	(2)	0	0
Pre-tax operating profit	3 584	3 270	3 150	2 605	2 184	1 874	(120)	(1 294)	(1 451)	1 714	7 348	8 169

Comments to the income statement, first half

The DnB NOR Bank Group recorded a profit for the periode of NOK 5 261 million in the first half of 2011, down from NOK 5 505 million in the first half of 2010. Pre-tax operating profits before write-downs were NOK 8 684 million, down from NOK 9 986 million in the first half of 2010. There was a NOK 47.0 billion increase in lending from end-June 2010. Lending spreads were stable measured against the 3-month money market rate. Net interest income increased by NOK 757 million during the period, mainly due to rising volumes. Other operating income declined by NOK 1 810 million from the first half of 2010 The reduction must be viewed in light of the NOK 1 170 million gain recorded by the banking group in the first half of 2010 in connection with the merger between the payment services company Nordito and the Danish PBS Holding. Adjusted for the gains from the merger and a reduction in income from mark-to-market adjustments of liabilities and associated instruments of NOK 1 061 million, other operating income rose by NOK 421 million or 7.3 per cent. There was a healthy underlying income trend during the period.

Operating expenses rose by NOK 250 million from the first half of 2010. However, the comparison is affected by a number of items of a non-recurring nature. In 2010, costs for contractual pension agreements (CPA) of NOK 355 million were reversed in the first quarter, while impairment losses for goodwill and intangible assets totalled NOK 591 million in the second quarter. Adjusted for these items, the underlying rise in costs represented NOK 486 million. The cost increase must be seen in association with the rise in income and higher activity levels. Among other things, the DnB NOR Bank Group has escalated its IT initiatives over the past year parallel to a strong increase in market activities, also outside Norway, for example in the energy sector. Risk developments in the banking group's loan portfolio were well under control, and individual write-downs mainly related to a few commitments. There was a significant reduction in write-downs in DnB NORD compared with the first half of 2010. Return on equity was 11.7 per cent, down from 14.9 per cent in the first half of 2010. DnB NOR's General Meeting has decided to change the name of the Group from DnB NOR to DNB and to include the Group's products and services under this brand name. The name change is scheduled to be implemented in November 2011. In June, the Group's new DNB logo was made public. Uniting operations under one brand name will offer opportunities to further strengthen initiatives targeted at the Group's customers. As part of the process to establish a common brand, all of Postbanken's customer accounts were transferred to DnB NOR Bank's IT systems during the Easter of 2011. This step will give the banking group a less complex portfolio of IT systems and thus reduce risk and costs.

Note 5 Net interest income

Amounts in NOK million	2nd quarter 2011	2nd quarter 2010	1st half 2011	1st half 2010	Full year 2010
DnB NOR Bank ASA					
Interest on loans to and deposits with credit institutions	1 597	1 669	3 043	3 242	5 693
Interest on loans to customers	7 214	5 651	14 169	10 989	26 709
Interest on impaired commitments	36	32	68	64	119
Interest on commercial paper and bonds	2 107	2 279	4 429	4 493	9 256
Front-end fees etc.	74	55	130	103	271
Other interest income	523	461	1 051	901	2 128
Total interest income	**11 551**	**10 147**	**22 890**	**19 792**	**44 177**
Interest on loans and deposits from credit institutions	1 133	1 272	2 323	2 417	4 912
Interest on deposits from customers	3 224	2 593	6 253	4 933	10 835
Interest on debt securities issued	1 159	1 039	2 313	2 011	4 369
Interest on subordinated loan capital	157	158	309	314	644
Other interest expenses [1]	808	1 135	1 749	2 321	4 711
Total interest expenses	**6 481**	**6 197**	**12 947**	**11 997**	**25 471**
Net interest income [2]	**5 070**	**3 950**	**9 944**	**7 795**	**18 706**

Amounts in NOK million	2nd quarter 2011	2nd quarter 2010	1st half 2011	1st half 2010	Full year 2010
DnB NOR Bank Group					
Interest on loans to and deposits with credit institutions	298	285	607	514	1 067
Interest on loans to customers	12 076	10 728	23 698	20 775	43 925
Interest on impaired commitments	64	65	124	101	247
Interest on commercial paper and bonds	2 171	2 353	4 559	4 640	9 538
Front-end fees etc.	80	69	140	132	287
Other interest income	580	517	1 160	1 012	2 334
Total interest income	**15 268**	**14 017**	**30 287**	**27 174**	**57 399**
Interest on loans and deposits from credit institutions	1 149	1 294	2 353	2 485	5 008
Interest on deposits from customers	3 405	2 769	6 617	5 289	11 528
Interest on debt securities issued	3 622	2 926	7 105	5 537	12 239
Interest on subordinated loan capital	156	167	310	332	667
Other interest expenses [1]	897	1 124	1 848	2 235	4 571
Total interest expenses	**9 229**	**8 281**	**18 233**	**15 877**	**34 012**
Net interest income	**6 039**	**5 736**	**12 054**	**11 297**	**23 387**

1) *Other interest expenses include interest rate adjustments resulting from interest swaps entered into.*
2) *DnB NOR Finans was merged with DnB NOR ASA in the third quarter of 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.*

Note 6 Net commissions and fees receivable

					DnB NOR Bank ASA
Amounts in NOK million	2nd quarter 2011	2nd quarter 2010	1st half 2011	1st half 2010	Full year 2010
Money transfer fees receivable	684	690	1 344	1 327	2 735
Fees on asset management services	61	66	121	125	240
Fees on custodial services	84	77	168	149	293
Fees on securities broking	62	77	149	157	293
Corporate finance	70	111	131	178	430
Interbank fees	22	24	43	46	93
Credit broking commissions	137	84	261	159	468
Sales commissions on insurance products	69	70	133	153	307
Sundry commissions and fees receivable on banking services	158	101	313	218	516
Total commissions and fees receivable etc.	**1 347**	**1 299**	**2 663**	**2 512**	**5 375**
Money transfer fees payable	244	246	476	477	1 060
Commissions payable on fund management services	0	0	0	0	0
Fees on custodial services payable	35	31	67	60	112
Interbank fees	32	35	61	68	133
Credit broking commissions	28	35	60	58	62
Commissions payable on the sale of insurance products	0	0	0	0	0
Sundry commissions and fees payable on banking services	130	139	256	265	500
Total commissions and fees payable etc.	**468**	**486**	**920**	**926**	**1 867**
Net commissions and fees receivable [1)]	**879**	**813**	**1 743**	**1 586**	**3 508**

