dnbnor.no

Business Review
2010

DnB NOR

Important events in 2010

1 FIRST QUARTER

- The Group presented new financial targets at its Capital Markets Day in London
- The Group initiated an evaluation of the shareholder agreement relating to DnB NORD

2 SECOND QUARTER

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

3 THIRD QUARTER

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

4 FOURTH QUARTER

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

FINANCIAL CALENDAR 2011

Annual accounts 2010 (preliminary figures) and fourth quarter 2010	**10 FEBRUARY**
Annual General Meeting	**28 APRIL**
First quarter	**6 MAY**
Distribution of dividends	**AS OF 10 MAY**
Capital Markets Day in Oslo	**15 JUNE**
Second quarter	**12 JULY**
Third quarter	**27 OCTOBER**

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The Group's annual report has been approved by the Board of Directors in the original Norwegian version. This is an English translation.

CONTENTS

BUSINESS REVIEW 2010

ANNUAL REPORT 2010 [1)]

1) ABOUT DnB NOR'S REPORTING

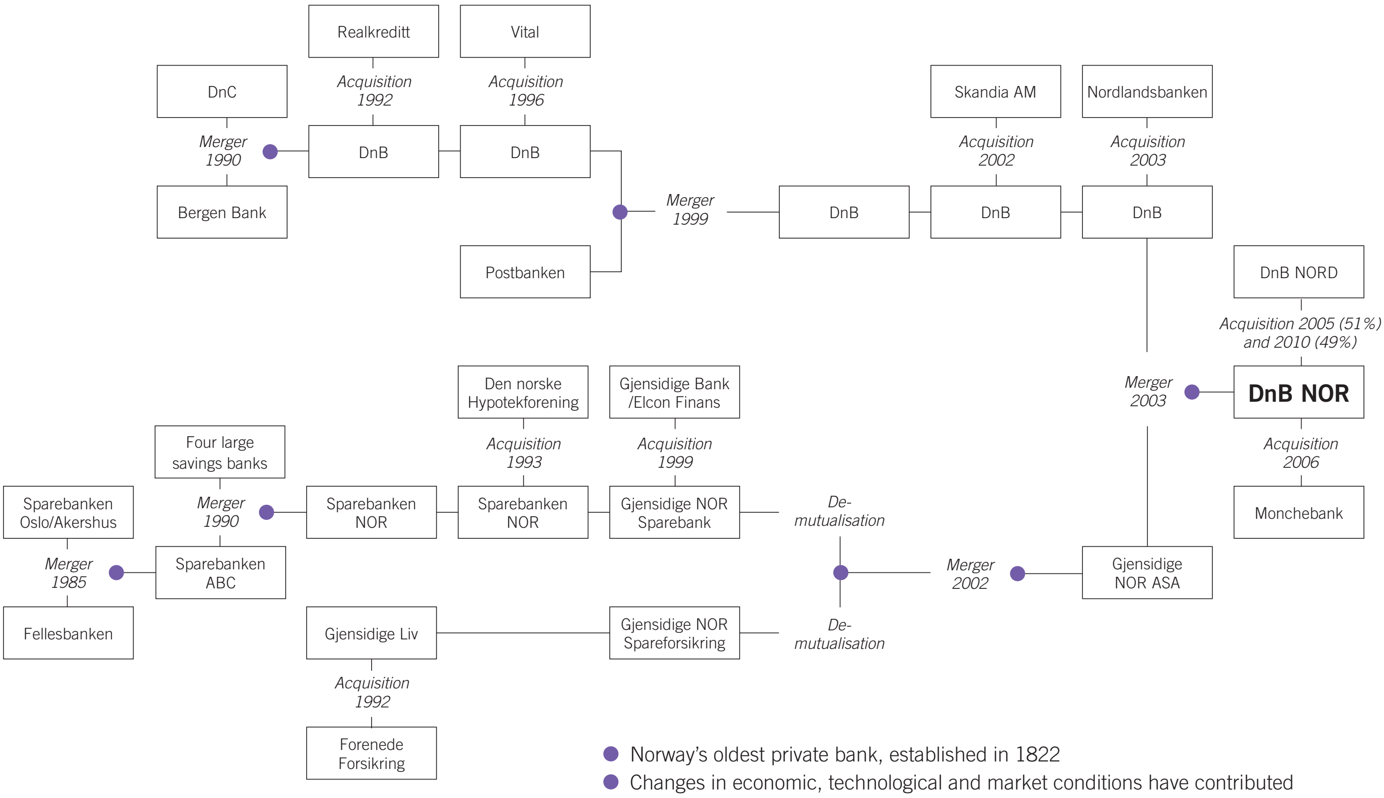
DnB NOR's reporting for 2010 is divided into two printed reports.

BUSINESS REVIEW 2010: Contains detailed information about DnB NOR's operations.

ANNUAL REPORT 2010: Contains detailed information about the Group's Board of Directors and corporate governance, and includes the directors' report and the annual accounts.

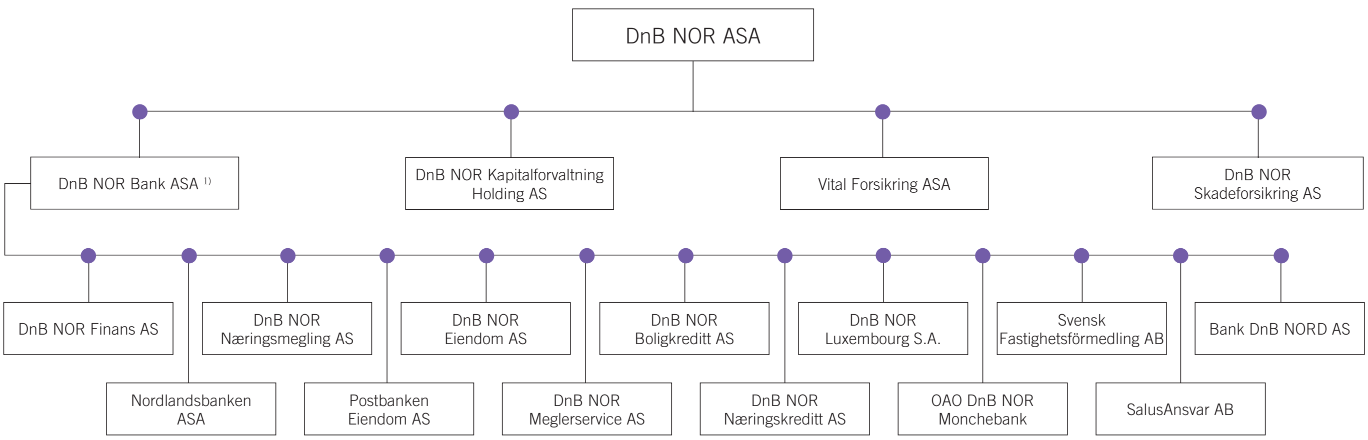
Both reports are available online at *dnbnor.no/about-us*

HISTORY



- Norway's oldest private bank, established in 1822
- Changes in economic, technological and market conditions have contributed to a number of bank mergers and acquisitions, resulting in the current DnB NOR

LEGAL STRUCTURE



(The Group's operational structure can be viewed on page 8)

1) Major subsidiaries only.

NORWAY'S LEADING FINANCIAL SERVICES GROUP

DnB NOR is Norway's largest financial services group and the second largest in the Nordic region in terms of market capitalisation. The Group offers a full range of financial services, including loans, savings, advisory services, insurance and pension products for retail and corporate customers. During 2010, the bank launched a number of new products, including low-cost index funds, one of the market's best home mortgages for young people, investment accounts and 24/7 customer service.

DnB NOR is among the world's leading banks within its international priority areas, especially the energy, shipping and seafood sectors. The bank is represented in 19 countries worldwide and has 220 branch offices in Norway.

The Group had total assets of NOK 1 862 billion as at 31 December 2010. DnB NOR is ranked as one of the best capitalised banks in the world by Standard and Poor's.

Retail customers in Norway	**2 200 000**
Corporate clients in Norway	**200 000**
Internet bank users in Norway	**1 500 000**
Customers in life and pension insurance companies in Norway	**1 000 000**
Individual non-life insurance customers in Norway	**150 000**
Individual mutual fund customers in Norway	**556 000**
Customers in DnB NORD	**914 000**
Branch offices in Norway	**220**
Branch offices in DnB NORD 1)	**166**
International branches and representative offices 2)	**26**
Full-time positions	**13 021**

1) Branches in Poland, Estonia, Latvia and Lithuania.
2) The DnB NOR Group is represented in Copenhagen, Stockholm, Gothenburg, Malmø, Helsinki, London, Russia (8), Luxembourg, Hamburg, Athens, New York, Houston, Santiago, Rio de Janeiro, Shanghai, Singapore, Hong Kong, Chennai and Mumbai.

KEY FIGURES

INCOME STATEMENT

Amounts in NOK million	2010	2009	2008	2007	2006
Net interest income	23 436	22 633	21 910	17 866	15 289
Net other operating income	16 156	14 994	12 438	13 732	13 204
Ordinary operating expenses	18 511	18 911	18 721	15 974	14 263
Other expenses	0	0	0	476	164
Pre-tax operating profit before write-downs	21 081	18 717	15 627	15 148	14 066
Net gains on fixed and intangible assets	24	26	52	2 481	365
Write-downs on loans and guarantees	2 997	7 710	3 509	220	(258)
Pre-tax operating profit	18 108	11 032	12 170	17 409	14 689
Taxes	4 121	4 086	3 252	2 387	2 881
Profit from operations and non-current assets held for sale, after taxes	75	80	0	0	0
Profit for the year	**14 062**	**7 026**	**8 918**	**15 022**	**11 808**
Profit attributable to shareholders	14 814	8 585	9 211	14 780	11 665
Profit attributable to minority interests	(752)	(1 559)	(293)	242	143

BALANCE SHEET

Amounts in NOK million	31 Dec. 2010	31 Dec. 2009	31 Dec. 2008	31 Dec. 2007	31 Dec. 2006
Total assets	1 861 620	1 823 453	1 831 699	1 473 919	1 320 242
Lending to customers	1 170 341	1 114 886	1 191 635	970 504	827 947
Deposits from customers	641 914	590 745	597 242	538 151	474 526
Average total assets for the year	1 969 557	1 905 708	1 635 113	1 411 576	1 209 037
Total combined assets at year-end	2 140 868	2 075 824	2 140 928	1 834 006	1 687 876

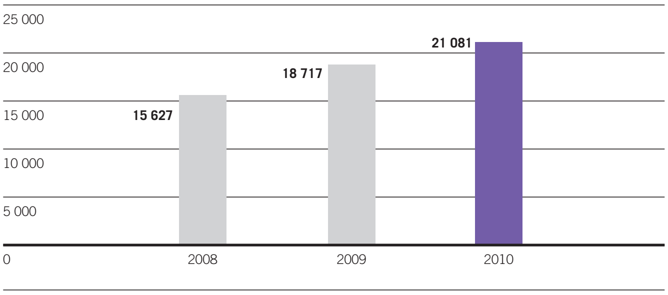
KEY FIGURES [1)]

	2010	2009	2008	2007	2006
Average combined spread for lending and deposits (per cent)	1.15	1.15	1.04	1.00	1.08
Cost/income ratio (per cent)	47.6	48.1	51.4	50.6	50.1
Write-downs relative to net lending to customers (per cent)	0.26	0.67	0.33	0.02	(0.03)
Return on equity (per cent)	13.6	10.6	12.4	22.0	19.5
Earnings per share (NOK)	8.66	6.43	6.91	11.08	8.74
Dividend per share (NOK) [2)]	4.00	1.75	0.00	4.50	4.00
Tier 1 capital ratio at end of period (per cent)	10.1	9.3	6.7	7.2	6.7
Capital adequacy ratio at end of period (per cent)	12.4	12.1	9.5	9.6	10.0
Share price at end of period (NOK)	81.90	62.75	27.00	83.00	88.50
Price/book value	1.20	1.04	0.47	1.51	1.84

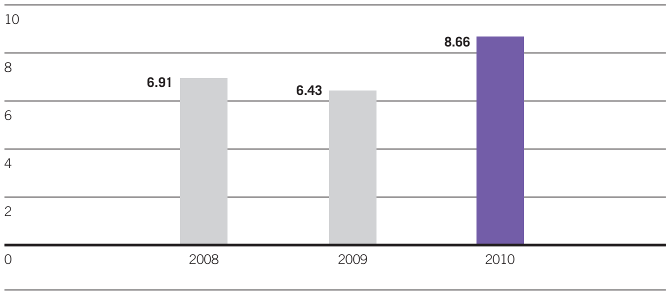
1) For more detailed table of key figures, see page 124 in the Annual Report 2010.
2) Proposed dividend for 2010.

FINANCIAL PERFORMANCE 2010

Pre-tax operating profit before write-downs
NOK million



Earnings per share
Per cent



KEY FIGURES – DnB NOR SHARE

2010 WAS A VERY GOOD YEAR for the DnB NOR share. The share price rose by 33 per cent, which was significantly better than the 19 per cent unweighted average increase in the share prices of the Group's Nordic peers. The DnB NOR share has also outperformed its Nordic peers over the past two and three-year periods. DnB NOR had a market capitalisation of NOK 133 billion at end-December 2010 and was the third largest company listed on Oslo Børs (the Oslo Stock Exchange).

Total annual return as at 31 December 2010

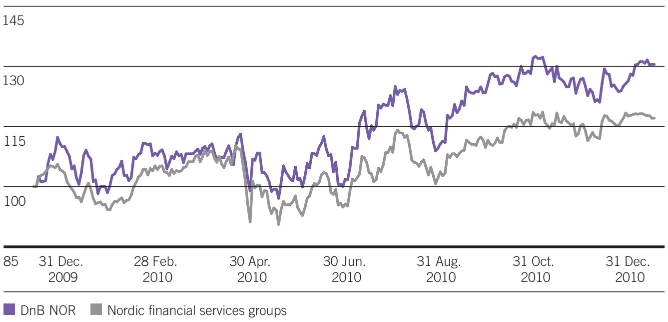
Total annual return (%)	Last year	Last two years	Last three years
DnB NOR	33.3	80.6	3.7
Nordic average [1)]	19.0	45.9	(5.7)

1) Unweighted average in local currency of Danske Bank, Swedbank, Nordea, SEB and Handelsbanken.

Dividend for the financial year

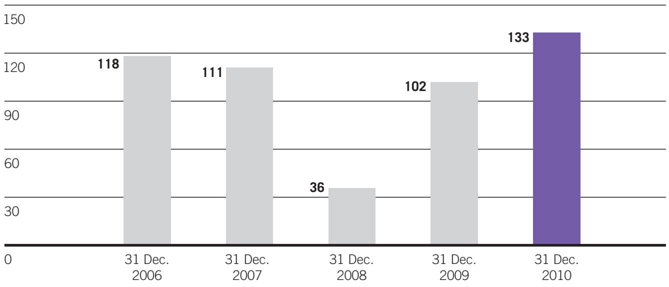
2010 (proposal)	NOK 4.00
2009	NOK 1.75
2008	NOK 0.00
2007	NOK 4.50
2006	NOK 4.00

Share price development in 2010
DnB NOR compared with Nordic financial services groups [1)]
Local currency. 31 Dec. 2009 = 100

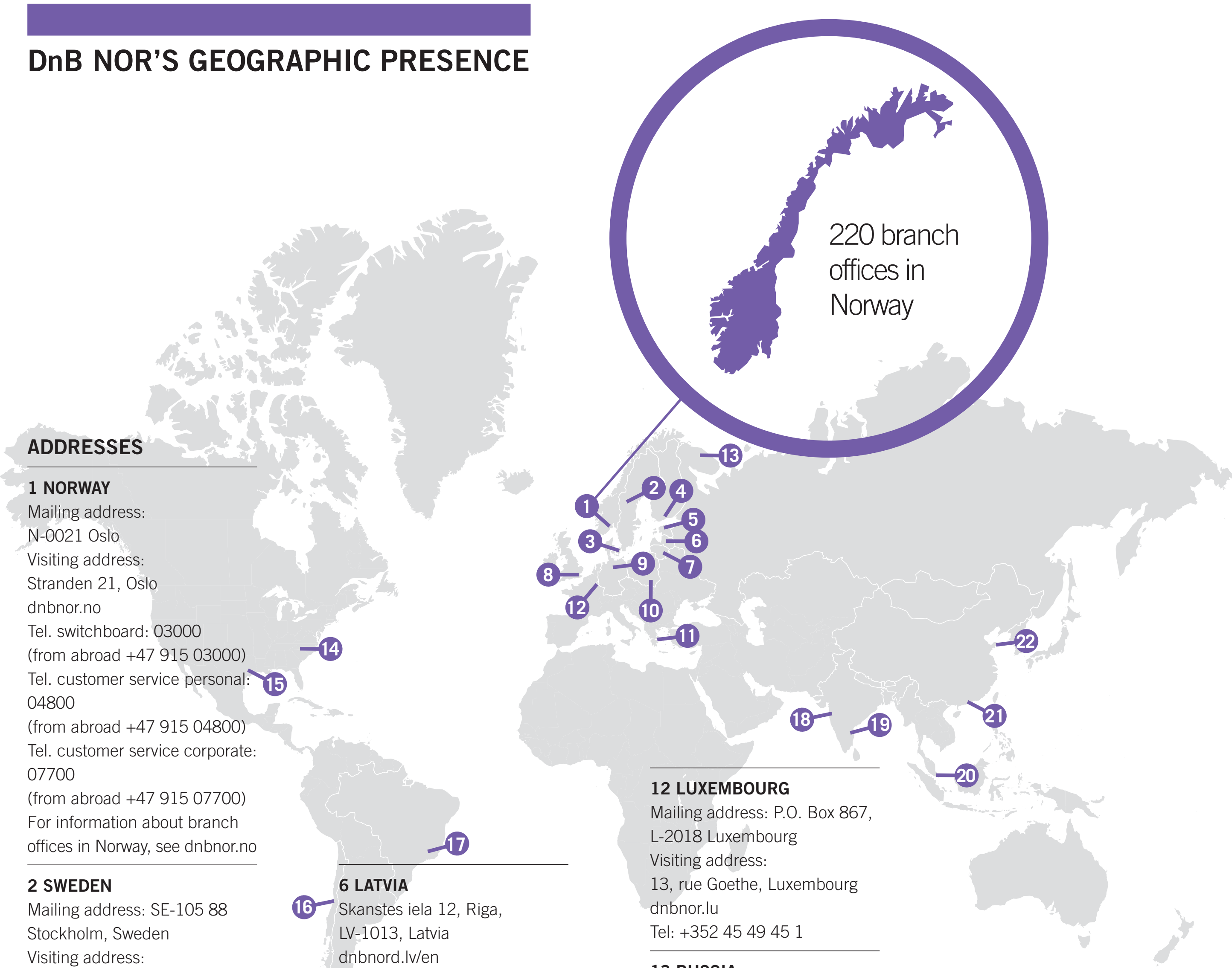


1) Unweighted average in local currency of Danske Bank, Swedbank, Nordea, SEB and Handelsbanken.

The DnB NOR Group's market capitalisation
NOK billion



DnB NOR'S GEOGRAPHIC PRESENCE



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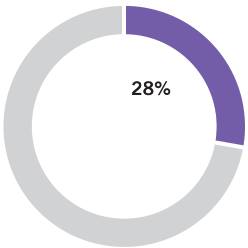
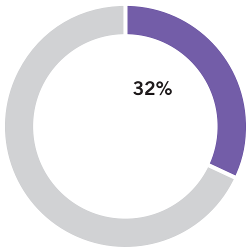
DnB NOR'S MARKET SHARES IN NORWAY

Retail market

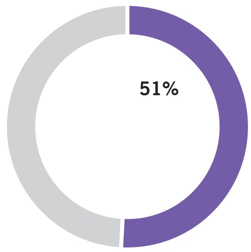
Lending
as at 31 Dec. 2010



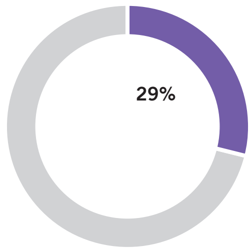
Deposits
as at 31 Dec. 2010



Policyholders' funds
as at 31 Dec. 2010

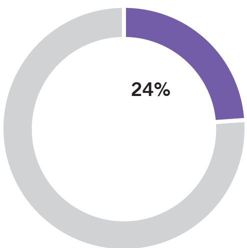


Mutual fund assets
as at 31 Dec. 2010

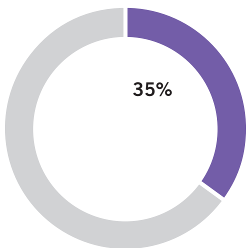


Corporate market

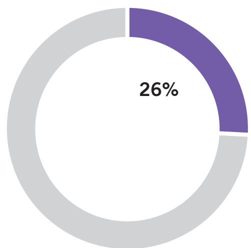
Lending [1)]
as at 31 Dec. 2010



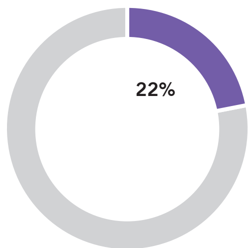
Deposits
as at 31 Dec. 2010



Policyholders' funds [2)]
as at 31 Dec. 2010



Mutual fund assets
as at 31 Dec. 2010

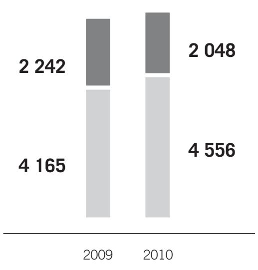


1) Share of credit from credit institutions
2) Includes the public sector

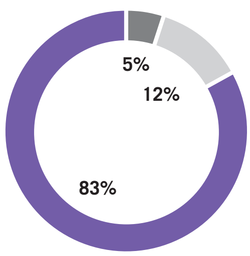
■ DnB NOR's market shares

DnB NOR'S INTERNATIONAL UNITS

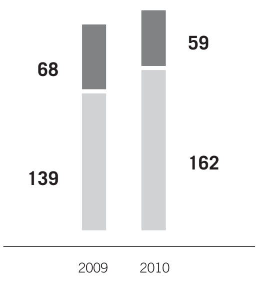
Income in DnB NOR's international units
NOK million



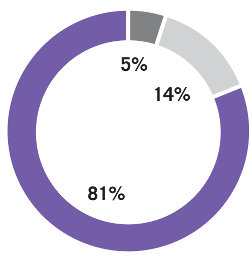
Share of income in international units
2010



Lending volume in DnB NOR's international units
NOK billion

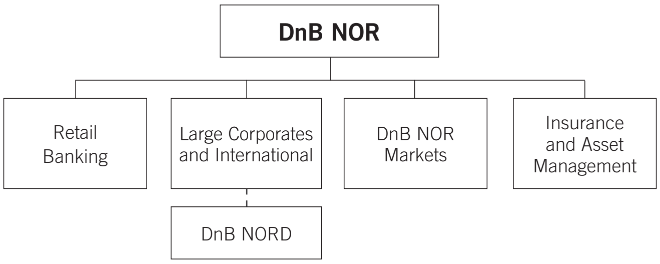


Share of lending in international units
as at 31 Dec. 2010



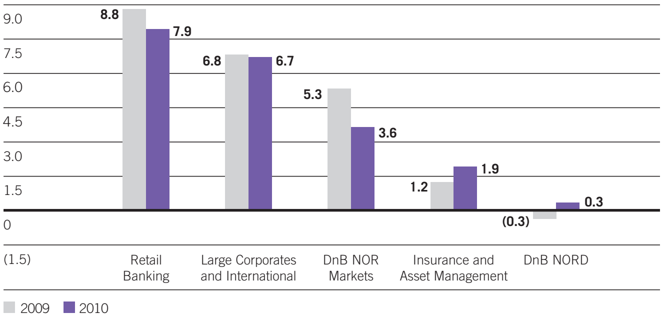
■ DnB NORD
■ Other international units
■ Norwegian units

BUSINESS AREAS



(The Group's legal structure can be viewed on page 2)

Pre-tax operating profit before write-downs
NOK billion



RETAIL BANKING

Retail Banking serves the Group's 2.2 million personal customers and 180 000 corporate customers through the branch network in Norway. By coordinating the service to the various customer segments in local markets and offering competitive products and high-quality advisory services, the business area aims to improve customer satisfaction. DnB NOR has Norway's largest distribution network for financial services and aspires to be a local bank for the whole of Norway while offering the expertise of a large bank. Banking services on mobile phones show rapid growth, and DnB NOR is at the vanguard of developing such services to both personal and corporate customers.

Key figures as at 31 Dec. 2010

Pre-tax operating profits	NOK 6 719 million
Lending	NOK 759 billion
Deposits	NOK 384 billion
Return on risk-adjusted capital	24.1 per cent
Cost/income ratio	57.0 per cent
No. of full-time positions	4 842

LARGE CORPORATES AND INTERNATIONAL

Large Corporates and International serves the Group's largest Norwegian companies and is responsible for DnB NOR's total international banking operations. The business area's operations are based on sound, long-term customer relationships, a broad product range and the ability to offer customers financial services adapted to prevailing market conditions. DnB NOR is recognised for its expertise within complex international transactions and is one of the world's leading shipping banks. Its international operations focus on the Group's strategic priority areas, which are shipping, energy and seafood.

Key figures as at 31 Dec. 2010

Pre-tax operating profits	NOK 6 124 million
Lending	NOK 354 billion
Deposits	NOK 235 billion
Return on risk-adjusted capital	18.0 per cent
Cost/income ratio	30.4 per cent
No. of full-time positions	1 103

DnB NOR MARKETS

DnB NOR Markets is the Group's investment firm, serving customers in Norway, at international offices and via electronic channels. Key products include foreign exchange, interest rate and commodity products, securities and other investment products, debt and equity financing in capital markets, research and advisory services, as well as custodial and other securities services. To better identify and meet current and future customer needs, cooperation with the Group's other business areas is important, and these provide an important sales channel for DnB NOR Markets' products. The main focus is on customer activities, which are supported by trading activities.

Key figures as at 31 Dec. 2010

Total revenues	NOK 5 471 million
– Customer-related revenues	NOK 2 838 million
– Market-making/trading revenues	NOK 2 633 million
Pre-tax operating profits	NOK 3 638 million
Return on risk-adjusted capital	44.8 per cent
Cost/income ratio	33.5 per cent
No. of full-time positions	668

INSURANCE AND ASSET MANAGEMENT

Insurance and Asset Management consists of Vital, DnB NOR Asset Management and DnB NOR Skadeforsikring and is responsible for life insurance, pension savings, asset management and non-life insurance in the Group. Vital provided life and pension insurance products to around one million policyholders and had group agreements with approximately 26 000 companies at year-end 2010. DnB NOR Asset Management had some 560 000 retail clients and a leading position among Norwegian and Swedish institutional clients. DnB NOR Skadeforsikring is in a build-up phase and provided non-life insurance products to approximately 150 000 retail clients at year-end 2010.

Key figures as at 31 Dec. 2010

Pre-tax operating profits	NOK 1 913 million
– Vital	NOK 1 724 million
– DnB NOR Asset Management	NOK 276 million
Return on risk-adjusted capital	13.7 per cent
Cost/income ratio	54.5 per cent
Assets under management	NOK 527 billion
No. of full-time positions	1 047

DnB NORD

DnB NORD became wholly owned by DnB NOR from year-end 2010. Operations in the core markets of Estonia, Latvia, Lithuania and Poland will continue to be a separate profit centre, Baltics and Poland, organised under the Large Corporates and International business area. The bank offers a wide range of products to both corporate and retail customers. The process of successfully integrating operations into DnB NOR is well under way and will focus on consolidating and integrating the operations in the Baltic region and Poland, reducing losses, improving cost-efficiency and developing new products and services for retail customers. As the economic situation in the region improves, DnB NOR wishes to acquire its share of the renewed growth within a prudent risk profile.

Key figures as at 31 Dec. 2010

Pre-tax operating profits	NOK (1 481) million
Lending	NOK 59 billion
Deposits	NOK 25 billion
Return on risk-adjusted capital	(19.1) per cent
Cost/income ratio	66.2 per cent
No. of full-time positions	3 159

DnB NOR'S STRATEGY

DnB NOR'S VISION AND VALUES are about putting the customers in focus. By having satisfied customers whose needs for financial services are well met, DnB NOR aims to become the leading bank throughout Norway and a leading international player within selected customer segments, products and geographic areas.

Vision : Creating value through the art of serving the customer

Values : Helpful + Professional + Show Initiative

VISION AND VALUES

➡ An important target for the Group is to achieve even stronger customer orientation in its operations and improve customer satisfaction.

DnB NOR's vision: Creating value through the art of serving the customer

DnB NOR will create value for customers, owners, employees and society in general.

DnB NOR's values: Helpful, professional and show initiative

The values reflect what should characterise DnB NOR in meetings with its customers. Employees who are helpful, professional and show initiative are vital if DnB NOR is to succeed in implementing its strategy.

STRATEGY

➡ DnB NOR will capitalise on its strengths and unique position. The Group's strategic ambitions are to strengthen and consolidate its position in Norway, achieve profitable international growth and be among the most productive banks in Europe.

Strengthen and consolidate DnB NOR's position in Norway

DnB NOR will build and strengthen long-term relations with high-quality customers by:
- offering extensive distribution – present a uniform corporate image under one brand
- offering a complete range of attractive products which meet customer needs, which includes developing the best mobile phone and online services
- offering competitive prices and products which create value for customers
- engaging in long-term, honest and relevant communication with customers
- meeting the needs of the largest corporate clients in Norway through strong industry expertise and local competitive power

Profitable international growth

DnB NOR will capitalise on its Norwegian expertise to become a leading international player within selected segments and product areas. DnB NOR will build long-term relations with the largest corporate clients and focus on selected industries based on its core competencies.

DnB NOR's target segments are:

- shipping
- energy
- seafood

DnB NOR will further develop its operations in the Baltic region and Poland. The integration of operations and streamlining of the organisation will promote long-term value creation.

Among the most cost-effective market players in Europe

DnB NOR will coordinate group and support functions to ensure consistent deliveries, standardised processes and greater automation.

DnB NOR will give high priority to cost-efficiency by:

- strengthening and coordinating procurement functions in the Group
- coordinating and consolidating IT functions
- standardising and automating products, services and customer service where expedient
- coordinating and rationalising staff and support functions

LONG-TERM TARGETS

➡ DnB NOR gives priority to long-term value creation for its shareholders and aims to achieve a return on equity, growth and a market capitalisation which are competitive in relation to its Nordic peers.

DnB NOR's long-term financial targets remain unchanged, and the Group is well under way to achieving these targets.

Financial targets

	Target	Achieved in 2010
Return on equity – long-term target	Above 13 per cent	13.6 per cent. Future returns may vary, but the current trend is satisfactory.
Annual effect of cost saving measures from year-end 2012	NOK 2 billion	NOK 1.6 billion had been realised at year-end 2010, which was ahead of the NOK 1.4 billion target.
Ordinary cost/income ratio from 2012	Below 46 per cent	47.6 per cent. The cost/income ratio shows a positive trend, and DnB NOR is well on the way to reaching its target.

Capital strategy and dividend policy

	Target	Status at year-end 2010
DnB NOR's capitalisation	Among the best capitalised in the Nordic region	Tier 1 capital ratio: 10.1 per cent. Ranked as the best capitalised of leading Nordic banks by Standard & Poor's.
Rating for long-term funding to DnB NOR Bank ASA	AA level	Moody's: Aa3 Standard & Poor's: A+ Dominion Bond Rating Services: AA
Dividends, determined on the basis of expected profit levels in a normal situation, external parameters and the need to maintain capital adequacy at a satisfactory level	Approximately 50 per cent of annual profits	In nominal terms, the proposed dividend represents a payout ratio of 46 per cent in 2010. Adjusted for non-recurring items, the proposed dividend represents approximately 52 per cent.

GROUP CHIEF EXECUTIVE'S STATEMENT

DnB NOR IS BETTER EQUIPPED than ever to meet its customers' expectations and needs.

We reached our target! In 2007, before the financial crisis and the recession, we had an ambition to reach NOK 20 billion in pre-tax operating profits before write-downs in 2010. We are therefore proud that we surpassed this target and also achieved strong profits for the year. Volume growth, wider spreads, a rise in stock market-related income, reduced costs and lower losses contributed to the healthy performance. Write-downs on loans were reduced by as much as 61 per cent.

In 2010, we created significant value for our shareholders and also received positive feedback from our customers. During the year, we launched a number of new products and services, such as home mortgages for young adults below the age of 34 at the best market terms, and we are the first bank in Norway to be open 24/7. I am also proud that we are the first large bank in Norway to launch index funds, which are mutual funds with very low costs. In addition, the Norwegian personal finances magazine Dine Penger gives our index funds top marks. Our customers became more satisfied with us in 2010. Customer satisfaction levels among our large corporate customers, both Norwegian and international, were further improved from a good level in 2009. DnB NOR was ranked as the best financial institution in a survey conducted by Greenwich Associates among the 200 largest companies in Norway. Surveys show that our corporate reputation also improved in 2010.

The Group's employees made a fantastic contribution in 2010, a year when the organisation went through major changes. A new, common platform was established, comprising a vision, values, leadership principles, strategic priorities and a target position. Parallel to this, extensive efforts were made to reach our targets for 2010. Losses were limited, existing customer relationships were cultivated and new ones were established.

More than 80 per cent of DnB NOR's income stems from our operations in the domestic market, and we have clear ambitions to grow in Norway. At the same time, DnB NOR is becoming increasingly international. Our most important industry sectors are shipping, energy and seafood. In 2010, DnB NOR was the world's largest arranger of syndicated loans to the shipping industry. The bank has also expanded significantly within energy, both in Norway and internationally. The most important segments are renewable energy, primarily within the power sector, the oil and gas sector and the supplier industry to the oil and gas sector. Seafood is also growing strongly, particularly within fish farming. An extended presence outside Norway and a greater number of products adapted to the international market will help DnB NOR strengthen its global position in these sectors.

DnB NORD is now 100 per cent owned by DnB NOR after the Group's acquisition of the remaining shares in the company. The integration process is well under way, and during 2011, the operations in Poland and the

OUR TARGET IS CLEAR: DnB NOR is to become a very popular bank.

Baltic States will become an integrated part of our total business. A strategy for further growth will be drawn up. Looking ahead, these countries are expected to have a higher growth rate than the rest of Europe, and we envisage exciting prospects for the future.

As the market leader in most segments, DnB NOR has a unique vantage point for observing the Norwegian economy. According to our corporate barometer, there is a rising level of optimism in the business community. Norwegian households are benefiting from low unemployment levels and high purchasing power. The global economy is expected to grow by approximately 4 per cent in 2011. As a raw material producer, Norway shares many similarities with the emerging economies, and this also has an impact on DnB NOR. With China and India at the forefront, these economies have shown strong growth in the wake of the financial crisis and are expected to achieve the highest global growth rates. Nevertheless, uncertainty still prevails regarding the debt burden of certain countries, particularly in Europe.

At the end of 2010, DnB NOR had a Tier 1 capital ratio of 10.1 per cent, up from 9.3 per cent the year before. We have strengthened our position relative to other banks and are now ranked among the best capitalised banks in the world. This gives us good access to funding in the markets, which in turn makes us competitive and well positioned for the future. Healthy profits further strengthen our position, enabling us to adapt to future regulations. DnB NOR is preparing to adapt to Basel III, the new international rules for banks and financial institutions. The most important capital adequacy and liquidity requirements will be introduced by 2015 and 2018. The aim of the new regulations is to promote a strong and healthy banking system. However, it is vital that all market participants are subject to equal framework conditions. It is positive that this is an international process, which opens up for establishing the same competitive conditions both between countries and between financial institutions.

In 2011, we will simplify our brand structure, change our name to DNB and introduce a new visual expression. The first step is the full integration of Postbanken with the rest of the bank. Customers will gain access to a wider range of products and to DnB NOR's branch network. The name change to DNB will be gradually introduced across the Group.

In 2010, we strengthened our corporate reputation in Norway, also compared with our competitors. From being a "rather unpopular" bank, we became a "rather popular" bank. Our target is clear: DnB NOR is to become a "very popular" bank. Our vision, "Creating value through the art of serving the customer", will be our guiding star. This will encourage everyone throughout the organisation, every day, to make an extra effort to perform even better in every single meeting with our customers, whether they are large companies or private individuals.

Rune Bjerke
Group chief executive

Changes in the regulatory framework

CHANGES IN THE REGULATORY FRAMEWORK

THE FINANCIAL CRISIS IDENTIFIED A NEED TO INCREASE THE REGULATION of the financial services industry in a number of areas. Proposals from the Basel Committee on Banking Supervision to strengthen banks' capital and liquidity, the so-called Basel III framework, constitute the core of the many regulatory initiatives. Parallel to this, a number of changes have been announced in the International Financial Reporting Standards, IFRS, in order to make financial reporting more robust against economic fluctuations and ensure more correct long-term reporting and improved valuation of balance sheet items. Against the same background, an international standard for the regulation of remunerations in the financial services industry has been approved, which has been followed up in Norway through approved regulations and guidelines. In June 2009, the Norwegian government appointed a commission to evaluate Norwegian financial market regulation and describe the underlying causes of the financial crisis. The commission presented its report in January 2011.

BASEL III

In December 2009, the Basel Committee launched new proposals for capital adequacy and liquidity requirements. After an extensive consultation round and quantitative impact studies, and after the main principles were endorsed by the leaders of the G20 countries, the final recommendations were presented in December 2010. The collective term for the recommendations is Basel III.

Based on the recommendations from the Basel Committee, the EU Commission will present a proposal for new rules for the financial services industry in the EU in the course of 2011. The rules will have an impact on the Norwegian financial services industry through the EEA agreement.

The main elements of Basel III are described below.

New capital adequacy requirements for banks

Experience from the financial crisis identified a need to improve the quality and increase the size of banks' primary capital and introduce stricter reporting requirements.

Thus, a number of new requirements have been proposed concerning the various components included in total capital adequacy. Capital adequacy is a ratio whereby the bank's primary capital is measured against a risk-weighted calculation base which expresses the inherent risk in the bank's lending and other activities.

A new component in capital adequacy calculations is a so-called capital conservation buffer of 2.5 per cent. For practical purposes, this buffer will be included in the minimum capital adequacy requirement. The description of the minimum requirements below thus includes the capital conservation buffer. This implies that the minimum capital adequacy requirement is to be increased from 8 to 10.5 per cent of risk-weighted volume. Minimum 8.5 percentage points of this must represent Tier 1 capital, whereby Tier 2 capital can represent maximum 2 percentage points of the minimum requirement.

Tier 1 capital requirement

Tier 1 capital may include common equity Tier 1 and other Tier 1 capital, so-called hybrid capital.

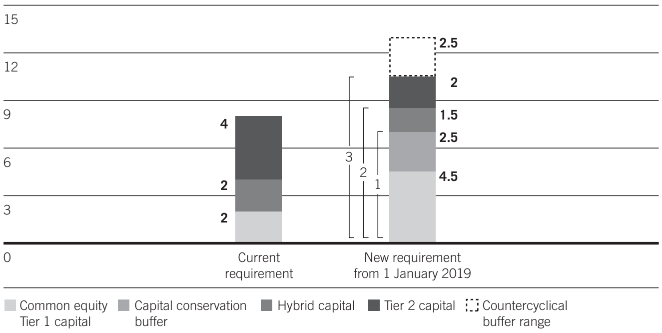
The new proposal implies that the common equity Tier 1 requirement will be increased from the current 2 per cent to 4.5 per cent. However, the common equity Tier 1 requirement for Norwegian banks was 3.4 per cent up until year-end 2010. With effect from 2011, the Norwegian rules have been harmonised with EU rules with respect to the use of hybrid instruments. In consequence of Basel III, the increased access to use hybrid instruments will be of no practical significance for Norwegian banks.