					DnB NOR Bank Group
Amounts in NOK million	2nd quarter 2011	2nd quarter 2010	1st half 2011	1st half 2010	Full year 2010
Money transfer fees receivable	734	744	1 442	1 434	2 960
Fees on asset management services	64	81	128	157	252
Fees on custodial services	86	78	171	152	301
Fees on securities broking	69	78	158	159	303
Corporate finance	107	147	224	244	608
Interbank fees	24	25	45	48	97
Credit broking commissions	139	86	265	162	474
Sales commissions on insurance products	113	111	215	229	491
Sundry commissions and fees receivable on banking services	248	205	482	423	851
Total commissions and fees receivable etc.	**1 583**	**1 555**	**3 131**	**3 007**	**6 337**
Money transfer fees payable	252	259	494	502	1 111
Commissions payable on fund management services	0	0	0	0	0
Fees on custodial services payable	35	31	67	60	112
Interbank fees	34	36	64	70	140
Credit broking commissions	23	35	42	56	48
Commissions payable on the sale of insurance products	2	4	5	9	24
Sundry commissions and fees payable on banking services	142	152	281	290	550
Total commissions and fees payable etc.	**487**	**516**	**953**	**988**	**1 986**
Net commissions and fees receivable	**1 096**	**1 039**	**2 178**	**2 019**	**4 351**

1) *DnB NOR Finans was merged with DnB NOR ASA in the third quarter of 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.*

Note 7 Net gains on financial instruments at fair value

	DnB NOR Bank ASA				
	2nd quarter	2nd quarter	1st half	1st half	Full year
Amounts in NOK million	2011	2010	2011	2010	2010
Dividends	277	505	335	546	376
Net gains on commercial paper and bonds [1)]	659	221	363	340	(717)
Net gains on shareholdings	(153)	(206)	(82)	(81)	698
Net gains on other financial instruments	1 117	1 185	1 711	1 830	2 565
Net gains on financial instruments at fair value	**1 901**	**1 705**	**2 328**	**2 635**	**2 922**

	DnB NOR Bank Group				
	2nd quarter	2nd quarter	1st half	1st half	Full year
Amounts in NOK million	2011	2010	2011	2010	2010
Dividends	277	193	349	234	380
Net gains on commercial paper and bonds	187	210	104	568	542
Net gains on shareholdings	(155)	(297)	(47)	(170)	613
Net gains on other financial instruments	1 022	1 661	1 589	2 433	3 438
Net gains on financial instruments at fair value	**1 332**	**1 767**	**1 995**	**3 065**	**4 973**

1) *Unrealised gains on DnB NOR Bank ASA's investments in covered bonds issued by DnB NOR Boligkreditt were NOK 482 million in the second quarter of 2011. Investments in such bonds totalled NOK 109.7 billion at 30 June 2011, which have been used in the exchange scheme with the Norwegian government. See note 19 Information on related parties – stimulus packages.*

Note 8 Other income

	DnB NOR Bank ASA				
	2nd quarter	2nd quarter	1st half	1st half	Full year
Amounts in NOK million	2011	2010	2011	2010	2010
Income from owned/leased premises	19	27	38	55	85
Group contributions and dividends from subsidiaries	0	0	0	0	1 960
Miscellaneous operating income [1)]	688	2 030	1 337	2 701	4 102
Total other income	**708**	**2 057**	**1 375**	**2 755**	**6 147**

	DnB NOR Bank Group				
	2nd quarter	2nd quarter	1st half	1st half	Full year
Amounts in NOK million	2011	2010	2011	2010	2009
Fees on real estate broking	301	238	500	418	860
Miscellaneous operating income [1)]	448	1 539	865	1 881	2 701
Total other income	**749**	**1 778**	**1 365**	**2 299**	**3 562**

1) *Merger between the payment services company Nordito and the Danish PBS Holding during the second quarter of 2010. DnB NOR ASA and the DnB NOR Bank Group thus recorded income of NOK 1 485 million and NOK 1 170 million respectively.*

Note 9 Operating expenses

	DnB NOR Bank ASA				
Amounts in NOK million	2nd quarter 2011	2nd quarter 2010	1st half 2011	1st half 2010	Full year 2010
Salaries	1 364	1 203	2 595	2 328	5 092
Employer's national insurance contributions	185	165	358	320	700
Pension expenses [1)]	195	149	387	(38)	254
Restructuring expenses	1	29	3	41	45
Other personnel expenses	143	132	282	257	569
Total salaries and other personnel expenses	**1 887**	**1 679**	**3 624**	**2 907**	**6 660**
Fees [2)]	334	321	691	629	1 264
IT expenses [2)]	355	374	732	737	1 479
Postage and telecommunications	68	67	140	141	295
Office supplies	12	12	23	26	53
Marketing and public relations	154	127	317	239	498
Travel expenses	50	39	93	71	177
Reimbursement to Norway Post for transactions executed	44	42	85	64	151
Training expenses	14	11	32	23	57
Operating expenses on properties and premises	282	267	557	540	1 061
Operating expenses on machinery, vehicles and office equipment	26	24	51	51	107
Other operating expenses	127	137	280	259	467
Other expenses	**1 464**	**1 421**	**3 000**	**2 780**	**5 610**
Impairment losses for goodwill [3)]	0	0	0	0	0
Depreciation and write-downs of fixed and intangible assets [4)]	488	359	833	457	1 619
Depreciation and write-downs of fixed and intangible assets	**488**	**359**	**833**	**457**	**1 619**
Total operating expenses [5)]	**3 839**	**3 459**	**7 458**	**6 144**	**13 889**

Note 9 Operating expenses (continued)

	DnB NOR Bank Group				
Amounts in NOK million	2nd quarter 2011	2nd quarter 2010	1st half 2011	1st half 2010	Full year 2010
Salaries	1 734	1 595	3 273	3 067	6 272
Employer's national insurance contributions	237	230	463	450	903
Pension expenses [1)]	217	182	433	9	325
Restructuring expenses	1	30	3	42	47
Other personnel expenses	156	146	309	288	624
Total salaries and other personnel expenses	**2 346**	**2 183**	**4 481**	**3 856**	**8 170**
Fees [2)]	384	365	774	714	1 385
IT expenses [2)]	399	438	827	889	1 649
Postage and telecommunications	83	85	171	177	345
Office supplies	20	21	42	44	91
Marketing and public relations	242	222	478	407	775
Travel expenses	60	51	112	94	212
Reimbursement to Norway Post for transactions executed	44	42	85	64	151
Training expenses	16	13	35	33	67
Operating expenses on properties and premises	338	316	676	638	1 247
Operating expenses on machinery, vehicles and office equipment	36	35	71	71	147
Other operating expenses	185	241	393	426	667
Other expenses	**1 806**	**1 828**	**3 664**	**3 557**	**6 737**
Impairment losses for goodwill [3)]	0	194	0	194	194
Depreciation and write-downs of fixed and intangible assets [4)]	416	760	807	1 097	1 941
Depreciation and write-downs of fixed and intangible assets	**416**	**954**	**807**	**1 291**	**2 135**
Total operating expenses	**4 568**	**4 964**	**8 953**	**8 703**	**17 042**

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.*
2) *Fees include system development fees and must be viewed relative to IT expenses.*
3) *Impairment losses for goodwill of NOK 194 million relating to Svensk Fastighetsförmedling were recorded in second quarter of 2010.*
4) *See note 15 Intangible assets.*
5) *DnB NOR Finans was merged with DnB NOR ASA in the third quarter of 2010 according to the pooling of interests method, and figures for previous periods have not been restated. The merger has no accounting effect for the banking group.*