The above-mentioned 2.5 per cent capital conservation buffer comes in addition to the 4.5 per cent minimum common equity Tier 1 requirement and will in practice be regarded as part of the minimum requirement. The new minimum common equity Tier 1 requirement will thus be 7 per cent. Common equity Tier 1 capital must be fully loss absorbing and can only consist of common share capital or retained earnings. The rules concerning deductions from equity have also become stricter, though this is of less significance for Norwegian banks, which already follow strict rules.

Furthermore, up to 1.5 percentage points of Tier 1 capital may represent hybrid capital, which brings the minimum Tier 1 capital requirement to 8.5 per cent. The hybrid capital must be fully loss absorbing, which means that it must be possible to write down the capital or convert it to common equity Tier 1 capital without consequences for the bank's ordinary operations. In addition, the hybrid capital must be perpetual and offer banks no incentive to redeem. Under Basel III, there are much stricter requirements governing the actual loss absorbing capacity of hybrid capital than under previous and current regulatory frameworks.

It has been announced that a requirement may be presented whereby systemically important banks must increase Tier 1 capital beyond the above-mentioned minimum requirements.

Calibration of the capital framework
Per cent



1) Common equity Tier 1 capital including conservation buffer (minimum 7 per cent)
2) Tier 1 capital including conservation buffer (minimum 8.5 per cent)
3) Total capital (minimum 10.5 per cent)

Tier 2 capital requirement

Tier 2 capital may represent up to 2 percentage points of the minimum requirement and can include term subordinated loan capital or corresponding instruments which should provide loss absorption in a situation when the bank is declared insolvent. Among other things, the instruments must have a minimum original maturity of five years. The Tier 2 capital will be required to provide loss absorption also in a situation where the bank can continue to operate as a going concern after being recapitalised by the national authorities.

Countercyclical capital buffer

In addition to the above-mentioned capital conservation buffer, a so-called countercyclical capital element will also be introduced, ranging between 0 and 2.5 per cent. This element should consist of common equity Tier 1 capital, and the size of the buffer will be determined by the national supervisory authorities. It will later be considered whether the countercyclical capital buffer may also include other fully loss absorbing capital. This element will be of particular relevance during periods when total private sector credit exposures relative to GDP are above the long-term trend. During weaker economic periods, this element may be set at zero.

The total common equity Tier 1 requirement will thus range between 7 and 9.5 per cent, representing the minimum common equity Tier 1 requirement of 4.5 per cent plus a total buffer requirement, comprising the capital conservation buffer and the countercyclical capital buffer, of between 2.5 and 5 per cent, depending on the size of the countercyclical buffer.

If a bank fails to fully satisfy the buffer requirement, limitations will be placed on dividend and discretionary bonus payments etc. The limitations will be stricter the further the bank's capital base is from meeting the formal 8 per cent minimum requirement.

Leverage ratio

As a supplement to the risk-weighted capital requirements and as a measure against creative adjustments and gaps in the regulations, a non-risk based capital requirement, "leverage ratio", will also be introduced. This requirement implies that Tier 1 capital must be minimum 3 per cent of the total of balance sheet items and off-balance sheet risk exposure. Off-balance sheet items are converted to on-balance sheet items according to further specified rules.

Improved measurement of counterparty risk

In addition to the capital adequacy regulations, stricter and more exhaustive rules are proposed for the risk-weighting of exposures through derivatives, repurchase agreements and any indirect obligations related to securitisation. According to the new rules, such counterparty risk will be estimated based on assumptions of stressed market conditions as well as a weakening of counterparty creditworthiness.

Due to the highly complex and not very transparent derivative market, measures have also been proposed to increase standardisation in the derivatives market and the use of clearing houses.

New liquidity requirements for banks

Prior to the onset of the financial crisis, there were two clear market trends: the financial system's increased dependence on money and capital market funding and on short-term funding instruments. In addition, contingent liquidity obligations had been accumulated, partially through securitisation activities and obligations relating to so-called margin requirements in derivative transactions.

In consequence of the liquidity problems during the financial crisis, two liquidity requirements have been proposed to achieve two separate, but complementary objectives. The first objective is to promote the short-term resilience of the liquidity risk profile of banks by ensuring that they have sufficient high-quality liquid assets to survive an acute stress scenario lasting for a month. The liquidity coverage ratio, LCR, was developed to achieve this objective.

The LCR liquidity requirement is calculated as follows:

$$\text{Liquidity coverage ratio: } \frac{\text{Liquid assets}}{\text{Net cash flow over 30 days in a stress scenario}} > 100\%$$

The requirement entails that the bank's highest-quality liquidity reserves must exceed the net payments from the bank over a 30-day stress period. The highest-quality liquidity reserves can be in the form of cash and central bank deposits, as well as securities issued by public entities with a zero per cent credit risk weight. In addition, 40 per cent of the reserve may consist of securities issued by a public entity with a maximum 20 per cent credit risk weight, and corporate and covered bonds with a rating of at least AA- which have not been issued by the bank itself. For all securities, there is a qualitative requirement that they are traded in large and active secondary or so-called repo markets even during stressed market conditions.

Net payments during the stress period are estimated by, among other things, assuming a decline in deposits. The extent of the reduction depends on the type of deposits. A further assumption is larger draw-downs on the undrawn portion of credit facilities and no renewal of short-term capital market funding which is due during the stress period. These stress effects come in addition to ordinary cash inflows and outflows, including planned lending growth.

The LCR requirement should be met for each currency of significance for the banks. With respect to countries with inadequate access to securities which meet the LCR in local currency, the Basel Committee has drawn up three alternative solutions. Final details and a specification of the countries this will apply to will be considered during the observation period for the LCR up until mid-2013.

The second objective is to strengthen the liquidity profile over a longer time horizon by creating incentives for banks to fund their operations with more stable sources of funding on a permanent basis. The net stable funding ratio, NSFR, was launched to achieve this objective and has a time horizon of one year.

The NSRF liquidity requirement is calculated as follows:

$$\text{Net stable funding ratio: } \frac{\text{Available amount of stable funding}}{\text{Required amount of stable funding}} > 100\ \%$$

The net stable funding ratio sets requirements for banks' funding structures relative to lending, investments and other assets. The objective is to limit banks' short-term funding of illiquid and long-term assets. The requirement is based on a comparison between the bank's available amount of stable funding and the estimated required amount of such funding. Calculations of the bank's available amount of stable funding include all contractual funding obligations with residual maturities of 12 months or greater and non-maturity deposits. However, deposits will be subject to a run-off factor of between 10 and 50 per cent, depending on how stable they are considered to be. Calculations of the required amount of long-term funding entail that all assets with maturities greater than one year that are not particularly liquid, must be backed by long-term funding. Home mortgages which meet certain requirements and do not serve as collateral for the issue of covered bonds require only 65 per cent long-term funding. Loans with maturities shorter than one year must be backed by 50-85 per cent long-term funding. In addition, 5 per cent of the undrawn portion of credit facilities must be covered by long-term funding.

Supplementary requirements for systemically important banks
Systemically important banks and the close ties between them reinforced the extent of the crisis. To limit such risk, the G20 has initiated a process to define further supplementary requirements for these banks. In addition, changes in the regulatory framework are being considered, aiming to establish systems for the dissolution of banks which make it possible to allow even the largest banks to fail.

Introduction of Basel III
The new capital adequacy requirements will be gradually phased in over a six-year period starting on 1 January 2013, whereby the new requirements will have full effect from 1 January 2019.

Unless changes are approved in the leverage ratio requirement during the observation period, which lasts from 2013 to 2017, this will be included as a minimum requirement with effect from 1 January 2018.

Following an observation period starting in 2011, the liquidity requirements LCR and NSFR will be introduced with effect from 1 January 2015 and 1 January 2018, respectively. According to the Basel Committee's recommendation, the LCR should be reported at least monthly, while the NSFR should be reported at least quarterly within 1 January 2012. In addition, there will be extended reporting requirements in relation to liquidity.

The extent of possible changes in the requirements after the consideration by the EU remains uncertain. In order to ensure that the Basel III framework will have the desired effect, the Basel Committee has considered that a fairly long observation period is required. DnB NOR agrees that this period is important to refine the final requirements and avoid undesirable consequences. Among other things, there is no past experience related to the effects of global liquidity standards, and the new requirements will entail a need for significant adjustments for a number of banks. For this reason, and with regard to the competition with international banks, it is important that the introduction of the regulatory framework in Norway takes place parallel to the introduction in the rest of Europe.

IMPORTANT IFRS AMENDMENTS
A number of new International Financial Reporting Standards, IFRS, must be expected to be introduced over the coming years. The amendments are expected to become effective for Norway after being considered by the EU Commission and the Norwegian authorities. Some of the new accounting rules are due to a wish for improvements which was expressed in the wake of the financial crisis, while others are based on other improvement initiatives, not least in connection with the wish to coordinate international and US financial reporting rules.

The amendments which are expected to have the most pronounced impact on the Norwegian financial market are new accounting rules for the assessment of loans and new rules for the assessment of insurance contracts. In this connection, the International Accounting Standards Board, IASB, a standard-setting body, has drawn up an exposure draft for the assessment of credit losses, issued in November 2009. At end-January 2011, the IASB and the US Financial Accounting Standards Board, FASB, presented a supplement to the original exposure draft on an impairment model for financial assets. At the beginning of 2011, the standard-setting bodies were still discussing the accounting treatment of the impairment of financial assets, and additional changes may thus be made to the original exposure draft. The final draft for a new IFRS on amortised cost and the impairment of financial instruments is expected to be presented by end-June 2011. If the amendments are implemented in their current form, they may have major consequences for the banking industry and the market in general.

Current rules for measuring loan losses
According to prevailing rules, the value of a financial asset shall be written down if there is objective evidence of impairment, i.e. when a loss has occurred. Standard-setting bodies, auditors and users have criticised the impairment rules based on the following:

- Interest income is overstated during the period before a loss event occurs. Write-downs can partially be regarded as reversals of "overstated" income in previous periods. Equity may also be overstated.
- It is sometimes unclear when a loss has actually occurred, which results in differences in the way the rules are practiced. Losses may also have to be recorded even if there are no changes in the original expected losses.
- In some cases, the rules have resulted in delayed recognition of losses, as a loss event must have occurred in order for the loss to be recognised under current rules.

New rules for measuring loan losses
In the exposure draft presented in November 2009, the IASB proposed an expected loss model which entails that expected losses upon initial recognition of a financial asset, including loans, are included when determining the effective interest rate underlying the recognition. This implies that the part of the interest rate which compensates for expected losses, should not be recognised as income.

In the supplement dated 31 January 2011, the IASB and the FASB presented a joint model for recognising impairment of financial assets in portfolios where assets are added and removed during the life of the portfolio, so-called open portfolios. The impairment model includes elements of the IASB's original proposal, as well as adjustments which are intended to make the model easier to use. Among other things, expected losses are not included in calculations of effective interest rates to be used as a basis for interest income recognition. In addition, a minimum provision level for loan losses in the balance sheet will be introduced, which harmonises with the impairment model originally proposed by the FASB.

According to the exposure draft, the accrual of expected losses over the life of the assets should be determined by the characteristics of the assets. The financial assets in the portfolio should be divided into two groups based on the company's internal risk management systems. Expected losses relating to doubtful commitments should be recognised immediately. Provisions for losses on other loans should be recorded at the higher of the losses expected over the remaining life of the portfolio, based on the ratio of the portfolio's age to its expected life, and credit losses that are expected to occur within the foreseeable future, minimum 12 months.

After responses to the exposure draft have been received, the IASB will consider whether the open portfolio model should also apply to other financial assets.

The intention behind the new methods is to better reflect the underlying economics in a lending transaction. There should be no need to identify triggering events in order to estimate changes in expected losses. According to the IASB, this method is intended to ensure greater consistency between various reporting entities. The standard-setting bodies expect that the rule changes will present useful information to users of financial statements for their assessment of original loss estimates and possible changes in estimates over the life of an asset.

It is highly questionable whether the new rules will actually give the desired effect. It will be very challenging to assess future expected cash flows for all loans, find good and stable expected loss estimates and identify changes in the originally expected losses on each reporting date. The life of each loan must be determined, including the life of roll-over credits and overdraft facilities. There will be considerable uncertainty related to these estimates.

The new rules are expected to cause great volatility in financial reporting. Due to limited experience and the lack of relevant and reliable statistics, adjustments will regularly be made to the assumptions underlying expected loss measurements. Such changes will be reflected in the accounts on a cumulative basis, which means that the full effect of new estimates must be recognised immediately for all commitments affected by the changes. However, adjustments in the new exposure draft may nevertheless result in somewhat lower volatility in financial reporting.

Once the new rules are implemented, a reduction is expected in the equity of most financial institutions, as there will probably be a need for higher loan-loss provisions in the accounts. Credit risk margins which up until the implementation of new rules are taken to income through the recognition of interest income on loans, will have to be reversed and recorded as provisions in the accounts. In light of the introduction of Basel III, the consequences may be challenging unless capital adequacy requirements and accounting rules are coordinated. The original preliminary implementation date for the new loss reporting rules was 1 January 2013. However, this will be delayed due to coordination with the US rules.

The effective date of IFRS 4, Insurance contracts, was originally planned for 1 January 2013. The new rules imply that insurance liabilities will be measured at the fair value of the cash flows arising from the insurance contracts, plus a risk margin. According to current rules, liabilities are measured according to rules which are further defined in the Act on Insurance Activity. The assets are thus measured at a combination of amortised cost and fair value, depending on the characteristics of the assets. The accounting rules must be expected to result in greater volatility in profit measurements for life insurance companies in the longer term.

REGULATION OF REMUNERATIONS IN THE FINANCIAL SERVICES INDUSTRY

The regulations on remuneration schemes in financial institutions, mutual funds and management companies for mutual funds entered into force on 1 January 2011. Bonuses earned in 2010 or earlier which are paid in 2011, are not encompassed by the regulations.

The regulations are based on the EU's CRD III directive, which was finally approved on 30 September 2010. In 2011, Finanstilsynet has issued supplementary guidelines to the regulations in the form of a circular. The regulations are based on the guidelines from the Committee of European Banking Supervisors, CEBS, dated 10 December 2010. With effect from 1 January 2011, the CEBS' functions and responsibilities have been taken over by the European Banking Authority, EBA.

In line with the purpose of the regulations, DnB NOR's remuneration scheme should help promote and give incentives to sound management and good control of the company's risk, counteract excessive risk taking and help avoid conflicts of interest.

DnB NOR will work on the implementation and follow-up of the regulations through and beyond 2011. In this connection, the Group will prepare revised group remuneration guidelines to ensure compliance with the regulations and appurtenant guidelines.

DnB NOR's guidelines will determine which groups of employees belong to the following categories:

1. senior executives
2. employees whose responsibilities are of great significance to the company's risk exposure (risk takers)
3. employees engaged in control functions
4. employees whose remuneration places them in the same bracket as senior executives

In accordance with the regulations, the remuneration scheme will include special rules for the above-mentioned groups. For these employees, DnB NOR's remuneration scheme will ensure a balanced mix of fixed and variable remuneration. The variable salary of CEOs and senior management team members in banks should not represent more than 50 per cent of fixed salary.

REPORT FROM THE FINANCIAL CRISIS COMMISSION

In light of the international financial crisis and the experiences gained during this period, the Norwegian government appointed a Financial Crisis Commission in June 2009 to evaluate the Norwegian financial market. Among other things, the Commission was asked to describe the underlying causes of the crisis and to examine whether there were any specific national factors that contributed to its development in Norway. The Commission's report was presented on 25 January 2011.

Norway is among the countries that fared best during the financial crisis. However, the failure of international financial markets nevertheless led to acute liquidity challenges for Norwegian banks, and extensive government measures were initiated. The monetary and fiscal policy framework in Norway provided a sound basis for stabilising the economy and mitigating the effects of the financial crisis. Past experience has shown that fiscal manoeuvrability and confidence in government finances must be built up in good times in order to be well prepared to meet possible periods of recession.

According to the report, various taxes and fees may be suitable for supplementing financial market regulation and promoting financial stability. The commission proposes that a new stability fee be imposed on Norwegian financial institutions based on the institutions' debt in excess of equity and guaranteed deposits. In addition, the report proposes to examine the basis for introducing a new tax on financial institutions' profits and salary payments to compensate for the fact that financial services are exempt from VAT.

The Commission recommends that key features of Norwegian financial market regulation be refined and proposes that the Norwegian authorities work to strengthen the regulatory cooperation in the Nordic area relating to financial markets. Cooperation on stricter capital adequacy and liquidity requirements for banks and special requirements for systemically important financial institutions are particularly emphasised.

The Commission proposes various measures with a view to improving consumer protection in the financial markets. The Commission's report was sent on a three-month consultation round in January 2011.

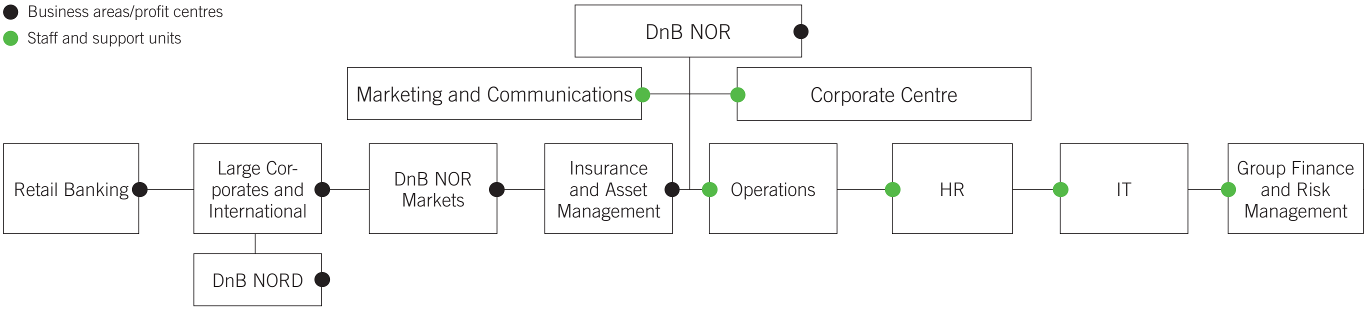
The Financial Crisis Commission's proposal concerning taxes and fees is presented parallel to the work on possible sector-wide rules on fees for the European financial services sector. In the opinion of DnB NOR, it is questionable whether the premises underlying the Commission's tax proposals are relevant for Norway, as the Norwegian Banks' Guarantee Fund is fully funded even after the financial crisis. Norwegian banks have paid sizeable levies to the Fund, thus fees applying solely to Norwegian financial institutions seem unreasonable. Such fees could also distort competition in favour of institutions which operate under different framework conditions.

The Norwegian financial services industry is not particularly large, and there are no indications that financial services are excessively used. Thus, it does not seem appropriate to introduce fees to reduce the use of financial services, which would contribute to higher product and service prices for end users. Nor should the impression be given that Norwegian financial institutions pay little tax. Only the oil sector pays more tax than the financial services industry in Norway.

Business areas

ORGANISATION AND MANAGEMENT OF OPERATIONS

DnB NOR IS ORGANISED into the operational business areas Retail Banking, Large Corporates and International, DnB NOR Markets and Insurance and Asset Management. The business areas operate as independent profit centres and have responsibility for serving all of the Group's customers and for the total range of products. At year-end 2010, DnB NOR took over the full operations of DnB NORD in the Baltic region and Poland. These operations have been organised under Large Corporates and International, but will continue to be regarded and reported as a separate profit centre. Operational tasks and group services are carried out by the Group's staff and support units.



OPERATIONAL STRUCTURE

The Group's operational structure is adapted to its business operations and deviates from the functional organisation. Operations should be organised in a manner which ensures good customer service, further product developments and the streamlining of operations.

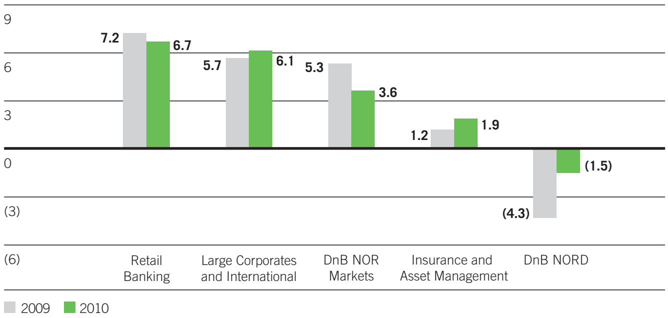
The business areas are responsible for customer relationships, for profitable and loyalty-building customer service and for ensuring that the Group's products and services are adapted to market requirements. These responsibilities include customer relationship management, distribution, product development, production and product pricing. The business areas operate as independent profit centres.

Retail Banking serves personal customers and small and medium-sized businesses through the branch network in Norway, while Large Corporates and International is responsible for the largest Norwegian corporate customers and international operations. DnB NOR Markets is the Group's investment bank, while responsibility for the Group's insurance products, including pension savings, life and non-life insurance and asset management operations, is organised under Insurance and Asset Management. In October 2010, DnB NOR entered into an agreement to acquire 100 per cent of the shares in DnB NORD. The transaction was completed in December 2010.

Central staff and support units carry out infrastructure and operational tasks which provide cost efficiencies when undertaken for several business areas. Operational and production tasks for the business areas are coordinated and should as far as possible be based on joint solutions which ensure efficient operations, good service and high-quality deliveries. Centralised support functions aim to ensure the coordination, consolidation and professionalisation of deliveries across the various units in the DnB NOR Group. The support unit Operations is responsible for important production functions for the Group's banking operations, such as collateral and credit administration, account administration and payment services. The unit contributed strongly to the Group's cost programme in 2010 by improving its work processes and streamlining the Group's procurement routines and floor space efficiency. Operations is responsible for the new headquarters project in Bjørvika in Oslo. IT has group-wide responsibility for the development and operation of IT systems and was involved in the further development and launch of new services in 2010, including the Norwegian and international corporate Internet bank, the new customer portal and a number of applications for mobile devices. The consolidation and renewal of IT solutions ensured cost savings as well as improved operational stability for customers and employees. HR is responsible for important personnel policy issues and provides support in connection with employee recruitment and development in the Group. The support units play a key role with respect to streamlining operations. The staff units perform group functions

FINANCIAL PERFORMANCE

Pre-tax operating profit
NOK billion



	Retail Banking		Large Corporates and International		DnB NOR Markets		Insurance and Asset Management		DnB NORD	
Income statement in NOK million	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
Total income	18 903	19 585	9 649	9 430	5 471	7 243	4 201	3 582	2 048	2 242
Total operating expenses	10 965	10 758	2 935	2 627	1 833	1 913	2 288	2 335	1 700	2 589
Pre-tax operating profit before write-downs	**7 938**	**8 826**	**6 713**	**6 803**	**3 638**	**5 331**	**1 913**	**1 247**	**348**	**(347)**
Net gains on fixed and intangible assets	6	1	0	0	0	0			(15)	(13)
Write-downs on loans and guarantees	1 225	1 586	589	1 134	0	0			1 813	3 929
Pre-tax operating profit	**6 719**	**7 241**	**6 124**	**5 669**	**3 638**	**5 331**	**1 913**	**1 247**	**(1 481)**	**(4 289)**
Average balance sheet items in NOK billion										
Net lending to customers 1)	736	708	354	377					63	84
Deposits from customers 1)	374	367	228	229					22	21
Asset under management (end of period)							527	486		
Key figures in per cent										
Return on risk-adjusted capital 2)	24.1	27.1	18.0	13.5	44.8	69.8	18.6	15.2	(19.1)	(33.7)
Ordinary cost/income ratio 3)	57.0	53.9	30.4	27.9	33.5	26.4	54.5	65.2	66.2	70.6
Ratio of deposits to lending	50.9	51.8	64.5	60.7					35.5	25.6
Number of full-time positions at year-end	4 842	4 997	1 103	1 061	668	647	1 047	1 054	3 159	3 174

1) Nominal values, including lending to and deposits from credit institutions respectively.
2) Return on capital is calculated on the basis of internal measurement of risk-adjusted capital requirements. The calculation is based on a tax-rate of 28 per cent for Retail Banking, Large Corporates and International and DnB NOR Markets, 20 per cent for DnB NORD and recorded tax for Insurance and Asset Management.
3) Cost/income ratio adjusted for impairment losses for goodwill and intangible assets.

for governing bodies and group management. The business areas are able to influence staff and support units by changing their demand patterns and requirements.

INTERNAL MANAGEMENT OF OPERATIONS

Differentiated financial and operational targets have been set for the various business areas to help DnB NOR realise its ambitions. The business areas' contributions to value creation in the Group are assessed by monitoring developments in economic profit, defined as profits after write-downs and taxes less the estimated required return on risk-adjusted capital for each business area. In addition, return on capital, defined as profits after taxes relative to risk-adjusted capital, is one of the key financial targets for the business areas. Risk-adjusted capital for the business areas is based on DnB NOR's model for calculating capital requirements for the various risk categories. See further description under "Capital management and risk categories" on page 49.

Cooperation between the business areas is an important part of DnB NOR's strategy. A wide range of products, services and distribution channels enables the Group to offer customer solutions across business areas. DnB NOR's financial management model and operational organisation facilitate sale of the entire range of products and services offered by the Group. Transactions between the business areas are regulated by internal agreements, and pricing is based on market terms. Developments in total customer and segment profitability are vital when making priorities in the Group. In order to encourage cross-sales, profits stemming from key products are presented in a manner which reflects the cooperation. Income and costs relating to transactions which require extensive cooperation between several units are recorded in their entirety in all units involved in such transactions. Such income from cross-sales is shown on separate lines in the income statement as income and expenses from product suppliers.

Services provided by staff and support units are scaled according to the business areas' demand, and intra-group services are charged according to use at market prices. Costs relating to the Group's strategic initiatives, direct shareholder-related expenses and costs concerning the Group's governing bodies are not charged to the business areas.

RETAIL BANKING

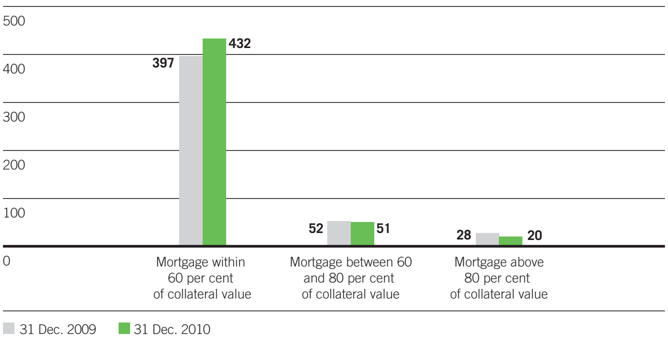
RETAIL BANKING IS RESPONSIBLE FOR serving the Group's 2.2 million personal customers and some 180 000 corporate customers through the branch network in Norway. The aim is that coordinated service to these customer segments will help improve customer satisfaction by making the services more accessible and by giving customers high-quality financial advisory services. DnB NOR aspires to be a local bank for the whole of Norway while offering the expertise of a large bank. Pre-tax operating profits were NOK 6 719 million in 2010, down 7.2 per cent from 2009, mainly due to narrower interest rate spreads and a rise in the cost of long-term funding. There was a positive trend in volumes, and non-performing commitments and write-downs on loans showed a satisfactory development.

FINANCIAL PERFORMANCE

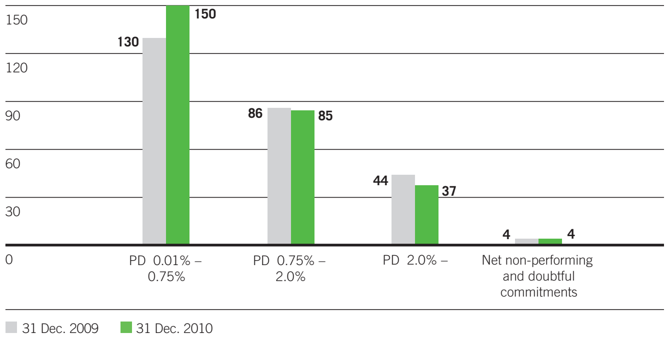
Income statement in NOK million	2010	2009	Change
Net interest income	14 139	14 925	(785)
Other operating income	3 501	3 324	177
Income attributable to product suppliers	1 263	1 336	(73)
Net other operating income	4 764	4 660	104
Total income	18 903	19 585	(682)
Other operating expenses	10 096	9 787	309
Net write-downs on goodwill and intangible assets	194	202	(8)
Costs attributable to product suppliers	675	770	(95)
Operating expenses	10 965	10 758	206
Pre-tax operating profit before write-downs	**7 938**	**8 826**	**(888)**
Net gains on fixed assets	6	1	5
Net write-downs on loans	1 225	1 586	(361)
Pre-tax operating profit	**6 719**	**7 241**	**(522)**
Average balance sheet items in NOK billion			
Net lending to customers	736.1	708.3	27.9
Deposits from customers	374.4	366.7	7.7
Key figures in per cent			
Lending spreads [1]	1.66	1.83	
Deposits spreads [1]	0.44	0.27	
Return on allocated capital [2]	24.1	27.1	
Ordinary cost/income ratio [3]	57.0	53.9	
Ratio of deposits to lending	50.9	51.8	
Number of full-time positions at year-end	4 842	4 997	

1) Calculated on the basis of 3-month money market rates.
2) Calculated on the basis of internal measurement of risk-adjusted capital requirements.
3) Cost/income ratio adjusted for impairment losses for goodwill.

Home mortgages
NOK billion



Small and medium-sized enterprises – risk classification of portfolio 1)
NOK billion



1) Based on DnB NOR's risk classification system. PD = probability of default. The volumes represent the expected outstanding amount in the event of default.

Average lending increased by 3.9 per cent from 2009 to 2010. In spite of low interest rate levels, the rise in home mortgages was lower than in 2009, while the growth in lending to the business sector picked up through 2010. There was fierce competition for deposits. Average deposits were up 2.1 per cent compared with 2009, primarily due to growth in the retail market. The ratio of deposits to lending was declining and stood at 50.9 per cent on average in 2010. Covered bonds based on home mortgages in DnB NOR Boligkreditt were an important source of funding, supplementing customer deposits. At the end of 2010, close to 90 per cent of lending volume in Retail Banking was funded by deposits and bonds.

The weighted interest rate spread, defined as total margin income on loans and deposits relative to total loans and deposits, averaged 1.25 per cent in 2010, down from 1.30 per cent in 2009. The weighted spread was affected by fierce competition in the Norwegian market and lags related to notification periods for interest rate adjustments. Rising long-term funding costs also contributed to lowering net interest income.

In consequence of changes in the principles for recording advertising expenses within real estate broking, both expenses and income rose by approximately NOK 200 million from 2009 to 2010. Adjusted for these changes, net other operating income remained relatively stable compared with 2009. Income from real estate broking, non-life insurance and asset management gave a rise in operating income, while income from insurance savings and payments transfers was lower than in the previous year. There was a positive trend in housing sales, and the market share of real estate broking in Norway was maintained at approximately 19 per cent.

Strict cost control and the implementation of various measures gave effects which exceeded the targets in the cost programme and contributed to limiting total operating expense growth to 1.9 per cent compared with 2009. Costs reductions realised under the Group's cost programme had an annual effect of more than NOK 220 million, while changes in principles, higher IT expenses and greater depreciation on operational leasing due to volume growth resulted in an increase in total operating expenses. Retail Banking recorded impairment losses for goodwill related to investments in Sweden totalling NOK 194 million in 2010, which was due to a change of strategy for lending operations in the Swedish market.

The quality of the loan portfolio was sound, with relatively low net write-downs for both personal and corporate customers. Net write-downs relative to average net lending were reduced from 0.22 per cent in 2009 to 0.17 per cent in 2010. Net non-performing and doubtful commitments were roughly unchanged from 2009, totalling NOK 7.2 billion at year-end 2010.

OPERATIONS

DnB NOR's goal is to be the leading bank in Norway. Retail Banking supports this strategy by functioning as a local bank while giving customers access to all the expertise and solutions a large group can offer. Retail Banking has competitive products and wishes to offer attractive prices to customers who use a wide range of the Group's products and services.

The business area is divided into seven geographical divisions. In addition, DnB NOR Privatbank, Telephone and Online Banking and DnB NOR Finans are organised as separate divisions. The subsidiaries Nordlandsbanken, DnB NOR Eiendom and Postbanken Eiendom, together with Svensk Fastighetsförmedling and SalusAnsvar in Sweden, are also part of the business area.

In the course of 2011, the Postbanken brand will be gradually integrated into the DnB NOR brand, which is an important step to strengthen DnB NOR's position in Norway. The aim is to improve customer satisfaction and build a strong common corporate culture. Customers will thus gain access to an even more extensive distribution network and product range than before.

Norway's largest distribution network

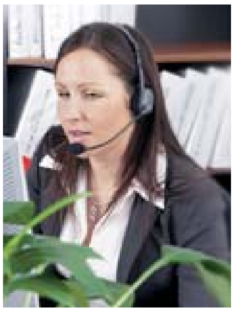
DnB NOR's distribution network is by far the largest within banking and finance in Norway. An extensive physical presence, well-developed telephone and Internet banks and mobile banking solutions represent important assets for the Group. During 2010, customer needs for financial advisory services, products and services were met through 220 branch offices and customer service centres, 42 SAGA investment centres, 54 corporate advisory services, DnB NOR Private Banking, 24-hour telephone customer service, online and mobile banking services. In addition, customers are served through 179 post offices in Norway and 2 234 in-store banking and postal outlets.

Satisfied customers who wish to use as many DnB NOR products as possible are vital to the Group's further expansion and profitability, and DnB NOR's vision and values focus on customer needs. Customer satisfaction surveys conducted in the autumn of 2010 showed a clear improvement for important customer groups compared with previous surveys. More customer contact and competitive terms contributed to the positive trend. Information from frequent customer surveys will enable Retail Banking to meet customer needs and changing market conditions swifter, thus aiming to further improve customer satisfaction. Retail Banking will maintain a high level of activity to defend and increase its market shares and achieve healthy growth based on profitability and acceptable risk. An increase in cross-sales and more cooperation with other units in the Group are key elements in this strategy.

Competitive products adapted to customer needs

A wide range of high-quality products and solutions meet the different needs of customers and offer freedom of choice. At year-end 2010, 1.4 million customers had customer loyalty programmes and product packages. The total customer concept was introduced in November 2010, offering customers who use a wide range of DnB NOR's products the best terms and conditions.

Home mortgages are an important product, representing a total lending volume of NOK 488 billion at year-end 2010, of which DnB NOR Boligkreditt's portfolio accounted for NOK 389 billion. The company is



instrumental in securing the Group access to long-term funding through the issue of covered bonds. The credit rating agencies have given the bonds issued by DnB NOR Boligkreditt an AAA rating, and the good classification secures the bank access to lower priced funding and thus greater competitive power.

DnB NOR Finans was merged with the bank in September 2010, but will continue its operations as one of Norway's largest finance companies as a separate division in Retail Banking. The main products are leasing, ICT equipment leasing, factoring, vehicle financing and fleet management under the brand name Autolease, along with credit card and consumer finance services. In addition, DnB NOR is licensed to issue American Express personal customer cards in Norway. DnB NOR Finans has operations in both Sweden and Denmark.

Real estate broking is an important channel for the distribution of home mortgages and savings products. At the end of 2010, DnB NOR Eiendom was represented at 92 locations in Norway. Postbanken Eiendom had 36 offices, and Svensk Fastighetsförmedling, involved in real estate broking in Sweden, had 221 offices. SalusAnsvar is an independent distributor of life and pension insurance, non-life insurance and banking products to members of associations and trade unions in Sweden.

DnB NOR gives priority to the development of digital services, and in November 2010, a brand new and more customer-oriented Internet portal, dnbnor.no, was launched, enabling information and knowledge sharing between customers and the bank. The new portal makes it possible for customers to carry out even more services online. New savings products were introduced in the autumn of 2010, and special employer's liability insurance products were developed in cooperation with Insurance and Asset Management. High priority will continue to be given to savings and non-life insurance in 2011. Special home mortgages for young people were well received by the target group, and the offering to newly established companies was improved through an updated Partner Start solution and a new loan product for entrepreneurs. With effect from year-end 2010, DnB NOR's telephone customer service (+47 915) 04800 became a 24/7 service. The extended opening hours have been well received by the customers and represent a competitive advantage for the Group.

FUTURE PROSPECTS

The Norwegian economy is approaching normal activity growth, and unemployment levels have stabilised. Private consumption is rising, and commodity prices, which are vital to Norwegian exports, are high or increasing. Corporate credit demand has picked up and is expected to increase further. There has been a significant rise in housing prices since September 2010, which will contribute to an increase in household debt while making some customers vulnerable to future interest rate increases.

Retail Banking expects that home mortgages will still account for the major part of lending growth, though there are signs of rising growth in loans to businesses. The price pressure on low-risk home mortgages is expected to continue. Write-downs on loans are expected to remain relatively low. Competition for stable deposits will continue to be strong, reflecting the introduction of new liquidity requirements for banks.

LARGE CORPORATES AND INTERNATIONAL

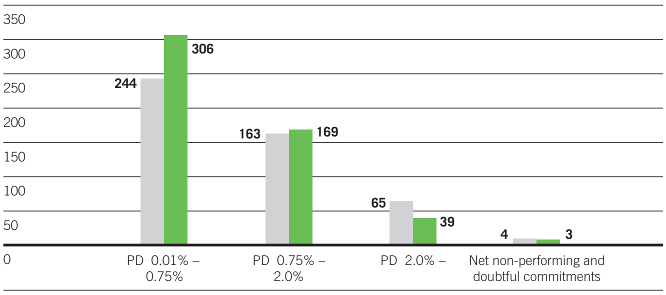
LARGE CORPORATES AND INTERNATIONAL SERVES large Norwegian companies and is responsible for the Group's total international operations. Norwegian and international businesses are offered a wide range of financial services adapted to prevailing market conditions, and operations are based on sound customer relationships. In 2010, pre-tax operating profits were NOK 6 124 million, an increase of 8.0 per cent from 2009, resulting from lower write-downs on loans. Activity levels in the markets picked up through the year, with an increase in both corporate loans and deposits.

FINANCIAL PERFORMANCE

Income statement in NOK million	2010	2009	Change
Net interest income	6 492	6 126	366
Other operating income	1 151	1 272	(122)
Income attributable to product suppliers	2 006	2 032	(26)
Net other operating income	3 157	3 304	(147)
Total income	9 649	9 430	219
Other operating expenses	2 130	1 877	252
Costs attributable to product suppliers	806	749	57
Operating expenses	2 935	2 627	309
Pre-tax operating profit before write-downs	**6 713**	**6 803**	**(90)**
Net gains on fixed assets	0	0	0
Net write-downs on loans	589	1 134	(545)
Pre-tax operating profit	**6 124**	**5 669**	**455**
Average balance sheet items in NOK billion			
Net lending to customers	354.0	376.9	(22.9)
Deposits from customers	228.4	228.8	(0.4)
Key figures in per cent			
Lending spreads [1)]	1.44	1.28	
Deposits spreads [1)]	0.10	0.15	
Return on allocated capital [2)]	18.0	13.5	
Ordinary cost/income ratio	30.4	27.9	
Ratio of deposits to lending	64.5	60.7	
Number of full-time positions at year-end	1 103	1 061	

1) Calculated on the basis of 3-month money market rates.
2) Calculated on the basis of internal measurement of risk-adjusted capital requirements.