Note 10 Number of employees/full-time positions

	DnB NOR Bank ASA				
	2nd quarter 2011	2nd quarter 2010	1st half 2011	1st half 2010	Full year 2010 [1)]
Number of employees at end of period	7 978	7 274	7 978	7 274	7 829
of which number of employees abroad	687	487	687	487	647
Number of employees calculated on a full-time basis at end of period	7 712	7 052	7 712	7 052	7 585
of which number of employees calculated on a full-time basis abroad	678	479	678	479	638
Average number of employees	7 890	7 263	7 853	7 285	7 489
Average number of employees calculated on a full-time basis	7 626	7 039	7 595	7 062	7 232

	DnB NOR Bank Group				
	2nd quarter 2011	2nd quarter 2010	1st half 2011	1st half 2010	Full year 2010
Number of employees at end of period	12 514	12 402	12 514	12 402	12 288
of which number of employees abroad	4 356	4 352	4 356	4 352	4 296
Number of employees calculated on a full-time basis at end of period	12 165	12 063	12 165	12 063	11 970
of which number of employees calculated on a full-time basis abroad	4 291	4 266	4 291	4 266	4 245
Average number of employees	12 397	12 401	12 352	12 435	12 431
Average number of employees calculated on a full-time basis	12 049	12 067	12 010	12 103	12 075

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 11 Write-downs on loans and guarantees

					DnB NOR Bank ASA
	2nd quarter	2nd quarter	1st half	1st half	Full year
Amounts in NOK million	2011	2010	2011	2010	2010
Write-offs [1]	340	104	368	123	356
New individual write-downs	70	372	910	956	2 178
Total new individual write-downs	409	476	1 278	1 079	2 535
Reassessed individual write-downs	114	186	350	320	680
Recoveries on commitments previously written off	95	74	213	162	401
Net individual write-downs	201	216	715	597	1 454
Change in collective write-downs on loans	55	(170)	58	(258)	(641)
Write-downs on loans and guarantees *) 2)	**256**	**46**	**773**	**339**	**813**
Write-offs covered by individual write-downs made in previous years	569	205	753	403	1 650
**) Of which indvidual write-downs on guarantees*	*(7)*	*7*	*(2)*	*16*	*(5)*

					DnB NOR Bank Group
	2nd quarter	2nd quarter	1st half	1st half	Full year
Amounts in NOK million	2011	2010	2011	2010	2010
Write-offs [1]	351	145	394	170	459
New individual write-downs	429	1 187	1 737	2 824	5 141
Total new individual write-downs	780	1 332	2 131	2 994	5 600
Reassessed individual write-downs	273	253	630	484	1 109
Recoveries on commitments previously written off	100	79	223	173	418
Net individual write-downs	408	1 000	1 278	2 337	4 074
Change in collective write-downs on loans	50	(122)	71	(512)	(1 077)
Write-downs on loans and guarantees *)	**457**	**878**	**1 349**	**1 825**	**2 997**
Write-offs covered by individual write-downs made in previous years	983	406	1 498	698	2 217
**) Of which indvidual write-downs on guarantees*	*(6)*	*29*	*2*	*37*	*(3)*

1) Including a NOK 98 million adjustment for commitments previously written down in the third quarter 2010.

2) DnB NOR Finans was merged with DnB NOR Bank ASA in the third quarter of 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 and guarantees totalled NOK 457 million for the quarter, down NOK 421 million from the second quarter of 2010. There was a continued decline in the level of individual write-downs, which was lower than normalised losses for the banking group as a whole. Individual write-downs in DnB NORD totalled NOK 184 million, close to a 72 per cent reduction from NOK 653 million the second quarter of 2010.

Note 12 Lending to customers

DnB NOR Bank ASA 30 June 2010	31 Dec. 2010	30 June 2011	*Amounts in NOK million*	DnB NOR Bank Group 30 June 2011	31 Dec. 2010	30 June 2010
520 618	576 834	594 038	Lending to customers, nominal amount	1 117 675	1 064 223	1 026 191
3 355	3 931	3 676	Individual write-downs	8 731	9 207	9 198
517 263	572 903	590 361	Lending to customers, after individual write-downs	1 108 944	1 055 017	1 016 993
572	721	739	+ Accrued interest and amortisation	2 050	2 001	1 783
547	544	543	- Individual write-downs of accrued interest and amortisation	693	658	636
1 688	1 343	1 352	- Collective write-downs	1 893	1 872	2 494
515 601	571 737	589 206	Lending to customers, at amortised cost	1 108 409	1 054 488	1 015 646
122 923	97 063	76 683	Lending to customers, nominal amount	106 373	128 561	150 969
798	570	346	+ Accrued interest	440	669	926
176	84	(1)	+ Adjustment to fair value	143	382	852
123 898	97 717	77 028	Lending to customers, at fair value [1)]	106 956	129 612	152 747
639 499	**669 454**	**666 233**	**Lending to customers**	**1 215 365**	**1 184 100**	**1 168 394**

1) *The fair value of loans in Norwegian kroner was reduced by NOK 21 million from 31 December 2010 due to widening margin requirement.*

Note 13 Net impaired loans and guarantees for principal customer groups [1)]

DnB NOR Bank ASA 30 June 2010	31 Dec. 2010	30 June 2011	*Amounts in NOK million*	DnB NOR Bank Group 30 June 2011	31 Dec. 2010	30 June 2010
1 016	1 819	1 611	Private individuals [2)]	4 205	4 481	3 996
3 049	747	346	Transportation by sea and pipelines, vessel construction	390	810	3 108
620	871	2 297	Real estate	2 416	2 503	2 418
2 582	1 523	1 334	Manufacturing	2 785	3 165	4 033
220	635	398	Services	1 139	1 521	1 335
979	1 184	187	Trade	613	698	706
0	0	0	Oil and gas	0	0	306
98	182	139	Transportation and communication	432	490	408
229	955	152	Building and construction	727	1 710	1 015
91	24	0	Power and water supply	1	25	100
8	4	7	Seafood	12	10	17
103	100	92	Hotels and restaurants	327	351	264
80	123	113	Agriculture and forestry	272	279	265
0	0	0	Central and local government	0	0	0
42	45	16	Other sectors	17	53	51
9 115	8 211	6 691	Total customers	13 338	16 097	18 021
0	0	129	Credit institutions	129	0	0
9 115	8 211	6 820	Total net impaired loans and guarantees	13 467	16 097	18 021
1 659	785	772	Non-performing loans and guarantees not subject to write-downs	2 586	2 313	3 344
10 774	8 996	7 592	Total net non-performing and doubtful loans and guarantees	16 053	18 409	21 365

1) *Includes loans and guarantees subject to individual write-downs and total non-performing loans and guarantees not subject to write-downs. The breakdown into principal customer groups is based on standardised sector and industry categories set up by Statistics Norway.*
2) *Including a NOK 98 million adjustment for commitments previously written down in the fourth quarter of 2010.*

Note 14 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 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, but there were still no observable prices for large parts of the portfolio at end-June 2011. In order to meet the disclosure requirement at end-June 2011, 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 the first half of 2011, there would have been a NOK 72 million increase in profits.

Effects of the reclassifications of the liquidity portfolio

By measuring the portfolio at amortised cost, the value of the portfolio as at 30 June 2011 was NOK 562 million higher than if the previous valuation principle had been retained. On the reclassification date, the book value of the portfolio was NOK 88.0 billion, compared with NOK 44.5 billion at end-June 2011. 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 13 million at end-June 2011.

Effects of the reclassification of the liquidity portfolio					**DnB NOR Bank Group**
	2nd quarter	2nd quarter	1st half	1st half	Full year
Amounts in NOK million	2011	2010	2011	2010	2010
Effects on profits					
Recorded amortisation effect	76	98	156	235	429
Net gain if valued at fair value	134	(349)	228	(118)	536
Effects of reclassification on profits	(58)	448	(72)	352	(107)
Effects on the balance sheet					
Recorded, unrealised losses	1 078	1 428	1 078	1 428	1 234
Unrealised losses, if valued at fair value	1 640	2 521	1 640	2 521	1 868
Effects of reclassification on the balance sheet	562	1 094	562	1 094	634

Development in the liquidity portfolio after the reclassification			**DnB NOR Bank Group**
	30 June	31 Dec.	30 June
Amounts in NOK million	2011	2010	2010
Liquidity portfolio, recorded value	44 490	54 087	61 887
Liquidity portfolio, if valued at fair value	43 928	53 453	60 793
Effects of reclassification on the balance sheet	562	634	1 094

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 30 June 2011, DnB NOR Markets' portfolio represented NOK 98.2 billion. 92.7 per cent of the securities in the portfolio had an AAA rating, while 4.1 per cent were rated AA. There were no synthetic securities in the portfolio and no investments in US sub-prime bonds or Collateralised Debt Obligations, CDOs. Nor were any investments made in Treasury bills in Portugal, Italy, Ireland, Greece or Spain. According to new proposed liquidity requirements for banks, in order for the securities to be classified as liquid funds, they must qualify for immediate sale. New investments in covered bonds in the second quarter of 2011 are included in the trading portfolio and are recorded at fair value. The structure of DnB NOR Markets' liquidity portfolio is shown below.

Note 14 Commercial paper and bonds, held to maturity (continued)

	DnB NOR Bank Group	
	Per cent 30 June 2011	NOK million 30 June 2011
Asset class		
Consumer credit	1	1 392
Residential mortgages	58	64 199
Corporate loans [1]	1	1 610
Government related	29	32 896
Covered bonds	10	1 478
Total liquidity portfolio DnB NOR Markets, nominal values	100	111 586
Accrued interest, amortisation effects and fair value adjustments		(1 226)
Total liquidity portfolio DnB NOR Markets	100	110 359
Of which reclassified portfolio		44 490

1) *The exposure to the insurance sector represented only 0.01 per cent of the total portfolio at end-June 2011.*

The average term to maturity of DnB NOR Markets' liquidity portfolio is 3.3 years, and the change in value resulting from an interest rate adjustment of one basis point was NOK 21 million at end-June 2011.

Commercial paper and bonds, held to maturity

	DnB NOR Bank Group		
Amounts in NOK million	30 June 2011	31 Dec. 2010	30 June 2010
DnB NOR Markets	98 173	112 567	115 949
Other units	978	1 184	433
Commercial paper and bonds, held to maturit	**99 151**	**113 751**	**116 382**

Note 15 Intangible assets

DnB NOR Bank ASA				DnB NOR Bank Group		
30 June 2010	31 Dec. 2010	30 June 2011	*Amounts in NOK million*	30 June 2011	31 Dec. 2010	30 June 2010
1 652	2 419	2 408	Goodwill	3 442	3 471	3 430
601	789	706	IT systems development [1]	1 186	1 160	891
221	370	338	Other intangible assets	323	370	430
2 474	**3 578**	**3 451**	**Total intangible assets**	**4 951**	**5 001**	**4 751**

1) *IT systems were written down by NOK 22 million in the second quarter of 2011 in consequence of the conversion of Postbanken's customer accounts to DnB NOR Bank's IT systems.*

Note 16 Debt securities issued and subordinated loan capital

As an element in liquidity management, the DnB NOR Bank Group issues and redeems own securities.

Debt securities issued — DnB NOR Bank ASA

Amounts in NOK million	30 June 2011	31 Dec. 2010	30 June 2010
Commercial paper issued, nominal amount	170 244	153 910	219 622
Bond debt, nominal amount	155 728	183 140	209 498
Adjustments	2 116	5 711	6 494
Total debt securities issued	**328 088**	**342 761**	**435 615**

Changes in debt securities issued — DnB NOR Bank ASA

Amounts in NOK million	Balance sheet 30 June 2011	Issued 2011	Matured/ redeemed 2011	Exchange rate movements 2011	Other adjustments 2011	Balance sheet 31 Dec. 2010
Commercial paper issued, nominal amount	170 244	152 891	135 042	(1 515)		153 910
Bond debt, nominal amount	155 728	20 662	46 476	(1 599)		183 140
Adjustments	2 116				(3 595)	5 711
Total debt securities issued	**328 088**	**173 553**	**181 518**	**(3 113)**	**(3 595)**	**342 761**

Changes in subordinated loan capital and perpetual subordinated loan capital securities — DnB NOR Bank ASA

Amounts in NOK million	Balance sheet 30 June 2011	Issued 2011	Matured/ redeemed 2011	Exchange rate movements 2011	Other adjustments 2011	Balance sheet 31 Dec. 2010
Term subordinated loan capital, nominal amount	16 457			(627)		17 085
Perpetual subordinated loan capital, nominal amount	4 368		2 263	(372)		7 004
Perpetual subordinated loan capital securities, nominal amount [1]	5 731		2 338	(172)		8 241
Adjustments	1 051				(5)	1 056
Total subordinated loan capital and perpetual subordinated loan capital securities	**27 607**	**0**	**4 601**	**(1 172)**	**(5)**	**33 386**

Debt securities issued — DnB NOR Bank Group

Amounts in NOK million	30 June 2011	31 Dec. 2010	30 June 2010
Commercial paper issued, nominal amount	170 266	153 934	219 651
Bond debt, nominal amount [2]	367 519	344 392	345 892
Adjustments	5 396	11 122	17 232
Total debt securities issued	**543 181**	**509 447**	**582 775**