Risk classification of portfolio [1)]
NOK billion



1) Based on DnB NOR's risk classification system. PD = probability of default. The volumes represent the expected outstanding amount in the event of default.

Income statement in NOK million	Shipping, Offshore and Logistics	International Corporates and Institutions	Energy	Nordic Corporates	Northern Europe	Other	Large Corporates and International
Net interest income	2 218	1 018	1 032	1 522	568	134	6 492
Other operating income	809	833	682	1 167	252	(587)	3 157
Total income	3 027	1 851	1 714	2 689	820	(80)	9 649
Operating expenses	675	644	405	932	343	(63)	2 935
Pre-tax operating profit before write-downs	**2 352**	**1 207**	**1 309**	**1 758**	**477**	**(238)**	**6 713**
Net write-downs on loans	218	223	88	(263)	317	6	589
Pre-tax operating profit	**2 134**	**983**	**1 221**	**2 021**	**160**	**(250)**	**6 124**
Average balance sheet items in NOK billion							
Net lending to customers	137	39	35	86	45	12	354
Deposits from customers	70	33	32	73	11	9	228

The general interest rate level in Norway was relatively stable in 2010. Ordinary lending and deposit activity generated an increase in net interest income of NOK 551 million due to rising activity levels through the year. Funding costs were high, and it was necessary to increase lending spreads relative to the money market rate to cover these costs. Measured against the money market rate, lending spreads improved in all segments from 2009 and widened by an average of 0.16 percentage points from 2009 to 2010 for the business area as a whole. The deposit spread narrowed by 0.05 percentage points compared with 2009, with a decline in all segments. There was strong competition for deposits in 2010, and spreads were thus under pressure.

Average lending to customers declined by 6.1 per cent from 2009 to 2010, but rose by 4.4 per cent from year-end 2009 to year-end 2010 due to increasing market activity. Exchange rate movements were the main factor behind the reduction in average lending, and for important industries such as energy and shipping, the majority of loans are denominated in US dollars. DnB NOR's strategy to maintain a low risk profile in the portfolios served as a guiding principle for the granting of credit throughout 2010.

Average deposits from customers declined from 2009 to 2010, but showed an increase towards the end of 2010, reflecting brisker activity in the markets and the bank's strong focus on deposits. In addition, movements in the NOK exchange rate affected deposit volumes.

In 2010, income from payment transfers showed a stable trend compared with 2009. Cross-sales between Large Corporates and International and the Group's product areas were affected by customers' levels of activity, and income was stable from 2009 to 2010, but rose throughout the year. Income from product suppliers resulting from cross-sales totalled NOK 2 006 million in 2010 and contributed NOK 1 200 million in net income to Large Corporates and International. There was a rise in operating expenses from 2009 to 2010 due to higher activity levels in the business area and a rise in costs from product suppliers.

The level of net write-downs on loans declined from 2009. Relative to average lending volumes, write-downs stood at 0.17 per cent, compared with 0.30 per cent in 2009.

The business area's lending policy was in accordance with the Group's strategy and desired risk profile. The quality of the portfolio was satisfactory in all sectors and showed a significant improvement towards the end of 2010.

OPERATIONS

Large Corporates and International serves the largest corporate customers in Norway and is responsible for the Group's international operations. Long-term customer relationships based on sound industry and product expertise play a central role. International initiatives are based on long experience within the business area's strategic priority areas, which are shipping, energy and seafood. Operations are managed along both an industry dimension and a geographic dimension. Following the full acquisition of DnB NORD in December 2010, these operations have been organised under Large Corporates and International in the Baltics and Poland division, but will continue to be regarded and reported as a separate profit centre.

Strong position in the Norwegian business community

DnB NOR holds a strong position in all parts of the Norwegian business community, including the municipal sector, where DnB NOR is Norway's leading financial institution and the principal banker for approximately 100 municipalities and county municipalities throughout the country. Customers in the business area Large Corporates and International are large Norwegian, Nordic and international companies. High customer satisfaction is a very important competitive advantage. Surveys conducted during 2010



showed rising satisfaction among the Group's large corporate clients, and DnB NOR's ambition is to maintain the high satisfaction level.

DnB NOR is recognised for its expertise within complex international transactions and is one of the world's leading shipping banks. The Group's long-term strategy within shipping remains firm, and activity levels have been rising, especially in the second half of 2010. The analysis company Dealogic ranked DnB NOR as the world's largest arranger of loans to the shipping and offshore industry in 2010. The long-term energy strategy targets companies within both fossil and renewable energy sources and will offer opportunities for growth in both Norway and internationally. The seafood strategy remains unchanged, and DnB NOR is well positioned to expand within these segments based on its sound customer relationships and geographic presence.

The subsidiary DnB NOR Næringsmegling is Norway's largest commercial property adviser and broker. DnB NOR Næringskreditt manages portfolios which can be used to obtain long-term funding for the Group through the issuance of covered bonds.

The Group's corporate clients are offered services internationally through offices in New York, Houston, Santiago, Rio de Janeiro, London, Copenhagen, Hamburg, Helsinki, Stockholm, Gothenburg, Malmø, Luxembourg, Athens, Singapore, Shanghai and Mumbai. DnB NOR is represented in Murmansk in Russia through the subsidiary DnB NOR Monchebank, which is licensed to engage in banking operations throughout Russia.

Broad range of products which meet customer needs

The business area offers a broad range of financial products and services in cooperation with several of the Group's product areas, including various types of financing solutions, deposits and investments, everyday banking services, insurance, e-commerce products, commercial property brokerage, foreign currency and interest rate products, trade finance, equity trading and corporate finance services. Large Corporates and International is responsible for payment services for all corporate clients in the DnB NOR Group, including cash management services, and for developing advanced payment and liquidity management systems. The international cash pool system gives customers a unique opportunity to optimise their liquidity management across countries and currencies. The system spans all continents and makes it possible to offer local solutions and expertise in the individual regions. Straightforward, well-functioning solutions and global accessibility are important to ensure the best possible customer service independent of geographic location. A new, global corporate Internet bank was introduced in 2010 and provided customers with a greater range of self-service options. The Group launched a number of new SMS and alert services for companies on mobile phones during 2010. The use of these services is steadily increasing.

FUTURE PROSPECTS

There was a rising level of optimism in the financial markets through 2010, though at the onset of 2011, uncertainty continued to prevail regarding future market developments. Large Corporates and International believes there are sound growth prospects in the business area's strategic priority areas, both in Norway and internationally. In order to build a robust portfolio, it is a prerequisite that the business area's expansion is in line with the Group's credit strategy and is based on experience, expertise and long-term relationships. Some customers in certain segments may still be affected by the repercussions of the recession. Customers should perceive the bank to be a good long-term partner, irrespective of the state of the market.

Operations in 2011 will depend on opportunities offered by the market, and higher activity levels are anticipated compared with 2010.

DnB NOR MARKETS

DnB NOR MARKETS IS NORWAY'S LARGEST INVESTMENT BANK, serving customers in Norway, at the Group's international offices and via electronic channels. Customer service takes place in close cooperation with the Group's other business areas. DnB NOR Markets achieved pre-tax operating profits of NOK 3 638 million in 2010, down 31.8 per cent from 2009. Extraordinary volatility in exchange rates and interest rates at the beginning of 2009 generated a high level of income, while the normalisation of the markets in 2010 resulted in a reduction in income compared with the previous year. DnB NOR Markets was the largest investment bank on Oslo Børs within equity, bond and commercial paper trading and issues in 2010.

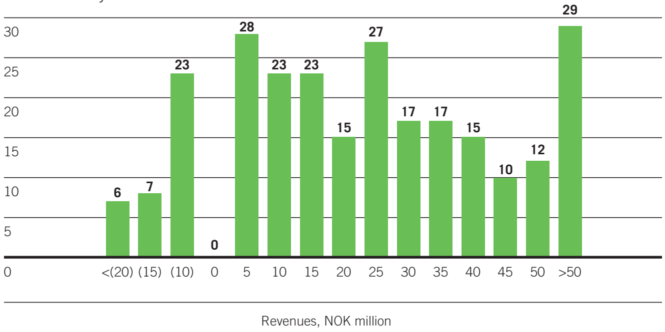
FINANCIAL PERFORMANCE

Income statement in NOK million	2010	2009	Change
FX, interest rate and commodity derivatives	1 317	1 665	(348)
Investment products	399	766	(367)
Corporate finance	903	570	333
Securities services	218	190	28
Total customer revenues	**2 838**	**3 191**	**(353)**
Net income from the liquidity portfolio	1 151	1 147	4
Other market making/trading revenues	1 337	2 761	(1 424)
Total trading revenues	**2 488**	**3 908**	**(1 420)**
Interest income on allocated capital	145	144	1
Total income	**5 471**	**7 243**	**(1 772)**
Operating expenses	1 833	1 913	(79)
Pre-tax operating profit	**3 638**	**5 331**	**(1 693)**

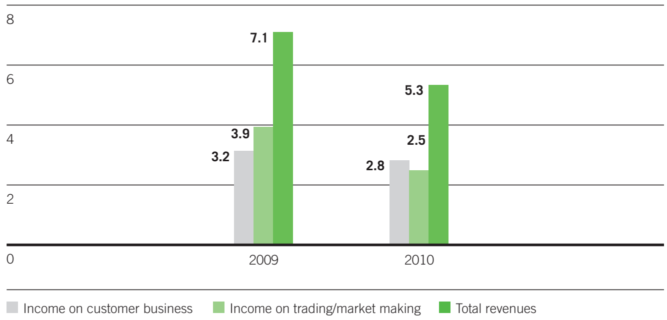
Key figures in per cent			
Return on allocated capital [1)]	44.8	69.8	
Cost/income ratio	33.5	26.4	
Number of full-time positions at year-end	668	647	

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

Daily revenue distribution
Number of days



Distribution of revenues 1)
NOK billion



1) Income excluding interest on allocated capital.

Due to the normalisation of the markets, DnB NOR Markets' total income for 2010 declined by 24 per cent from the previous year. The most pronounced reduction was seen in income from market making and other proprietary trading, which was particularly high in early 2009 due to strong market fluctuations.

The reduction in customer-related income from foreign exchange and interest rate and commodity derivatives mainly reflected reduced income from foreign exchange. Though there was a high level of activity in 2010, an increasing share of electronic trading with lower margins contributed to the decline in income. Low long-term interest rate levels caused rising demand for interest hedging products through 2010, especially from small and medium-sized businesses. This trend gave an increase in income towards the end of the year.

Customer-related revenues from the sale of securities and other investment products were reduced compared with 2009. There was increasing competition from international market players. Electronic equities trading became increasingly important, causing pressure on prices. DnB NOR Markets maintained its position as the largest brokerage house on Oslo Børs and was the undisputed number one within bond and commercial paper trading. Income from other investment products remained low.

A high level of activity within equity issues, combined with a sound trend for advisory services and the arrangement of bond issues, resulted in a strong increase in customer-related revenues from corporate finance compared with 2009. New records were set on Oslo Børs with respect to both equity and debt capital issues. DnB NOR Markets was the leading market participant in this field. The international units established in New York and Stockholm in the course of 2010 generated sound income already in their first year of operation.

Customer-related revenues from custodial and other securities services showed a positive trend from 2009 due to rising market values and higher activity levels in, for example, the new issue market. The rise in income mainly stemmed from Norwegian customers, while there was a sharp drop in income from international customers due to Oslo Børs' introduction of central counterparty clearing.

Income from market making and other proprietary trading was reduced by 36 per cent compared with 2009 due to the normalisation of the markets, with less volatility in exchange rates and interest rates. The liquidity portfolio of bonds generated income on a par with 2009.

OPERATIONS

DnB NOR Markets aims to be the best partner for Norwegian customers within investment banking and securities services, as well as for international clients requiring services relating to Norway and the Norwegian krone. In selected fields and customer segments such as shipping, energy and seafood, DnB NOR Markets will engage in international operations together with other units in the Group. DnB NOR Markets seeks to achieve competitive returns and high cost-efficiency through diversified operations with a moderate risk profile.

Leading position in the Norwegian market

DnB NOR Markets will refine service concepts and financial advisory services which create value for customers. DnB NOR Markets is committed to customer proximity and provides a wide range of products and services. Customer service is provided by 13 regional sales desks in Norway, offices in Stockholm, London, New York, Singapore and Shanghai, and via electronic channels. The business area's main customer groups are Norwegian retail and corporate clients and the public sector. Other important customer groups are DnB NOR's international clients and others requesting financial services in Norway or services related to Norwegian kroner products.

To better identify and meet current and future customer needs, cooperation with the Group's other business areas is important, and these provide an important sales channel for DnB NOR Markets' products. DnB NOR Markets has a large team of equity, credit, currency, commodity and interest rate analysts who along with other specialists play a key role in advising the business area's customers.

DnB NOR Markets further strengthened its leading market position in Norway in 2010. In addition to its strong position within FX and interest rate trading, DnB NOR Markets increased its market share within bond trading and was the largest brokerage house on Oslo Børs in 2010 for equities, equity options, equity futures, bonds and commercial paper. DnB NOR Markets also arranged the greatest number of bond and commercial paper issues in the Norwegian market in 2010. DnB NOR operated as registrar for 54.4 per cent of the companies registered in the Norwegian Central Securities Depository, VPS.

Customer satisfaction is measured and followed up through surveys and evaluations carried out in-house and by external parties such as Prospera. The surveys generally show good customer satisfaction levels. Results for individual product and service areas are used for management and follow-up purposes.

Again in 2010, DnB NOR was named best Norwegian foreign exchange bank by Global Finance Magazine. In addition, the Global Custodian magazine ranked DnB NOR as the best custodian bank.

Key products include foreign exchange, interest rate and commodity products, securities and other investment products, debt and equity financing in capital markets, research and advisory services, as well as custodial and other securities services. Value creation in DnB NOR Markets is ensured by highly skilled employees, sound customer relations, a broad distribution network and a diversified range of products and services.

In product areas where the business area has special advantages, such as products relating to Norway and the Norwegian krone, DnB NOR Markets undertakes in-house product development and production. For other

product areas, such as international equity brokerage, emphasis is placed on insourcing, cooperation agreements with other banks and on bundling existing financial instruments into new products to reduce costs, risk and time-to-market. Priority is given to continual development of products and services. The main focus is on customer activities, while trading activities should support customer activities with products and prices.

The range of commodity derivatives and risk management services offered to customers was expanded in 2010. There is rising demand for various exchange-traded investment products, and DnB NOR was the first player to launch Exchange Traded Notes on Oslo Børs in October 2010. At year-end 2010, DnB NOR had a 20 per cent market share, offering products with exposure within oil service, electric power and oil price. During 2010, corporate finance operations within debt finance were expanded in New York and Stockholm.

FUTURE PROSPECTS

General market developments and economic activity levels will be decisive for DnB NOR Markets' financial performance. A high level of customer satisfaction provides a sound basis for the further development of the business area. With respect to foreign exchange and interest rate and commodity derivatives, DnB NOR expects economic developments to cause a certain rise in volumes, while a further shift to electronic trading and stronger competition from international banks will put pressure on prices. There are prospects of a higher level of activity within bond and equities trading and within property investments, though there will be strong competition here as well. It will be vital to develop new products geared to demand. Within corporate finance, DnB NOR Markets has a good platform for increasing revenues outside Norway.

Income from the bond portfolio is expected to decline due to adaptations to the Basel III requirements concerning the composition of the portfolio. The fact that Norway has its own currency is expected to continue to represent an advantage for DnB NOR Markets. Markets operations in the Baltic region and Poland will be integrated with operations in DnB NOR Markets.

INSURANCE AND ASSET MANAGEMENT

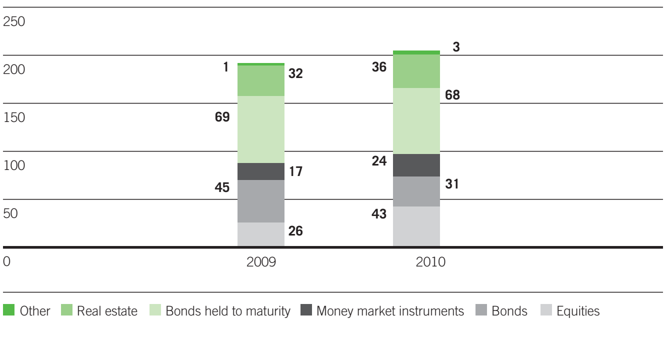
THE INSURANCE AND ASSET MANAGEMENT BUSINESS AREA IS RESPONSIBLE for life insurance, pension savings, asset management and non-life insurance in the DnB NOR Group. Vital provided insurance coverage for around one million policyholders and had group agreements with approximately 26 000 companies at year-end 2010. DnB NOR Asset Management had 556 000 retail clients and a leading position among Norwegian and Swedish institutional clients. DnB NOR Skadeforsikring had 150 000 individual clients. Pre-tax operating profits totalled NOK 1 913 million in 2010, up 53.4 per cent compared with 2009.

FINANCIAL PERFORMANCE

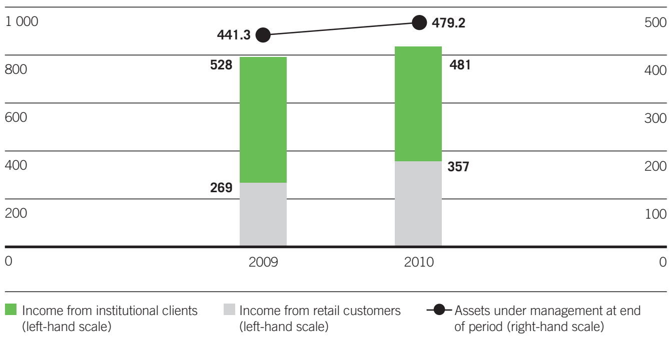
Income statement in NOK million	2010	2009	Change
Total income	4 201	3 582	619
Operating expenses	2 288	2 335	(47)
Pre-tax operating profit	**1 913**	**1 247**	**666**
Tax	(630)	(144)	(487)
Profit after tax	**2 544**	**1 390**	**1 153**
Balances in NOK billion (end of period)			
Assets under management	527.4	485.6	41.8
Key figures in per cent			
Return on allocated capital [1)]	18.6	15.2	
Cost/income ratio	54.5	65.2	
Number of full-time positions at year-end	1 047	1 054	

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

Financial exposure – common portfolio in Vital
NOK billion



Development in income and assets under management in DnB NOR Asset Management
NOK million NOK billion



Financial performance in Vital

Income statement in NOK million	2010	2009	Change
Interest result	6 033	3 043	2 990
– of which property revaluations	341	(887)	1 228
Transferred to additional allocations	407	173	234
Risk result	(242)	92	(334)
Administration result	(104)	(108)	4
Profit on risk and guaranteed rate of return	552	477	75
Other	(14)	(36)	22
Allocations to policyholders	4 093	2 138	1 956
Pre-tax operating profit	**1 724**	**1 156**	**568**
Tax	(672)	(175)	(497)
Profit after tax	**2 396**	**1 331**	**1 064**
Balances in NOK billion (end of period)			
Total assets	247.1	232.5	14.6
Assets under management			
– corporate customers	132.4	120.0	12.4
– public sector	31.4	27.0	4.4
– individual customers	65.4	67.0	(1.6)
Key figures in per cent			
Return on allocated capital [1]	19.5	16.0	
Recorded return on assets	6.2	4.7	
Value-adjusted return on assets	6.8	5.4	
Number of full-time positions at year-end	726	738	

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

Vital's interest result improved relative to 2009 due to a positive trend in the return on financial assets. Both the corporate portfolio and portfolios subject to profit sharing generated healthy revenues in 2010. A sound risk result for disability and improved margins for pure endowment risk in the corporate market ensured the owner a positive risk result of NOK 96 million, in spite of an increase in reserves for higher life expectancy. NOK 973 million was charged to the risk result to reflect an upward adjustment of life expectancy assumptions within individual pension insurance. The owner's share of this adjustment was NOK 341 million, which was charged to pre-tax profits. The risk result within individual pension insurance is divided between the owner and the policyholder, who receive 35 and 65 per cent, respectively.