Changes in debt securities issued — DnB NOR Bank Group

Amounts in NOK million	Balance sheet 30 June 2011	Issued 2011	Matured/ redeemed 2011	Exchange rate movements 2011	Other adjustments 2011	Balance sheet 31 Dec. 2010
Commercial paper issued, nominal amount	170 266	152 901	135 053	(1 515)		153 934
Bond debt, nominal amount [2]	367 519	106 548	79 991	(3 430)		344 392
Adjustments	5 396				(5 726)	11 122
Total debt securities issued	**543 181**	**259 448**	**215 044**	**(4 945)**	**(5 726)**	**509 447**

Changes in subordinated loan capital and perpetual subordinated loan capital securities — DnB NOR Bank Group

Amounts in NOK million	Balance sheet 30 June 2011	Issued 2011	Matured/ redeemed 2011	Exchange rate movements 2011	Other adjustments 2011	Balance sheet 31 Dec. 2010
Term subordinated loan capital, nominal amount	16 539			(628)		17 167
Perpetual subordinated loan capital, nominal amount	4 368		2 263	(373)		7 005
Perpetual subordinated loan capital securities, nominal amount [1]	5 731		2 338	(172)		8 241
Adjustments	1 059				(2)	1 060
Total subordinated loan capital and perpetual subordinated loan capital securities	**27 697**	**0**	**4 601**	**(1 174)**	**(2)**	**33 474**

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 that the securities should 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.*

2) *Minus own bonds. Outstanding covered bonds in DnB NOR Boligkreditt totalled NOK 325.2 billion as at 30 June 2011. The cover pool represented NOK 425.4 billion.*

Note 17 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. The figures as at 30 June 2011 are partially based on estimates.

DnB NOR Bank ASA		Primary capital	DnB NOR Bank Group	
31 Dec. 2010	30 June 2011	*Amounts in NOK million*	30 June 2011	31 Dec. 2010
17 514	17 514	Share capital	17 514	17 514
61 582	61 368	Other equity	66 117	72 344
79 096	78 883	Total equity	83 631	89 859
		Deductions		
0	0	Pension funds above pension commitments	(29)	(16)
(2 419)	(2 408)	Goodwill	(3 882)	(3 472)
(481)	(516)	Deferred tax assets	(389)	(324)
(1 159)	(1 044)	Other intangible assets	(1 976)	(1 963)
0	0	Group contribution, payable	0	(6 000)
0	0	Unrealised gains on fixed assets	(30)	(30)
(1 024)	(992)	50 per cent of investments in other financial institutions	(992)	(1 024)
(515)	(932)	50 per cent of expected losses exceeding actual losses, IRB portfolios	(939)	(666)
94	93	Adjustments for unrealised losses/(gains) on liabilites recorded at fair value	(175)	(346)
73 592	73 084	Equity Tier 1 capital	75 221	76 018
8 241	5 731	Perpetual subordinated loan capital securities [1) 2)]	5 903	8 423
81 833	78 815	Tier 1 capital	81 124	84 441
7 004	4 368	Perpetual subordinated loan capital	4 368	7 004
17 085	16 457	Term subordinated loan capital [2)]	16 941	17 775
		Deductions		
(1 024)	(992)	50 per cent of investments in other financial institutions	(992)	(1 024)
(515)	(932)	50 per cent of expected losses exceeding actual losses, IRB portfolios	(939)	(666)
		Additions		
0	0	45 per cent of unrealised gains on fixed assets	18	18
22 549	18 901	Tier 2 capital	19 396	23 108
104 382	97 716	Total eligible primary capital [3)]	100 520	107 548
738 194	775 796	Risk-weighted volume	946 454	918 659
59 056	62 064	Minimum capital requirement	75 716	73 493
10.0	9.4	Equity Tier 1 capital ratio (%)	7.9	8.3
11.1	10.2	Tier 1 capital ratio (%)	8.6	9.2
14.1	12.6	Capital ratio (%)	10.6	11.7
-	9.8	Equity Tier 1 capital ratio including 50 per cent of profit for the period (%)	8.2	-
-	10.5	Tier 1 capital ratio including 50 per cent of profit for the period (%)	8.8	-
-	12.9	Capital ratio including 50 per cent of profit for the period (%)	10.9	-

1) *Perpetual subordinated loan capital securities can represent up to 15 per cent of Tier 1 capital. The excess will qualify as Tier 2 capital.*

2) *As at 30 June 2011, calculations of capital adequacy for the banking group included a total of NOK 575 million in subordinated loan capital in associated companies.*

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

Note 17 Capital adequacy (continued)

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

Amounts in NOK million	Nominal exposure 30 June 2011	EAD [1] 30 June 2011	Risk-weighted volume 30 June 2011	Capital requirements 30 June 2011	Capital requirements 31 Dec. 2010
IRB approach					
Corporate	671 708	580 506	312 107	24 969	24 567
Specialised Lending (SL)	3 332	3 274	1 659	133	117
Retail - mortgage loans	76 983	76 983	18 145	1 452	1 444
Retail - other exposures	84 835	69 719	22 668	1 813	1 778
Securitisation	98 173	98 173	9 726	778	735
Total credit risk, IRB approach	935 031	828 655	364 304	29 144	28 641
Standardised approach					
Central government	65 827	65 059	12	1	143
Institutions	420 770	391 722	73 269	5 862	5 323
Corporate	246 639	198 331	192 352	15 388	14 235
Specialised Lending (SL)	0	0	0	0	476
Retail - mortgage loans	2 960	2 622	1 342	107	293
Retail - credit card exposures (QRRE)	499	139	104	8	0
Retail - other exposures	36 765	20 608	15 473	1 238	1 078
Equity positions	31 888	31 888	32 070	2 566	2 267
Securitisation	0	0	0	0	0
Other assets	3 111	3 111	3 111	249	196
Total credit risk, standardised approach	808 458	713 478	317 733	25 419	24 010
Total credit risk	1 743 489	1 542 133	682 037	54 563	52 651
Market risk, standardised approach			43 684	3 495	2 404
Of which: Position risk, equity-and debt instruments			41 877	3 350	2 404
Currency risk			1 807	145	0
Operational risk			52 117	4 169	4 169
Deductions			(2 042)	(163)	(168)
Total risk-weighted volume and capital requirements before transitional rule			775 796	62 064	59 056
Additional capital requirements according to transitional rules [2]			0	0	0
Total risk-weighted volume and capital requirements			775 796	62 064	59 056

1) *EAD, exposure at default.*

2) *Due to transitional rules, the minimum capital adequacy requirements for 2010 and 2011 cannot be reduced below 80 per cent relative to the Basel I requirements.*

Note 17 Capital adequacy (continued)

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

Amounts in NOK million	Nominal exposure 30 June 2011	EAD [1] 30 June 2011	Risk-weighted volume 30 June 2011	Capital requirements 30 June 2011	Capital requirements 31 Dec. 2010
IRB approach					
Corporate	681 434	590 354	318 802	25 504	25 103
Specialised Lending (SL)	3 332	3 274	1 659	133	117
Retail - mortgage loans	511 572	511 572	62 257	4 981	4 533
Retail - other exposures	84 835	69 719	22 668	1 813	1 778
Securitisation	98 173	98 173	9 726	778	735
Total credit risk, IRB approach	1 379 346	1 273 092	415 111	33 209	32 266
Standardised approach					
Central government	82 226	95 624	49	4	146
Institutions	119 893	111 162	24 208	1 937	1 940
Corporate	373 721	276 813	267 802	21 424	19 912
Specialised Lending (SL)	0	0	0	0	476
Retail - mortgage loans	46 256	45 171	18 839	1 507	1 294
Retail - credit card exposures (QRRE)	499	139	104	8	0
Retail - other exposures	61 601	42 001	31 518	2 521	2 474
Equity positions	2 783	2 783	2 965	237	361
Securitisation	5 788	5 788	1 112	89	117
Other assets	9 898	9 898	9 898	792	684
Total credit risk, standardised approach	702 666	589 380	356 495	28 520	27 404
Total credit risk	2 082 012	1 862 472	771 607	61 729	59 670
Market risk, standardised approach			42 948	3 436	2 466
Of which: Position risk, equity-and debt instruments			40 922	3 274	2 466
Currency risk			2 026	162	0
Operational risk			61 080	4 886	4 886
Deductions			(2 466)	(197)	(203)
Total risk-weighted volume and capital requirements before transitional rule			873 169	69 854	66 819
Additional capital requirements according to transitional rules [2]			73 285	5 863	6 673
Total risk-weighted volume and capital requirements			946 454	75 716	73 493

1) *EAD, exposure at default.*

2) *Due to transitional rules, the minimum capital adequacy requirements for 2010 and 2011 cannot be reduced below 80 per cent relative to the Basel I requirements.*

Note 17 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.

	Reporting methods for credit risk in capital adequacy calculations	
Portfolios	30 June 2011	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 Retail - other exposures.*

Note 18 Liquidity risk

Liquidity risk is the risk that the banking group will be unable to meet its payment obligations. The Board of Directors in DnB NOR Bank ASA has established internal limits which restrict the short-term maturity of the banking group's liabilities during various time periods. 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 55.0 per cent at end-June 2011, down from 55.2 per cent a year earlier. During the same period, the ratio of deposits to lending in DnB NOR Bank ASA decreased from 95.1 to 94.1 per cent.

The short-term funding markets were stable for banks with good credit ratings during the second quarter of 2011. The banking group maintained a high level of activity in the long-term funding markets in the second quarter. Financially strong banks had good access to funding, though unrest over the Greek national debt boosted interest in covered bonds. Combined with moderate lending growth, this helped ensure a sound liquidity position.

As at 30 June 2011, the average remaining term to maturity for the portfolio of bond debt was 4.5 years, compared with 3.3 years a year earlier. DnB NOR Bank aims to achieve a sound and stable maturity structure for funding over the next five years.

Note 19 Information on related parties

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 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, June 2010 and June 2011. The renewal in 2010 resulted in a reduction in the limit for the liquidity reserve to USD 2 billion. DnB NOR Bank ASA's share of this agreement represents approximately USD 1.1 billion. Eksportfinans has not availed itself of this credit line.

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

DnB NOR Boligkreditt

DnB NOR Boligkreditt AS (Boligkreditt) is 100 per cent owned by DnB NOR Bank ASA (the bank). As part of ordinary business transactions, a large number of banking transactions are entered into between Boligkreditt and 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, 2009 and 2010, portfolios representing NOK 93.6 billion, NOK 88.5 billion and NOK 36.2 billion, respectively, were transferred from the bank to Boligkreditt. Transfers of NOK 17.1 billion were made in the first half of 2011. 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 and financial and liquidity management. Boligkreditt pays an annual management fee for these services. The fee paid for the period January through June 2011 totalled NOK 453 million.

At end-June 2011 the bank had invested NOK 109.7 billion in covered bonds issued by Boligkreditt. The bank has used 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 the bank. 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-June 2011, commitments with a total value of NOK 20.4 billion had been transferred from the bank 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 market terms. Like Boligkreditt, Næringskreditt purchases management and administrative services from the bank. In addition, administrative services relating to the company's operations are purchased from Boligkreditt. The fee paid to the bank and Boligkreditt for the period January through June 2011 totalled NOK 29 million.

Note 19 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 4.9 billion at end-June 2011.

The bank has sold foreign currency loans guaranteed by GIEK, the Norwegian Guarantee Institute for Export Credits, to Vital. At end-June 2011, the recorded value of these loans was NOK 681 million. 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. The bank 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 agreement.

The bank has purchased bonds from Boligkreditt, which have been used as collateral for swap agreements with Norges Bank. The bank is required to repurchase the covered bonds at the original selling price. The bank receives yield from the covered bonds as if they never had been sold. The accounting treatment of sales of financial instruments where the seller retains substantially all the risks and returns associated with the instrument, is described in IAS 39.20 Financial Instruments – Recognition and Measurement. The bank is of the opinion that the requirement for transfer of risk and returns associated with the bonds in accordance with this standard have not been fulfilled, and that the bonds thus cannot be derecognised from the balance sheet of the bank. On a consolidated basis, the bonds are treated as own bonds and netted against issued bonds in 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-June 2011, this funding represented NOK 85.8 billion. At end-June 2011, the bank's investments in Treasury bills used in the swap agreements represented NOK 70.1 billion.

Bank DnB NORD A/S

DnB NOR Bank ASA took over all shares in DnB NORD with effect from December 2010. As part of the integration process, the shares in the banking operations in Latvia and Lithuania were transferred to DnB NOR Bank ASA in the second quarter of 2011 after the bank received final permission from the Ministry of Finance on 29 June 2011. The transaction was entered into based on market terms, and the bank paid NOK 4.1 billion for the shares.

Note 20 Off-balance sheet transactions, contingencies and post-balance sheet events

Off-balance sheet transactions and additional information

DnB NOR Bank ASA				DnB NOR Bank Group		
30 June 2010	31 Dec. 2010	30 June 2011	*Amounts in NOK million*	30 June 2011	31 Dec. 2010	30 June 2010
38 484	34 564	35 908	Performance guarantees [1)]	37 637	36 323	40 229
18 288	20 597	20 327	Payment guarantees	21 995	22 111	19 691
11 860	10 650	13 409	Loan guarantees [2)]	12 413	9 690	12 774
498	498	0	Guarantee to the Norwegian Banks' Guarantee Fund	0	498	498
4 602	4 511	5 099	Guarantees for taxes etc.	5 150	4 547	4 638
4 332	2 776	2 038	Other guarantee commitments	2 343	3 052	4 614
78 064	73 596	76 781	Total guarantee commitments	79 537	76 221	82 444
0	0	0	Support agreements	10 038	7 696	8 206
78 064	73 596	76 781	Total guarantee commitments etc. [*)]	89 575	83 916	90 649
515 107	431 089	427 819	Unutilised credit lines and loan offers	412 140	412 653	492 336
3 107	3 146	2 422	Documentary credit commitments [1)]	2 495	3 196	3 136
800	287	242	Other commitments	290	325	835
519 014	434 522	430 483	Total commitments	414 925	416 174	496 307
597 078	508 117	507 263	Total guarantee and off-balance commitments	504 500	500 090	586 956
209 011	169 664	101 233	Securities	101 233	169 664	209 011
208 884	169 539	101 109	- are pledged as security for: Loans [3)]	101 109	169 539	208 884
127	125	124	Other activities	124	125	127
104	*11*	*10*	**) Of which counter-guaranteed by financial institutions*	*19*	*15*	*199*

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 previous periods 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 the 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 10 509 million were recorded in the balance sheet as at 30 June 2011. These loans are not included under guarantees in the table.*
3) *As at 30 June 2011, NOK 80 273 million in securities was 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.*

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.