Transfers to Vital's policyholders totalled NOK 11.1 billion in 2010, of which NOK 6.6 billion represented the guaranteed rate of return, while the policyholders' share of the return on financial assets in excess of the guaranteed rate of return was NOK 4.1 billion and transfers to additional allocations represented NOK 0.4 billion. The company has reached its target to reduce resource utilisation, and costs are well under control.

There were healthy returns on equities eligible for the tax exemption model in 2010, and taxable income for 2010 totalled NOK 672 million.

Financial performance in DnB NOR Asset Management

Income statement in NOK million	2010	2009	Change
Net interest income	10	3	7
Commission income			
– from retail customers	357	269	88
– from institutional clients	481	528	(46)
Other income	20	68	(48)
Total income	868	868	0
Operating expenses	592	650	(59)
Pre-tax operating profit	**276**	**217**	**59**
Balances in NOK billion (end of period)			
Total asset under management	479.2	441.3	37.9
– Retail customers	62.6	56.9	5.7
– Institutional clients	416.6	384.4	32.2
Key figures in per cent			
Return on allocated capital [1]	38.2	24.5	
Cost/income ratio	68.2	74.9	
Number of full-time positions at year-end	218	223	

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

DnB NOR Asset Management recorded pre-tax operating profits of NOK 276 million in 2010, an increase of 27.2 per cent from 2009. Commission income, including performance-based revenues, rose by NOK 42 million or 5 per cent from 2009. The increase was mainly attributable to the NOK 38 billion rise in assets under management from year-end 2009. Positive market developments gave a NOK 34 billion increase in assets under management, while a further NOK 11 billion increase stemmed from exchange rate movements. Negative net sales gave a NOK 7 billion reduction in assets under management.

DnB NOR Skadeforsikring

DnB NOR Skadeforsikring is in a growth phase. Premium income for own account increased by 70 per cent from 2009 and totalled just over NOK 1 billion in 2010. Profits for 2010 reflected a high claims frequency, with a large number of claims for frost and fire damage. These claims were partially covered by the company's reassurance programme, however, the company's share of the claims was sizeable.

OPERATIONS

Insurance and Asset Management aims to be the most attractive provider in the Norwegian market of life insurance, pension savings, asset management and non-life insurance products. In order to reach this position, a key tool is the development of a customer-oriented and cost-effective organisation with strong distribution power. Insurance and Asset Management will achieve profitable growth while ensuring that the owner and customers receive competitive returns on their funds.

Reaching all customer groups

Insurance and Asset Management has a strong distribution network reaching all customer groups. Products are sold through the DnB NOR Group's distribution network, external partners, the business area's own sales force and electronic channels. Sales through independent agents represented 27 per cent of Vital's product sales in the individual market in 2010, while sales through the Group's own distribution channels represented 73 per cent. In the corporate market, Vital's products are distributed mainly through its own sales force and brokers, though account officers in DnB NOR are also an important point of contact for the sale of Vital products in this market.

In Norway, DnB NOR Asset Management's products are primarily distributed through the bank, as well as through external partners. DnB NOR has sales activities in Sweden and Luxembourg to market mutual funds in the European market. In addition, DnB NOR Asset Management has offices in Hong Kong and India which are responsible for equity management in emerging markets. Non-life insurance products are sold mainly through the bank's distribution channels.

Vital is Norway's largest provider of individual and group life insurance and pension savings. At year-end 2010, Vital had approximately one million retail customers with individual and group agreements. Agreements with companies, municipalities and public enterprises numbered approximately 26 000.

Vital offers group pensions in the form of defined-benefit and defined-contribution schemes to businesses and the public sector. At end-December 2010, defined-benefit schemes represented 93 per cent of policyholders' funds, while defined-contribution schemes accounted for the remaining 7 per cent. Competition in the paid-up policy segment remained fierce in 2010. Continued strong growth in the market is expected, not least due to the move from defined-benefit to defined-contribution schemes.

At year-end 2010, Vital had 64 municipalities and one county municipality as clients in addition to a number of public enterprises. All nine of the municipalities that invited tenders in 2010 entered into agreements with Vital.

Vital retained its position as the largest provider of individual pension savings in 2010. The main products are guaranteed-rate savings and mutual fund savings through unit linked products.

DnB NOR Asset Management is a leading market participant within asset management for retail and institutional clients in Norway and has a prominent position in the institutional mutual fund market in Sweden.

DnB NOR Asset Management's 556 000 retail clients had entered into 277 000 savings schemes at year-end 2010, generating annual contractual savings of NOK 2.7 billion. At end-December 2010, 55 of DnB NOR's mutual funds, representing 45.5 per cent of the mutual funds, had received four or five stars from the rating company Morningstar. DnB NOR Asset Management is one of the country's leading providers of mutual funds and discretionary asset management. The company had a market share of 24.6 per cent of the mutual fund market for Norwegian retail and institutional clients at year-end 2010.

Development in market shares

Vital *Per cent*	30 Sept. 2010	31 Dec. 2009
Total policyholders' funds	29.7	31.8
– Corporate market	40.5	41.3
– Public sector	9.7	10.8
– Individual market	53.1	52.4

DnB NOR Asset Management *Per cent*	31 Dec. 2010	31 Dec. 2009
Mutual funds in Norway (retail customers)	29.3	34.4
Institutional clients in Norway	21.7	20.5
Institutional clients in Sweden	>15.0	>15.0

DnB NOR Skadeforsikring was among the most rapidly expanding non-life insurance companies in Norway in 2010 and had a market share of 2.5 per cent as at 30 September 2010. The company primarily offers products to the retail market.

FUTURE PROSPECTS

Vital has adapted its product portfolio to the new pension reform, and the product development process continued into 2011. Greater interest is expected in savings in traditional mutual fund and insurance products. Vital expects a positive effect of its new savings product, Investment Account. The product gives customers the opportunity to compose their own share portfolio, and gains on the sale of individual shares are not subject to capital gains tax until money is withdrawn from the account.

Vital expects continued growth in defined-contribution pension schemes, partly due to a conversion from defined-benefit schemes. Vital is also taking initiatives in the municipal sector, and growth in the sale of risk products is expected to continue.

Vital has implemented a cost programme which will have an annual effect of NOK 210 million from January 2011. The company will continue to focus on cost efficiency measures to prepare for strong competition ahead.

As Norwegian life insurance companies offer life-long pension payments, higher life expectancy in the population is one of many risk factors. Vital strengthened its reserves in 2009 and 2010 to reflect higher life expectancy for individual pension insurance. The remaining required increase in reserves is NOK 770 million, which will be covered in 2011 and 2012. The life insurance industry has also started a process to update life expectancy assumptions in the calculation base for premiums and reserves for group pension insurance. An updated calculation base for group pensions will be introduced in close dialogue with the authorities.

Vital and DnB NOR Skadeforsikring have made good progress with their preparations for Solvency II, which are new solvency capital regulations for insurance companies, replacing the current solvency margin requirements. The preparations include assessing the consequences relating to capital, organisational and system requirements. The requirements resulting from Solvency II will necessitate extensive adjustments in insurance companies' IT systems and infrastructure.

Earnings in DnB NOR Asset Management are directly affected by changes in the volume of assets under management. These volumes reflect both the company's net sales of mutual fund products and developments in the equity, currency and interest rate markets. Competition for savings will necessitate ongoing development and the adaptation of products and services, and DnB NOR Asset Management has adjusted prices on certain funds and removed subscription and redemption fees on all funds to become more competitive. DnB NOR Asset Management has developed new products to meet customer needs and launched two new index funds towards the end of the third quarter of 2010. The expectations of investors regarding developments in financial markets together with investor confidence in the stock market will have a strong impact on profit performance in the business area.

DnB NOR Skadeforsikring is well positioned to become an important player in the Norwegian market in a longer term perspective. Extensive measures have been initiated to improve profitability in the company. Though the company plans to raise premiums within certain sectors, continued expansion is expected.

DnB NORD

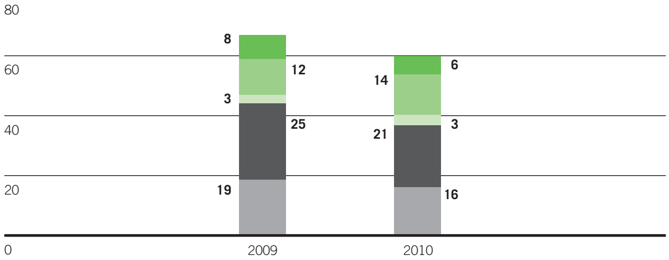
DnB NOR TOOK OVER ALL SHARES IN DnB NORD with effect from 23 December 2010. Operations are mainly concentrated in the Baltic States and Poland. 2009 and 2010 were challenging years for DnB NORD as it was strongly affected by the global financial crisis, which hit the Baltic States particularly hard. However, the Baltic economies and DnB NORD's financial performance showed signs of recovery through 2010. A pre-tax operating loss of NOK 1 481 million was recorded in 2010, compared with a loss of NOK 4 289 million in 2009.

FINANCIAL PERFORMANCE

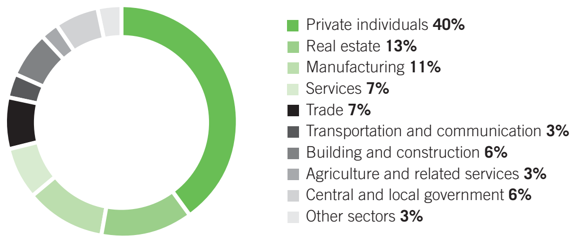
Income statement in NOK million	2010	2009	Change
Net interest income	1 422	1 559	(137)
Other operating income	627	684	(57)
Total income	2 048	2 242	(194)
Other operating expenses	1 355	1 582	(227)
Net write-downs on goodwill and intangible assets	345	1 007	(662)
Operating expenses	1 700	2 589	(889)
Pre-tax operating profit before write-downs	**348**	**(347)**	**695**
Net gains on fixed assets	(15)	(13)	(2)
Net write-downs on loans	1 813	3 929	(2 116)
Pre-tax operating profit	**(1 481)**	**(4 289)**	**2 809**
Average balance sheet items in NOK billion			
Net lending to customers	62.9	83.6	(20.7)
Deposits from customers	22.3	21.4	0.9
Key figures in per cent			
Lending spreads [1]	1.80	1.02	
Deposits spreads [1]	0.60	2.04	
Return on allocated capital [2]	(19.1)	(33.7)	
Ordinary cost/income ratio [3]	66.2	70.6	
Ratio of deposits to lending	35.5	25.6	
Number of full-time positions at year-end	3 159	3 174	

1) Calculated on the basis of 3-month money market rates.
2) Calculated on the basis of internal measurement of risk-adjusted capital requirements.
3) Cost/income ratio adjusted for impairment losses for goodwill and intangible assets.

Development in lending volumes
NOK billion



Lending to principal sectors
As at 31 December 2010



Average lending, measured in Norwegian kroner, declined by close to 25 per cent from 2009 to 2010, of which approximately 7.5 percentage points was due to the transfer of a portfolio to DnB NOR in 2009. From year-end 2009 to end-December 2010, lending was reduced by just over 12 per cent. The Danish portfolio, which is in the process of being downscaled, showed the largest percentage decline, though there was also a reduction in lending in the Baltic region. Exchange rate movements had an impact on lending volume, and measured in euro, the decline in lending in 2010 was 6.9 per cent. In Poland, lending volume rose by 17 per cent during the year, measured in Norwegian kroner.

Competition for deposits was fierce, resulting in narrowing deposit spreads. However, there was a positive trend in deposit volumes towards the end of 2010, and the ratio of deposits to lending was 40 per cent at the end of the year, up from 28 per cent at end-December 2009.

Ordinary operating expenses were reduced, reflecting measures to downsize operations, including the closing of DnB NORD's branches in Denmark and Finland during 2009. The write-downs on intangible assets in 2010 reflected changes in the IT development plan, which required that the value of systems investments be written down.

In 2010, a high level of write-downs on loans characterised DnB NORD's financial performance, though there was a significant reduction from 2009. Measured against average lending, write-downs declined from 4.70 per cent in 2009 to 2.89 per cent in 2010. Write-downs in the Danish and Finnish portfolios, which are being scaled down, represented a relatively large share of total write-downs in 2010. Write-downs in the Baltic States and Poland represented 2.40 per cent for the full year 2010.

OPERATIONS

DnB NORD became wholly owned by DnB NOR from year-end 2010. Operations in the core markets of Estonia, Latvia, Lithuania and Poland will continue to be a separate profit centre, named the Baltics and Poland division, organised under the Large Corporates and International business area.

Immediately after the full acquisition of DnB NORD, the process to ensure a smooth integration of operations into the DnB NOR Group was initiated. Projects were established, with balanced participation from the DnB NOR and DnB NORD organisations, to address a number of issues. These range from business challenges in various product areas and market segments, to the integration and streamlining of internal operational and support functions.

At the end of 2010, DnB NORD had a total of 166 offices in the four countries, offering a wide range of products to both corporate and retail customers. DnB NORD intends to build a strong position as a full-service bank in the region and wishes to offer its customers effective service and simple and flexible solutions.

At year-end 2010, DnB NORD had some 915 000 customers. DnB NORD was the third largest bank in Lithuania and number four in Latvia in 2010, based on total lending, with market shares of 15.8 per cent and 10.7 per cent, respectively. In Estonia, the bank was number five, but had a small market share of 1.8 per cent. The market shares were relatively stable from 2009, with the exception of Lithuania, which experienced a 1 percentage point decline. In Poland, DnB NORD was a relatively small market participant.

At the end of 2010, DnB NORD's operations in the Baltic region were evenly distributed between the personal customer market and the corporate market, with an exposure of approximately 50 per cent in each segment. The corporate loan portfolio mainly comprised small and medium-sized enterprises. In Poland, the share of lending to personal customers was 28 per cent at year-end 2010, an increase from just over 10 per cent a year earlier. Priority will be given to developing products and services for these customers to achieve a stronger market position in this segment. There was a healthy rise in home mortgages in Poland during 2010.

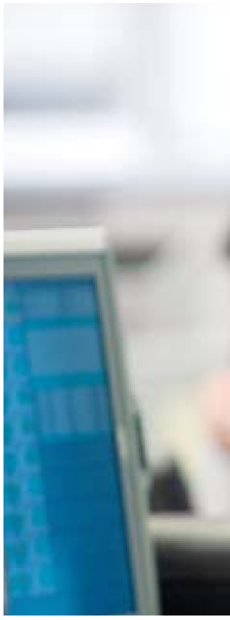
DnB NORD is committed to providing high-quality customer service, which had good effects in both Lithuania and Latvia in 2010. In Lithuania, DnB NORD was named best customer service provider in the banking sector by Spect-Dive, a company which specialises in 'mystery shopping', a method which uses anonymous test customers. In Latvia, the bank was ranked as the best among leading banks in providing service to savings customers by Latvia Dorus LTD, a company which carries out regular customer surveys. DnB NORD is working continually to coordinate cross-border activities by harmonising processes and making optimal use of joint solutions.

FUTURE PROSPECTS

After several years of economic growth far above average levels in the EU area, the Baltic economies experienced a sharp cool-down during 2008 and 2009. In 2009, gross domestic product declined by between 14 and 18 per cent in the Baltic States. In 2010, there were clear signs of recovery. From the second half of the year, the Baltic region experienced weak growth, driven by a rise in exports, and future growth is expected to again surpass average European levels. Unemployment levels have been and continue to be very high in the region, though there was a positive trend towards the end of 2010. The rise in employment is expected to have a positive effect on both customers' debt servicing capacity and on growth in domestic demand. DnB NOR will focus on consolidating and integrating the operations in the Baltic region, reducing losses and improving cost-efficiency, while acquiring its share of the renewed growth in the region within a prudent risk profile.

Macroeconomic developments in Poland have been relatively robust compared with the Baltic States. DnB NOR sees considerable future opportunities in the Polish market, and will develop new products and services for retail customers.

A further reduction is anticipated in write-downs on loans, though the level of write-downs is expected to remain relatively high in 2011 compared with the level in the Group's other operations. Rising growth in the region will ensure a positive volume trend, and combined with lower write-down levels, this is expected to raise profitability in the DnB NORD operations.



Governance in DnB NOR

GROUP MANAGEMENT

1 RUNE BJERKE (born 1960)
Group chief executive
Bjerke took up the position as group chief executive of DnB NOR in January 2007. He was formerly president and CEO of Hafslund ASA and has also been president and CEO of Scancem International. Bjerke has held a number of board positions in large companies. He has also served as finance commissioner of the Oslo City Council and as a political adviser in Norway's Ministry of Petroleum and Energy. He holds an economics degree from the University of Oslo and a master's degree in public administration from Harvard University.

2 BJØRN ERIK NÆSS (born 1954)
Chief financial officer
Næss assumed the position as chief financial officer with effect from March 2008. He was previously EVP and CFO in Aker Kværner ASA. Prior to this, he held similar positions in Orkla and Carlsberg (Denmark). Næss has extensive experience from executive positions both in Norway and abroad over the past 25 years. He is a graduate of the Norwegian School of Economics and Business Administration and has also completed an executive programme at Darden Business School in the USA.

3 KARIN BING ORGLAND (born 1959)
Group executive vice president Retail Banking
Karin Bing Orgland has been head of Retail Banking since the reorganisation on 1 July 2009. Prior to this, she was head of Regional Division East in Corporate Banking and Payment Services. She has extensive experience from a number of specialist and managerial positions in product and customer units in the Group. Bing Orgland has studied at the University of Pittsburgh in the USA and has a business degree from the Norwegian School of Economics and Business Administration.

4 LEIF TEKSUM (born 1952)
Group executive vice president Large Corporates and International
Teksum has been head of Large Corporates and International since the reorganisation on 1 July 2009 and was previously head of Corporate Banking and Payment Services. He has experience from the petroleum industry and from various executive positions in DnB NOR, DnB and Bergen Bank. In the Group, he has, among other things, been in charge of DnB Markets, Asset Management, IT and staff functions. Teksum is a graduate of the Norwegian School of Economics and Business Administration.

5 OTTAR ERTZEID (born 1965)
Group executive vice president DnB NOR Markets
Ertzeid has been head of DnB NOR Markets since the merger in 2003. He was previously head and deputy head of DnB Markets and held various positions within the FX/Treasury area in DnB. His prior professional experience includes the position as chief financial officer in DnB Boligkreditt and head of finance in Realkreditt. Ertzeid is a graduate of BI Norwegian School of Management.

6 TOM RATHKE (born 1956)
Group executive vice president Insurance and Asset Management
Rathke has been head of Insurance and Asset Management since April 2007. He is chief executive of DnB NOR's subsidiary Vital Forsikring and board chairman of DnB NOR Kapitalforvaltning Holding and DnB NOR Skadeforsikring. He was previously managing director of Gjensidige NOR's investment fund company Avanse, prior to which he held managerial positions in Vesta and If Skadeforsikring. Rathke also has experience from SAS and Dyno. He is a graduate of BI Norwegian School of Management, has a master's degree in business administration from the University of Wisconsin and has completed the Advanced Management Programme (AMP) at Harvard University.