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 Oslo District Court found in favour of the bank on 2 June 2011. The judgment is not final.

Post-balance sheet events

No information has come to light about important circumstances which had occurred on the balance sheet date on 30 June 2011 and up till the Board of Directors' final consideration of the accounts on 11 July 2011.

Statement pursuant to Section 5-6 of the Securities Trading Act

We hereby confirm that the half-yearly financial statements for the banking group and the company for the period 1 January through 30 June 2011 to the best of our knowledge have been prepared in accordance with IAS 34 Interim Financial Reporting, 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.

To the best of our knowledge, the half-yearly report gives a true and fair:

- overview of important events that occurred during the accounting period and their impact on the half-yearly financial statements
- description of the principal risks and uncertainties facing the banking group over the next accounting period
- description of major transactions with related parties.

Oslo, 11 July 2011
The Board of Directors of DnB NOR Bank ASA

Anne Carine Tanum
(chairman)

Jarle Bergo
(vice-chairman)

Sverre Finstad

Kai Nyland

Torill Rambjør

Ingjerd Skjeldrum

Berit Svendsen

Rune Bjerke
(group chief executive)

Bjørn Erik Næss
(chief financial officer)

Key figures

		2nd quarter 2011	2nd quarter 2010	1st half 2011	1st half 2010	Full year 2010
		DnB NOR Bank Group				
Interest rate analyses						
1.	Combined weighted total average spread for lending and deposits (%)	1.08	1.13	1.09	1.11	1.12
2.	Spread for ordinary lending to customers (%)	1.54	1.59	1.56	1.57	1.59
3.	Spread for deposits from customers (%)	0.30	0.31	0.29	0.30	0.30
Rate of return / profitability						
4.	Net other operating income, per cent of total income	34.3	49.8	31.7	42.2	35.8
5.	Cost/income ratio (%)	49.7	48.1	50.8	48.3	47.6
6.	Return on equity, annualised (%)	13.4	16.6	11.7	14.9	13.9
Financial strength						
7.	Core (Tier 1) capital ratio at end of period (%)	8.6	8.2	8.6	8.2	9.2
8.	Core (Tier 1) capital incl. 50 per cent of profit for the period (%)	8.8	8.4	8.8	8.4	-
9.	Capital adequacy ratio at end of period (%)	10.6	11.0	10.6	11.0	11.7
10.	Capital adequacy ratio incl. 50 per cent of profit for the period (%)	10.9	11.2	10.9	11.2	-
11.	Core capital at end of period (NOK million)	81 124	81 828	81 124	81 828	84 441
12.	Risk-weighted volume at end of period (NOK million)	946 454	1 001 209	946 454	1 001 209	918 659
Loan portfolio and write-downs						
13.	Individual write-downs relative to average net lending to customers, annualised	0.13	0.35	0.21	0.41	0.34
14.	Write-downs relative to average net lending to customers, annualised	0.15	0.31	0.22	0.32	0.25
15.	Net non-performing and net doubtful commitments, per cent of net lending	1.30	1.79	1.30	1.79	1.53
16.	Net non-performing and net doubtful commitments at end of period (NOK million)	16 053	21 365	16 053	21 365	18 409
Liquidity						
17.	Ratio of customer deposits to net lending to customers at end of period (%)	55.0	55.2	55.0	55.2	56.1
Staff						
18.	Number of full-time positions at end of period	12 165	12 063	12 165	12 063	11 970

Definitions

1, 2, 3 Based on nominal values excluding impaired loans, measured against the 3–month money market rate.

5 Total operating expenses relative to total income. Expenses exclude impairment losses for goodwill and other intangible assets and reversals of provisions for contractual early retirement pensions. Total income excludes a gain resulting from the merger between the payment services company Nordito and the Danish PBS Holding in the second quarter of 2010.

6 Profit for the period, excluding profit attributable to minority interests. Average equity is calculated on the basis of recorded equity excluding minority interests.

Profit and balance sheet trends

Income statement — **DnB NOR Bank ASA**

Amounts in NOK million	2nd quarter 2011	1st quarter 2011	4th quarter 2010	3rd quarter 2010	2nd quarter 2010
Total interest income	11 551	11 340	11 632	12 753	10 147
Total interest expenses	6 481	6 466	6 773	6 700	6 197
Net interest income	**5 070**	**4 874**	**4 859**	**6 053**	**3 950**
Commissions and fees receivable etc.	1 347	1 316	1 462	1 401	1 299
Commissions and fees payable etc.	468	452	442	499	486
Net gains on financial instruments at fair value	1 901	427	(155)	442	1 705
Other income	708	667	2 782	609	2 057
Net other operating income	**3 487**	**1 959**	**3 646**	**1 954**	**4 575**
Total income	**8 557**	**6 833**	**8 505**	**8 006**	**8 524**
Salaries and other personnel expenses	1 887	1 737	1 768	1 985	1 679
Other expenses	1 464	1 537	1 380	1 450	1 421
Depreciation and write-downs of fixed and intangible assets	488	346	422	740	359
Total operating expenses	**3 839**	**3 619**	**3 570**	**4 175**	**3 459**
Net gains on fixed and intangible assets	3	0	5	2	0
Write-downs on loans and guarantees	256	517	(68)	541	46
Pre-tax operating profit	**4 466**	**2 697**	**5 007**	**3 292**	**5 020**
Taxes	1 250	755	1 144	856	1 355
Profit for the period	**3 215**	**1 942**	**3 864**	**2 436**	**3 664**