7 LIV FIKSDAHL (born 1965)
Group executive vice president Operations
Fiksdahl has been head of Operations since June 2007. She was previously head of Bank Production in Corporate Banking and Payment Services. Prior to this, Fiksdahl held customer-oriented positions in Union Bank of Norway, Handelsbanken and Fokus Bank. She was educated at Trondheim Business School.

8 CATHRINE KLOUMAN (born 1962)
Group executive vice president IT
Klouman has been head of IT since June 2007. Former positions include head of Business Development and head of the Telephone and Internet Banking division in Retail Banking. She has previous management experience from Union Bank of Norway, ICA Banken, BankAxept and IBM. Klouman has an M.Sc. in business administration from BI Norwegian School of Management.

9 SOLVEIG HELLEBUST (born 1967)
Group executive vice president HR
Hellebust assumed the position as head of HR in April 2009. Before this, she held the position of vice president of Human Resources and Communications at Pronova BioPharma ASA. Prior professional experience also includes several years at Telenor (corporate staff HR) and at BI Norwegian School of Management (associate professor in economics). Hellebust holds a PhD in international economics from the Norwegian University of Life Sciences, an MSc in agricultural economics from the University of Illinois, and an MSc in business and economics from BI Norwegian School of Management.

10 TROND BENTESTUEN (born 1970)
Group executive vice president Marketing and Communications, entitled to attend group management meetings
Bentestuen has been head of Marketing and Communications since 2009 and head of Corporate Communications since January 2008. Prior to this, he was head of Marketing and Communications in Expert and previously worked as a press officer and communications adviser in Telenor. Bentestuen has a bachelor of arts degree in journalism and political science from Temple University, California, and training from the Armed Forces.

11 KARI OLRUD MOEN (born 1969)
Group executive vice president Corporate Centre, entitled to attend group management meetings
Olrud Moen has been head of the Corporate Centre since June 2007. Prior to this, she was a project manager in Finance/Group Staff and a senior DnB NOR trainee. She has previously been state secretary in the Ministry of Finance (2001-2005) and worked as a consultant in McKinsey & Co, as an adviser for the Conservative Party's parliamentary group and as a consultant in the Budget Department in the Ministry of Finance. Olrud Moen is a graduate of the Norwegian School of Economics and Business Administration and has an MBA from the University of California, Berkeley.

CORPORATE GOVERNANCE

DnB NOR'S MANAGEMENT AND BOARD OF DIRECTORS annually review the principles for corporate governance and how they are implemented in the Group. Pursuant to Section 3-3b of the Norwegian Accounting Act and the Norwegian Code of Practice for Corporate Governance dated 21 October 2010, DnB NOR hereby gives an account of the Group's corporate governance principles and practice.

The Norwegian Code of Practice for Corporate Governance addresses 15 topics:

1. Implementation of and reporting on corporate governance
2. Business
3. Equity and dividends
4. Equal treatment of shareholders and transactions with close associates
5. Freely negotiable shares
6. General meetings and Control Committee
7. Election Committee
8. Supervisory Board and Board of Directors, composition and independence
9. The work of the Board of Directors
10. Risk management and internal control
11. Remuneration of the Board of Directors
12. Remuneration of the executive management
13. Information and communications
14. Corporate take-overs
15. Statutory auditor

An account of DnB NOR's compliance with these stipulations is given in the corporate governance chapter in the Annual Report 2010. There are no significant deviations between the Code of Practice and the way it is complied with in DnB NOR. Two deviations have been accounted for in section 7 and section 14, respectively.

GOVERNING BODIES

THE ANNUAL REPORT 2010 contains a list of the members of governing bodies in DnB NOR ASA, information about the members' shareholdings in DnB NOR ASA and an assessment of the members' independence.

RISK MANAGEMENT AND INTERNAL CONTROL

MONITORING AND MANAGING RISK is an integral part of financial operations. In DnB NOR, sound risk management is a strategic tool to enhance value generation. Internal control should ensure effective operations and prudent management of risks that could prevent the Group from attaining its business targets.

A description of risk management and internal control in the Group is given below. The Board of Directors' reporting of the main features of internal control relating to financial reporting is described in the Annual Report 2010, in the "Corporate governance" chapter, section 10.

BOARDS OF DIRECTORS

Organisation and responsibilities

The Board of Directors of DnB NOR ASA, the holding company board, has principal responsibility for the Group's business operations, which includes ensuring that operations, financial reporting and asset management are subject to adequate control. The Board of Directors carries out a review of developments within the Group's most significant risk areas every four months and makes an annual review of its internal control system.

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

The Group's risk is measured in the form of risk-adjusted capital requirements, calculated for main risk categories and for all of the Group's business areas. Cf. further description under "Capital management and risk categories". In addition, risk is followed up through supplementary risk measures adapted to operations in the various business areas, for example monitoring of exposure relative to limits, key figures and portfolio risk targets.

The holding company board carries responsibility for ensuring that the Group is adequately capitalised relative to the risk and scope of operations and that capital requirements stipulated in laws and regulations are met. Rules have also been worked out for internal control and operational risk management at group level.

Internal and external reporting shall be of high quality, and the Group shall comply with relevant laws, regulations and internal guidelines, including the Group's values and rules governing ethics and corporate social responsibility. The organisational structure of DnB NOR aims to ensure independent risk reporting.

The board has approved rules governing ethics and corporate social responsibility which should help raise awareness of and ensure compliance with the ethical standards required in the Group. According to the Group's code of ethics, employees must promptly inform their immediate superior or the group executive vice president, Group Audit, if they obtain knowledge about circumstances that are contrary to prevailing regulations issued by the authorities or about major breaches of internal regulations.

The Group's credit policy is laid down in a joint meeting of the Boards of Directors of the holding company and DnB NOR Bank ASA. The bank's Board of Directors determines credit strategies and annual limits for liquidity risk and market risk for the banking group. Market risk reflects equity, currency, interest rate and commodity exposure.

The Boards of Directors of the other operative companies in the Group, e.g. Vital, set limits for relevant risks pertaining to their operations.

Implementation and monitoring

The holding company board annually reviews the Group's principal risk areas and internal control. The review, which is based on reporting from the group chief executive, aims to document the quality of the work performed in key risk areas and to identify any weaknesses and needs for improvement. The review should ensure that changes in the risk situation are identified, so that the necessary improvement measures can be implemented.

The Audit Committee monitors the Group's internal control and risk management systems and makes sure that they function effectively. The Audit Committee also evaluates the quality of the work performed by the internal auditors. The Boards of Directors of DnB NOR Bank ASA, Vital and other significant subsidiaries annually evaluate the companies' key risk areas and internal control.

Every four months, the Audit Committee and the Boards of Directors of the holding company and the bank receive a report on developments in the Group's defined risk categories. The Board of Directors of Vital receives periodic reports analysing the company's risk situation.

Information about the Group's risk situation is made available to the market, shareholders and the authorities through quarterly reports. In addition, information is released about DnB NOR's adaptation to and compliance with the capital adequacy regulations, including information on processes and models and quantitative information about the various risk categories. Information is made available on the Group's website, dnbnor.no.

The holding company board has approved a capitalisation policy to ensure that the Group's equity is adapted to the scope and risk profile of operations, based on the authorities' capital adequacy requirements and DnB NOR's internal estimated capital requirements. The Board of Directors continually monitors the Group's capital situation.

GROUP CHIEF EXECUTIVE AND EXECUTIVE BODIES

Organisation and responsibilities

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

The group management meeting is the group chief executive's collegiate body for management at group level. All important decisions concerning risk and capital management will generally be made in consultation with the group management team.

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

- The Asset and Liability Committee, ALCO, is an advisory body for the chief financial officer and handles matters relating to the management of market and funding risk, risk modelling, capital structure and return targets.
- The Group has three central credit committees: the Group Advisory Credit Committee, the Advisory Credit Committee for Large Corporates and International, and the Advisory Credit Committee for Retail Banking. The Group Advisory Credit Committee approves credits which affect both business areas according to assigned authorisations and advises the group chief executive and the Board of Directors in connection with large individual credit proposals and other credits of an extraordinary nature. The committee plays a key role in formulating the Group's credit policy, credit strategies and credit regulations, as well as in assessing portfolio risk. The Credit Committees for Large Corporates and International and for Retail Banking approve credits according to assigned authorisations for the respective business areas.
- The Investment Committee is an advisory body with respect to the Group's purchases and sales of equity instruments in the bank's strategic and financial equity portfolios. Decisions on purchases and sales are delegated based on authorised amounts and trading limits. Decisions on transactions in excess of NOK 250 million must be presented to the bank's Board of Directors.
- The Operational Risk and Compliance Committee helps ensure effective and consistent monitoring and reporting of operational risk throughout the Group. A key task is to make sure that the Group's routines relating to internal control and quality assurance are designed to provide added value relative to group operations.

Implementation and monitoring

The basis for risk management in DnB NOR is that individual managers in the Group are responsible for risk within their own area of responsibility and must therefore have the necessary insight into and understanding of the relevant unit's risk situation, thus ensuring that the management of such risk is financially and administratively sound.

The group chief executive has issued more detailed guidelines concerning the implementation of the group credit policy and credit strategies. Each business area manages its own credit processes based on such guidelines.

Risk in Vital is monitored by measuring the overall decline in value which Vital would be able to cover while meeting statutory minimum capital requirements.

All units carry out an annual risk review which includes:

- comments to the unit's work on risk management and internal control
- risk assessments
- an evaluation of compliance with external and internal regulations
- planned improvement measures

Reporting takes place at department level and forms the basis for aggregate reports for business areas and support units, which in turn are included in the group chief executive's reports to the holding company board. Where assessments identify particularly serious risks, these should be reported along with an indication of relevant improvement measures.

GROUP FINANCE AND RISK MANAGEMENT

Organisation and responsibilities

Group Finance and Risk Management has overall responsibility for risk measurement and management and internal control and for assessing and reporting the Group's overall risk situation. The Group Risk Management division is organised in Group Finance and Risk Management and is headed by the Group's chief risk officer. All of the Group's risk entities are organised in this division.

Implementation and monitoring

Group Risk Management prepares periodic reports to the Boards of Directors of the holding company and the bank regarding developments in the various risk categories. The group chief credit officer presents a report to the bank's Board of Directors regarding the trend in the banking group's credit risk. The Group's risk is measured in the form of risk-adjusted capital requirements. Calculations of the business areas' capital requirements are based on the Group's internal risk model, see "Capital management and risk categories". Return on risk-adjusted capital is a factor in product pricing, profit calculations and in monitoring performance in the business areas.

GROUP COMPLIANCE

Organisation and responsibilities

DnB NOR shall comply with all laws and regulations applicable to the Group's operations, hereinafter referred to as compliance. The Board of Directors has approved a compliance policy which describes the main principles for compliance and how the compliance function is organised in the Group. The compliance function is an independent function which identifies, evaluates, gives advice on, monitors and reports on the Group's compliance risk. In all business areas and support units, as well as in large subsidiaries and international entities, compliance officers have been appointed with responsibility for ensuring compliance with relevant regulations.

Implementation and monitoring

The group compliance officer is responsible for the Group's overall control of and reporting of compliance risk and any breach of laws and regulations pertaining to the Group. The group compliance officer is organised the Group Risk Management division and reports to the Board of Directors through the group chief executive at least once a year. Compliance officers in the business areas and support units issue periodic reports on the current status and on any violations of regulations to the group compliance officer and to the heads of their respective units. The identification, assessment and monitoring of the Group's financial compliance risk is carried out by Group Financial Reporting on behalf of the chief financial officer.

AUDIT

Organisation and responsibilities

Independent and effective audits will help ensure satisfactory risk management and internal control as well as reliable financial reporting. Group Audit receives its instructions from the holding company board, which also approves the department's annual plans and budgets.

Implementation and monitoring

As a quality check to ensure compliance with the conditions set by the Board of Directors, Group Audit carries out independent risk assessments of and checks on group activities. The results of the audit activities are reported to the Boards of Directors of the relevant companies in the DnB NOR Group, the holding company board, the Audit Committee and group management. Reports from Group Audit are also presented to the Control Committee and the statutory auditor. Group Audit monitors that the necessary measures are initiated and implemented.

CAPITAL MANAGEMENT AND RISK CATEGORIES

CAPITAL MANAGEMENT

Group policy for risk management

DnB NOR's group policy for risk management should serve as a guide for DnB NOR's overall risk management and describes the ambitions for, attitudes to and work on risk in the DnB NOR Group.

According to the group policy for risk management, DnB NOR aims to maintain a low risk profile and will only assume risk which is comprehensible and possible to follow up, and which will not harm its reputation. The Group's corporate culture shall be characterised by transparent methods and processes which promote sound risk management.

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

Assessment of risk profile and capital requirements

Pursuant to the Norwegian Public Limited Liability Companies Act, all companies must at all times have an equity which is sound, based on the extent of the company's activities and the risk they involve. The capital adequacy regulations set a minimum primary capital requirement, encompassing credit risk, market risk and operational risk. In addition, financial institutions are required to complete an Internal Capital Adequacy Assessment Process, ICAAP.

Finanstilsynet (the Financial Supervisory Authority of Norway) has established guidelines for what such a process should include. The capital adequacy assessment process should encompass risks which are not included in the calculation of the minimum requirement. In addition, it should reflect the fact that risk quantification and capital requirements are based on methods and data which entail uncertainty. Capital requirement assessments should be forward-looking and take account of business plans, growth and access to capital markets. The capital base should be adequate to get through a recession characterised by negative results and difficulties in obtaining new capital. The ICAAP is reported to Finanstilsynet. As part of the capital adequacy assessment process, DnB NOR has prepared a capitalisation policy approved by the Board of Directors.

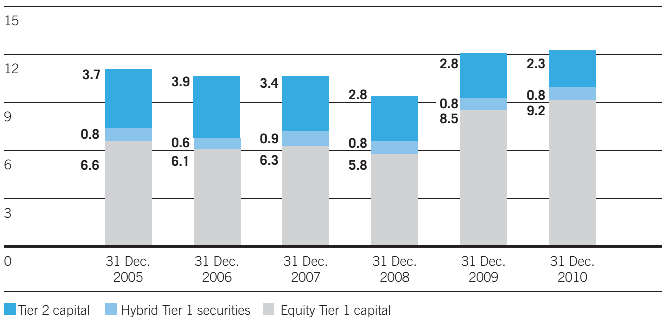
The capitalisation policy is aimed at ensuring that DnB NOR's equity is adequate to secure effective and optimal use of equity relative to the scope and risk profile of operations. The capitalisation policy shall balance the need for a competitive return on equity with the need for stability required by the supervisory authorities, bondholders, market players and other stakeholders, including rating companies.

The capitalisation policy sets out a target of minimum 8 per cent Tier 1 capital upon full implementation of the IRB system, Internal Ratings Based. As risk-weighted volume is affected by cyclical fluctuations, this means that the Tier 1 capital ratio must be well over 8 per cent in good economic times and minimum 8 per cent during an economic downturn. Based on the significant changes which are expected in future regulatory requirements governing the size and composition of financial institutions' primary capital, DnB NOR will review and update its capitalisation policy during 2011.

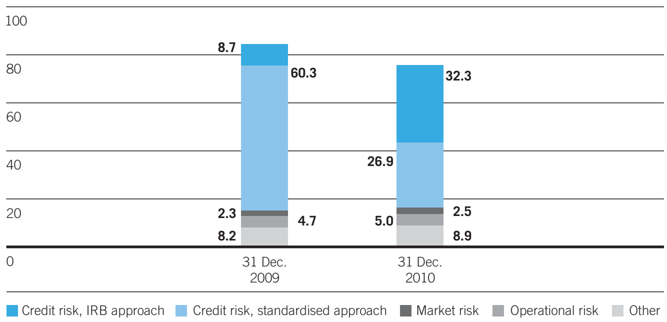
As part of its supervisory process, Finanstilsynet prepares an annual overall risk assessment for the Group, including feedback on the capitalisation of the Group.

Processes have been established in DnB NOR to assess capital requirements relative to the Group's risk profile and the quality of established risk management and control systems. The Group's risk and capital situation is

Capital adequacy
Per cent



Capital adequacy requirement – 8 per cent of risk-weighted volume
NOK billion



Reporting methods for credit risk in capital adequacy calculations

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

1) There is only one IRB approach for retail exposures and securitisation positions.
2) Reported according to the IRB category Other retail exposures.

assessed and summarised in a separate risk report to the Board of Directors of DnB NOR ASA every four months. The Group's capitalisation target is an important element in the budget and strategy process. Risk is quantified by calculating risk-adjusted capital. Capital required will generally exceed the measured risk.

A process for assessing the risk profiles and capital requirements of the parent company DnB NOR ASA and all major subsidiaries is completed each year, based on both risk-adjusted capital and qualitative assessments. Stress tests for credit and market risk are other important references. The Boards of Directors of the subsidiaries make independent assessments of capital levels and future capital requirements based on guidelines in the Group's capitalisation policy. The results are verified with the specialist units in the respective subsidiaries and in DnB NOR ASA. The process and the result thereof are documented in writing in an ICAAP report. DnB NOR's ICAAP report was sent to Finanstilsynet in May 2010.

The Group's CFO is responsible for ensuring that the ICAAP process is completed.

Basel II implementation

The Basel II regulations entered into force on 1 January 2007. The capital adequacy regulations imply greater consistency between the authorities' capital adequacy requirements for financial institutions and the method applied by the institutions themselves in calculating capital requirements. For credit risk, capital requirements can be calculated according to the standardised approach or based on internal models, IRB. The standardised approach is largely based on previous regulations, Basel I, assigning risk weights to claims on various debtors. Use of the IRB approach is subject to approval by Finanstilsynet.

DnB NOR has been granted permission to use the IRB approach for credit risk to calculate capital adequacy for that part of the portfolio for which use of this approach has been approved by Finanstilsynet. The table shows which portfolios this applies to and the Group's implementation plan for new portfolios.

Approximately 68 per cent of DnB NOR's portfolio is reported according to the IRB approach, measured by exposure at default.

Practially all of the Group's mortgages secured by real property and a large part of the corporate portfolio are reported according to the IRB approach. This means that the bank's models for expected default frequency, loss given default and exposure are used for both internal management purposes and capital adequacy calculations.

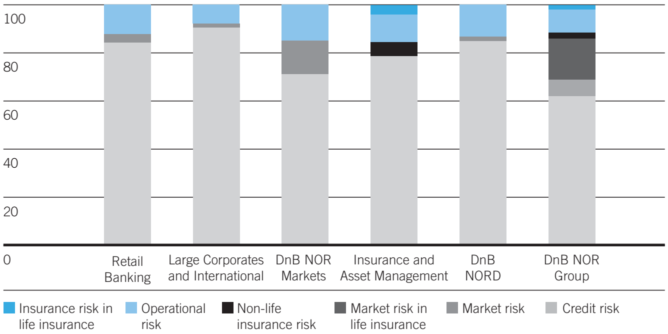
The basic indicator approach, the standardised approach and the advanced approach can all be used to measure operational risk under Basel II. DnB NOR Bank ASA reports according to the standardised approach, while some subsidiaries use the basic indicator approach. A shift to the most advanced reporting standard, Avanced Measurement Approaches, AMA, will be considered at a later date. The use of the most advanced approach is subject to approval by Finanstilsynet.

Market risk can be reported according to the standardised approach or based on internal models, the Internal Model Method, IMM. DnB NOR reports according to the standardised approach.