Balance sheet — **DnB NOR Bank ASA**

Amounts in NOK million	30 June 2011	31 March 2011	31 Dec. 2010	30 Sept. 2010	30 June 2010
Assets					
Cash and deposits with central banks	12 320	239 242	12 997	13 107	6 804
Lending to and deposits with credit institutions	211 955	231 415	216 432	203 940	411 080
Lending to customers	666 233	660 131	669 454	664 764	639 499
Commercial paper and bonds	240 757	252 675	280 423	284 180	259 627
Shareholdings	13 875	13 773	14 590	14 514	15 726
Financial derivatives	77 133	80 232	85 019	103 725	98 069
Commercial paper and bonds, held to maturity	99 151	106 220	113 751	113 742	116 382
Investments in associated companies	1 202	1 278	1 285	1 010	997
Investements in subsidiaries	27 047	22 948	22 932	21 741	25 752
Intangible assets	3 451	3 532	3 578	3 469	2 474
Deferred tax assets	516	523	481	299	1 078
Fixed assets	5 130	5 057	5 004	4 838	827
Other assets	9 287	9 205	9 332	9 881	9 239
Total assets	**1 368 059**	**1 626 229**	**1 435 278**	**1 439 208**	**1 587 553**
Liabilities and equity					
Loans and deposits from credit institutions	214 940	390 624	257 139	252 128	336 395
Deposits from customers	626 789	655 477	624 588	592 326	608 140
Financial derivatives	60 940	69 023	72 771	86 527	75 546
Debt securities issued	328 088	373 662	342 761	373 377	435 615
Payable taxes	1 503	1 346	1 594	2 924	2 264
Deferred taxes	56	58	3	(48)	7
Other liabilities	20 770	21 389	20 304	12 301	9 289
Provisions	394	455	709	625	664
Pension commitments	2 931	2 930	2 928	3 244	3 175
Subordinated loan capital	27 607	30 406	33 386	34 543	37 621
Total liabilities	**1 284 019**	**1 545 370**	**1 356 182**	**1 357 946**	**1 508 716**
Share capital	17 514	17 514	17 514	17 514	17 514
Share premium reserve	12 695	12 695	12 695	12 695	12 695
Other equity	53 830	50 650	48 887	51 053	48 628
Total equity	**84 040**	**80 859**	**79 096**	**81 262**	**78 837**
Total liabilities and equity	**1 368 059**	**1 626 229**	**1 435 278**	**1 439 208**	**1 587 553**

Profit and balance sheet trends (continued)

Income statement

DnB NOR Bank Group

Amounts in NOK million	2nd quarter 2011	1st quarter 2011	4th quarter 2010	3rd quarter 2010	2nd quarter 2010
Total interest income	15 268	15 020	15 293	14 932	14 017
Total interest expenses	9 229	9 004	9 163	8 972	8 281
Net interest income	**6 039**	**6 015**	**6 130**	**5 960**	**5 736**
Commissions and fees receivable etc.	1 583	1 548	1 696	1 634	1 555
Commissions and fees payable etc.	487	466	470	527	516
Net gains on financial instruments at fair value	1 332	662	1 649	260	1 767
Profit from companies accounted for by the equity method	(28)	72	72	99	(52)
Other income	749	616	660	603	1 778
Net other operating income	**3 150**	**2 432**	**3 606**	**2 069**	**4 531**
Total income	**9 189**	**8 447**	**9 736**	**8 029**	**10 267**
Salaries and other personnel expenses	2 346	2 136	2 167	2 148	2 183
Other expenses	1 806	1 858	1 602	1 579	1 828
Depreciation and write-downs of fixed and intangible assets	416	391	450	393	954
Total operating expenses	**4 568**	**4 385**	**4 219**	**4 120**	**4 964**
Net gains on fixed and intangible assets	8	5	26	(11)	(2)
Write-downs on loans and guarantees	457	892	529	643	878
Pre-tax operating profit	**4 173**	**3 175**	**5 014**	**3 254**	**4 423**
Taxes	1 168	889	1 172	1 004	1 415
Profit from operations and non-current assets held for sale, after taxes	11	(41)	57	30	(8)
Profit for the period	**3 015**	**2 245**	**3 900**	**2 280**	**2 999**
Profit attributable to shareholders	3 015	2 245	3 965	2 327	3 441
Profit attributable to minority interests	0	0	(65)	(46)	(442)

Balance sheet

DnB NOR Bank Group

Amounts in NOK million	30 June 2011	31 March 2011	31 Dec. 2010	30 Sept. 2010	30 June 2010
Assets					
Cash and deposits with central banks	15 828	242 242	16 198	16 049	9 807
Lending to and deposits with credit institutions	35 431	69 633	43 837	44 937	200 364
Lending to customers	1 215 365	1 187 026	1 184 100	1 165 777	1 168 394
Commercial paper and bonds	138 366	146 989	162 071	163 042	141 028
Shareholdings	14 277	14 187	14 954	14 869	16 115
Financial derivatives	66 243	70 063	76 781	98 363	95 039
Commercial paper and bonds, held to maturity	99 151	106 220	113 751	113 742	116 382
Investment property	4 991	2 963	2 872	714	685
Investments in associated companies	2 140	2 329	2 291	1 896	1 799
Intangible assets	4 951	5 001	5 001	4 831	4 751
Deferred tax assets	356	360	262	227	223
Fixed assets	5 947	5 818	5 767	5 642	5 573
Operations and non-current assets held for sale	1 172	1 326	1 271	1 304	1 310
Other assets	10 131	8 530	8 482	10 981	11 197
Total assets	**1 614 349**	**1 862 689**	**1 637 639**	**1 642 373**	**1 772 666**
Liabilities and equity					
Loans and deposits from credit institutions	207 494	384 704	257 931	258 063	338 956
Deposits from customers	668 506	698 441	664 012	629 412	645 346
Financial derivatives	51 016	59 147	60 622	69 387	61 726
Debt securities issued	543 181	574 744	509 447	540 418	582 775
Payable taxes	1 579	4 703	4 822	3 508	2 630
Deferred taxes	185	185	113	597	670
Other liabilities	21 930	14 420	13 009	13 298	11 656
Operations held for sale	331	350	387	373	376
Provisions	492	538	925	853	889
Pension commitments	3 045	3 040	3 038	3 345	3 337
Subordinated loan capital	27 697	30 498	33 474	35 852	38 937
Total liabilities	**1 525 457**	**1 770 770**	**1 547 780**	**1 555 106**	**1 687 299**
Minority interests	0	0	0	1 965	2 011
Share capital	17 514	17 514	17 514	17 514	17 514
Share premium reserve	13 411	13 411	13 411	13 411	13 411
Other equity	57 967	60 993	58 933	54 376	52 430
Total equity	**88 892**	**91 919**	**89 859**	**87 267**	**85 367**
Total liabilities and equity	**1 614 349**	**1 862 689**	**1 637 639**	**1 642 373**	**1 772 666**

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DnB NOR Bank ASA

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Jarle Bergo, vice-chairman
Sverre Finstad
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Financial calendar 2011

Preliminary results 2010 and fourth quarter 2010	10 February
First quarter 2011	6 May
Capital Markets Day, Oslo	15 June
Second quarter 2011	12 July
Third quarter 2011	27 October

Othr sources of information

Annual reports

Annual reports for the DnB NOR Bank and DnB NOR Bank Group are available on dnbnor.no. Separate yearly reports are prepared for the DnB NOR Group and Vital.

Quarterly publications

Quarterly reports are available on dnbnor.no. Separate quarterly reports are prepared for the DnB NOR Group and Vital.

The publications can be ordered by sending an e-mail to investor.relations@dnbnor.no.

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