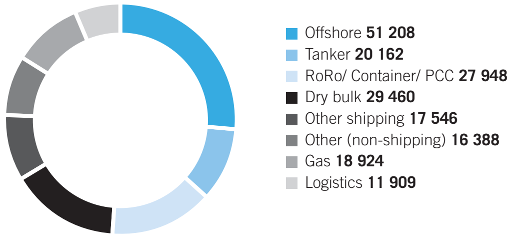
Capital adequacy

Risk-weighted volume included in the calculation of the Group's formal capital adequacy requirement declined by NOK 24 billion in 2010, to NOK 1 028 billion. The risk-weighted volume could not be reduced below 80 per cent of the Basel I requirement in 2010. In December 2009, this rule was extended to apply till year-end 2011. Without the transitional rules, risk-weighted volume would have been NOK 965 billion.

Risk-adjusted capital per business area, 31 December 2010
Per cent



Segments in the Shipping, Offshore and Logistics division [1)]
NOK million



1) Measured in terms of exposure at default.

The Tier I capital ratio was 10.1 per cent as at 31 December 2010, while the capital adequacy ratio was 12.4 per cent.

Calculations have been made of the effect of full future implementation of the Basel II regulations for all of the Group's portfolios, excluding DnB NORD. The calculations showed a potential Tier I capital ratio of 12.3 per cent at end-December 2010 based on such implementation. No similar reduction in capital can be expected, as the framework also takes other factors into account.

Risk-adjusted capital

Calculations of profitability are based on internal calculations of economic capital – risk-adjusted capital. Risk-adjusted capital is a measure of the risk of losses generated by various business operations. Risk-adjusted capital makes it possible to compare risk across risk categories and business areas. Average losses over a normal business cycle represent expected costs which should primarily be covered through correct pricing of the Group's products. Risk-adjusted capital should cover unexpected losses. The quantification of risk-adjusted capital is based on statistical probability calculations for the various risk categories on the basis of historical data. As it is impossible to guard against all potential losses, DnB NOR has stipulated that risk-adjusted capital should cover 99.97 per cent of potential losses within a one-year horizon. This level is in accordance with an Aa level rating target for ordinary long-term debt.

Risk-adjusted capital and average losses over a normal business cycle are elements in calculations of risk-adjusted return, which is a key financial management parameter in the internal management of the DnB NOR Group. The calculations are included in the financial planning for the business areas and are reported each month. Risk-adjusted return is a measurement parameter in the pricing model and is reported monthly in automated management systems. Risk-adjusted capital is also used as decision support for risk management.

The similarities between the framework for risk-adjusted capital and the capital adequacy regulations increase as a greater part of the Group's portfolios are reported according to the IRB approach. The underlying risk drivers for credit, and in part operational risk, are largely the same. Nevertheless, the confidence levels differ, and risk-adjusted capital provides a more conservative calculation.

DnB NOR quantifies risk-adjusted capital for the following risk categories: credit risk, market risk, market risk in life insurance, insurance risk, operational risk and business risk. The risk-adjusted capital for the various risk categories is calculated separately. In addition, risk-adjusted capital is calculated for each business area. A significant diversification or portfolio effect arises when the various risks are considered together, as it is unlikely that all losses will occur at the same time. An economic downturn will normally have a negative effect on most areas, but there will be a diversification effect, as not all areas will be hit equally hard. The diversification effect between risk categories and business areas implies that the Group's risk-adjusted capital will be much lower than if the business areas had been independent companies.

Risk measurement is a field in constant development, and measurement methods and tools are subject to continual improvement. During 2010, insurance risk in life insurance was defined as a separate risk category in calculations of risk-adjusted capital. As part of the IRB introduction process, new models have been implemented for caculating expected default frequency, loss given default and exposure at default.

Estimated risk level

At end-December 2010, net risk-adjusted capital for the Group was estimated at NOK 59 billion, a decline of NOK 3 billion from end-December 2009. Risk-adjusted capital for credit was NOK 45 billion, down NOK 5 billion from a year earlier. The reduction reflects a general improvement in the economy and a lower probability of default in the credit portfolios.

Risk-adjusted capital allocated to the business areas is based on the same framework as for the Group. Risk-adjusted profitability measures risk-adjusted profits relative to allocated capital. This enables comparisons of financial performance across business areas.

Stress testing

Stress testing is an important part of the risk and capital assessment process and a key tool for analysing the Group's risk profile. The stress tests should identify aspects which could have a negative impact on the Group. An important part of stress testing is to investigate how susceptible the Group's IRB system and the reported risk-weighted volume are to cyclical fluctuations.

In the planning process, stess testing is used to identify possible negative consequences of changes in macroeconomic conditions.

RISK CATEGORIES

Risk measurement and monitoring constitute an integral part of DnB NOR's management processes. For risk management purposes, DnB NOR distinguishes between the following risk categories: credit risk, market risk, liquidity risk, market risk in life insurance, insurance risk, operational risk and business risk. See description below.

Credit risk

Credit risk is the risk of losses due to failure on the part of the Group's counterparties or customers to meet their payment obligations towards the DnB NOR Group. Credit risk refers to all claims against counterparties or customers, including credit risk in trading operations, country risk and settlement risk.

The credit portfolio includes loans, liabilities in the form of other extended credits, guarantees, leasing, factoring, interest-bearing securities, approved,

Risk-adjusted capital for the DnB NOR Group

Amounts in NOK billion	31 Dec. 2010	31 Dec. 2009
Credit risk	45.5	50.9
Market risk	4.9	3.7
Market risk in life insurance	12.9	10.3
Insurance risk	1.8	1.6
Operational risk	7.7	7.2
Business risk	4.5	4.1
Gross risk-adjusted capital	77.3	77.6
Diversification effect [1)]	(18.5)	(16.2)
Net risk-adjusted capital	58.8	61.5
Diversification effect in per cent of gross risk-adjusted capital [1)]	23.9	20.8

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

undrawn credits, as well as counterparty risk arising through derivatives and foreign exchange contracts. Settlement risk arises in connection with payment transfers as not all transactions take place in real time.

Credit policy
According to the Group's credit policy, approved by the Boards of Directors of DnB NOR ASA and DnB NOR Bank ASA, the principal objective for credit activity is that the loan portfolio should have a quality and a composition which secure the Group's profitability in the short and long term. The quality of the credit portfolio should be consistent with DnB NOR's low risk profile target.

Developments in credit risk in 2010
Credit growth in the corporate market, both in Norway and internationally, increased somewhat during 2010 compared with 2009. Parallel to this, credit quality improved in terms of both reduced probability of default and a decline in actual loan-loss provisions. Shipping losses remained low in spite of significant deliveries of new vessels in most segments. China and other Asian countries maintained economic growth and ensured satisfactory utilisation of the fleet.

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

The Group is to some extent affected by the continued weak trend in the international economy, especially in the Baltic States. However, write-downs in DnB NORD were reduced in 2010, and the Baltic economies show signs of stabilisation. There was a moderate level of write-downs on the portfolio of loans to Norwegian companies, while there was a very low level of write-downs on loans to personal customers in Norway.

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

The uncertainty relating to DnB NORD will continue, and economic developments in the Baltic States will be vital to the level of write-downs.

Credit risk management
The Group's credit policy regulates credit activity in DnB NOR Bank. The customer's debt servicing capacity will be the key element when considering whether to approve a credit. If the customer has not proven a satisfactory debt servicing capacity, credit should normally not be extended even if the collateral is adequate. The value of collateral should be assessed based on estimated realisation value. The portfolio should be sufficiently flexible and liquid to permit sales, syndication and securitisation of credits and the use of credit derivatives.

Credit operations must comply with business, credit and industry strategies approved by the Board of Directors. According to DnB NOR's corporate social responsibility guidelines, DnB NOR has undertaken not to offer products and services or perform acts representing a material risk of involvement in unethical conduct, infringement of human or labour rights, corruption or harm to the environment.

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

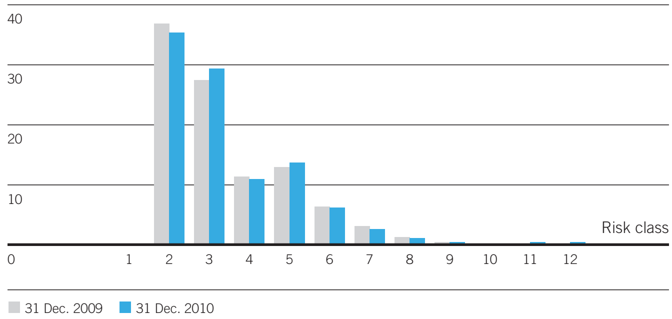
Credit approval authorisations are personal and graded on the basis of customers' risk class. For large credits, there is a two-layered decision-making procedure where credit approval authority rests with the business units while final credit approval requires endorsement by a credit officer who is organisationally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

Commitments showing a negative development are identified and followed up separately.

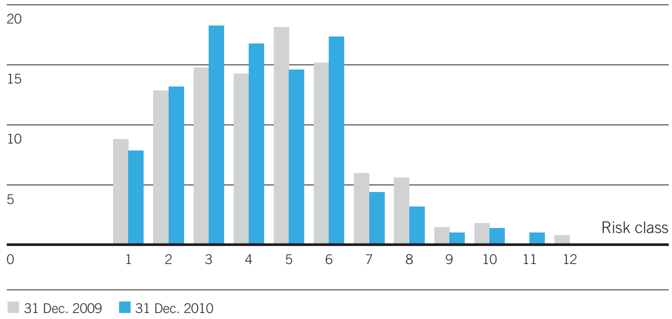
All corporate customers granted credit must be classified according to risk in connection with every significant credit approval and, unless otherwise decided, at least once a year. In the personal banking market, where there is a large number of customers, the majority of credit decisions should be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

The unit responsible for the classification system is organisationally independent of the operative units. The classification models have been developed to cover specific loan portfolios. If a model is considered to place

Retail IRB portfolio according to risk class
Per cent



Corporate IRBA portfolio according to risk class
Per cent



a commitment in a highly misleading risk class, the generated class may be overridden by a unit which is independent of the operative units, based on a recommendation from the business areas. All overrides must be well founded and be made only in exceptional cases based on a thorough assessment. The effect of overrides is tested by an independent unit once a year.

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

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

DnB NORD
At year-end 2010, DnB NOR owned 100 per cent of DnB NORD after the Group acquired NORD/LB's 49 per cent ownership interest in December 2010. DnB NORD has a network of branches in the Baltic region and Poland. A project has been initiated to integrate DnB NORD into the Group in 2011.

Classification models and the IRB system
The DnB NOR Group has extensive experience with classification systems as support for credit decisions and monitoring. Data and analytical tools are an integrated part of risk management.

The Group's credit risk models provide a basis for statistically based calculations of expected losses in a long-term perspective and risk-adjusted capital in a portfolio perspective. The calculations are based on several risk parameters, with the most important being:
- Probability of default, PD, is used to measure quality. Customers are classified based on the probability of default.
- Exposure at default, EAD, is an estimated figure which includes amounts drawn under credit limits or loans as well as a percentage share of committed, undrawn credit lines.
- Loss given default, LGD, indicates how much the Group expects to lose if the customer fails to meet his obligations, taking the collateral provided by the customer and other relevant factors into consideration.

The risk classes are defined on the basis of the scales used by international rating agencies. There are ten risk classes for performing loans. In addition, impaired and non-performing commitments are placed in classes 11 and 12 respectively for reporting purposes.

DnB NOR's models for risk classification of customers are subject to continual improvement and testing. The models are adapted to different industries and segments and are regularly upgraded to ensure that the variables used in the models have high explanatory power at all times based on key risk drivers for the individual parameters included in the models. If an external rating has been given, such rating may be taken into consideration when classifying individual commitments. The classification of institutional and country risk is based on classifications by external rating agencies.

In 2007, DnB NOR was granted permission to use the Group's own classification systems as a basis for capital adequacy reporting for parts of the credit portfolio. This has subsequently been extended to include use of the Group's own models for severity and credit exposure, and an increasing share of the portfolio is included. Use of the Group's own calculations of risk parameters in capital adequacy reporting is part of the IRB system, defined as the models, work processes, decision-making processes, control mechanisms, IT systems and internal guidelines and routines used to classify and quantify credit risk. The IRB system thus affects a major part of the Group's operations, also across business areas and support and staff units. Extensive efforts have been made over a number of years to establish the IRB system. In addition, the bank has long and extensive experience from the use of risk models and systems and maintains sound credit control. The introduction of the IRB system has contributed to better credit risk management through improved follow-up systems.

Validation is a key element in assuring the quality of the IRB system and can be divided into quantitative and qualitative validation. The quantitative validation tests the risk models, whereas the qualitative validation tests the structure of the IRB system and whether it is used as intended. At least once a year, the Board of Directors should be presented with a validation report providing a basis for considering whether the Group's credit risk is adequately classified and quantified. Responsibility for all validation has been assigned to the chief financial officer, while Group Credit Risk Management has responsibility for carrying out the validation process.

Credit risk measurement
Credit risk is monitored by following developments in risk parameters, migration and distribution over the various risk classes. Developments in risk concentrations are monitored closely with respect to exposure, risk classes and allocated risk-adjusted capital. Large customers and customer groups are followed up based on risk class and allocated risk-adjusted capital.

In the corporate segment, all commitments which are considered to require special follow-up during the credit approval process are identified. This ensures management attention and follow-up.

The models' calculations of estimated probability of default should show the average probability of default during a business cycle. This implies that the models overestimate the credit risk during a period of strong economic

DnB NOR's risk classification [1)]

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

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

expansion and underestimate the credit risk during a recession. Consequently, stress testing is also used to assess the effects of a recession on capital requirements. The stress tests should identify possible future changes in economic conditions which could have a negative impact on the Group's credit exposure and ability to withstand such changes. These assessments are taken into account in the Group's risk and capital assessment process to determine the correct level of capital.

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

Market risk

Market risk is the risk of losses or reduced future income due to fluctuations in market prices or exchange rates. The risk arises as a consequence of the bank's unhedged positions and exposure in the foreign exchange, interest rate, commodity and equity markets. The risk level reflects market price volatility and the positions taken.

A distinction is made between trading and banking actitivites. Trading activities include trading and positions in financial instruments, aiming to achieve a profit by capitalising on differences and fluctuations in interest rates and exchange rates, typically in a short-term perspective. Banking activities include the Group's ordinary funding and lending operations, where mismatches in fixed-rate periods for assets and liabilities represent sources of market risk. In addition, DnB NOR also had investments in equity instruments which are included in banking activities. The portfolio of fixed-income securities in DnB NOR Markets, the majority of which are classified as held-to-maturity investments, is defined as credit risk in the internal measurement of risk-adjusted capital.

Market risk in the trading portfolio arises through trading activities in the interest rate, foreign exchange, commodity and equity markets. The risk relates partly to customer business, though there is scope for moderate risk-taking within proprietary trading in foreign exchange and financial instruments. Positions will be generated by trading in balance sheet products such as bonds and commercial paper, as well as financial derivatives such as interest rate swaps, options, forward contracts and future rate agreements. Such instruments are used to hedge positions in the trading portfolio.

Market risk arising in Vital is defined as market risk related to the ownership of the life insurance company. Due to current parameters for life insurance operations, which entail risk sharing between policyholders and the owner of the life insurance company, it is necessary to measure market risk in life insurance separately. Market risk arising in DnB NOR Skadeforsikring is insignificant and is thus included in the insurance risk measurements.

Overall, market risk represents a small share of the Group's total risk.

Developments in market risk during 2010

Risk-adjusted capital for market risk rose from NOK 3.7 billion at the end of 2009 to NOK 4.9 billion at end-December 2010. The increase mainly reflected a revaluation of equity investments.

Interest rate risk was moderate throughout the year, representing a NOK 348 million decline in value in the event of a parallel one percentage point shift in the interest curve in an unfavourable direction in all currencies at year-end 2010. Currency risk and the risk on equity instruments also remained moderate through the year.

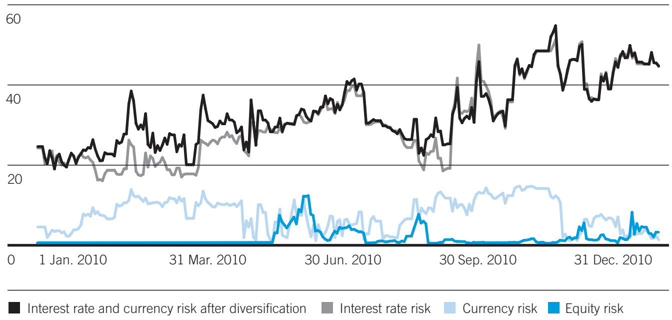
Market risk management

Limits established for the Group's market risk exposure also encompass market risk in Vital and in DnB NOR Skadeforsikring.

Responsibility for all trading activities in the DnB NOR Bank Group rests with DnB NOR Markets. Limits and guidelines for managing market risk on trading activities are reviewed at least once a year and are determined by the Board of Directors of DnB NOR Bank. A unit independent of brokerage operations checks positions in relation to limits and results on a daily basis. Limit utilisation is reported through the Group's risk report.

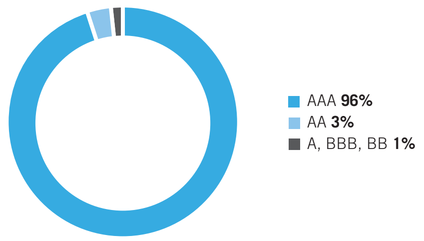
The Treasury function in the DnB NOR Bank Group handles interest rate risk on the banking book. As for trading activities, limits and guidelines for managing market risk are reviewed by the bank's Board of Directors once a year. Principles, methods, limits and follow-ups are based on the same guidelines as trading activities, which includes daily measurement of interest rate risk. Interest rate and currency risk in the banking group is centralised, as all units in the banking group must hedge their positions through the Treasury function. DnB NORD and DnB NOR Monchebank have their

Daily risk exposure (Value-at-Risk) [1)]
NOK million



1) Confidence level 99 per cent. One day holding period.

Bond portfolio according to rating
Per cent



own risk limits. This ensures the quality and transparency of position-taking both locally and in the Group as a whole.

Limits for equity instruments are determined by the Board of Directors of DnB NOR Bank ASA. The limits are reviewed at least once a year.

Primary responsibility for following up, further developing and reporting all types of investments in and purchases of equity instruments, including the monitoring of mutual fund holdings invested in through DnB NOR Asset Management, rests with Group Investments, which is organised under Group Finance and Risk Management. The unit is part of the bank's contingency team handling non-performing commitments as it is also responsible for credit commitments where the bank takes ownership positions. Follow-ups take place on a monthly basis.

Market risk measurement

When measuring market risk, a distinction is made between measurements of risk under normal market conditions and measurements which focus on extreme market conditions.

Several tools have been established to quantify and measure the Group's total market risk exposure under normal conditions. Interest rate risk is measured as the change in value resulting from an interest rate adjustment of one basis point. Limits for foreign exchange, equity and commodity risk represent nominal amounts for individual positions. In addition, Value-at-Risk calculations are used in operational management and control in DnB NOR Markets.

Risk measurement under extreme market conditions includes stress tests and calculations of risk-adjusted capital. Stress tests are also used to follow up non-linear instruments and interest rate risk.

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

Liquidity risk

Liquidity risk is the risk that the Group will be unable to meet its obligations as they fall due, and risk that the Group will be unable to meet its liquidity obligations without a substantial rise in appurtenant costs. In a broader perspective, liquidity risk also includes the risk that the Group will be unable to finance increases in assets as its funding requirements rise.

Risk profile

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

Developments in liquidity risk during 2010

Throughout 2010, the short-term funding markets were sound and stable for banks with good credit ratings, and the access to funding volumes with different maturities was close to normal. However, as the group of international banks which were considered to be well qualified grew during the year, competition for funding increased somewhat.

Financially strong banks generally had good access to long-term funding. At times, however, uncertainty regarding European sovereign debt had pronounced effects on price levels, and the markets were thus still challenging at the end of the year.

In December 2009, the Basel Committee launched proposals for new, global standards for quantitative regulation of liquidity and funding in the banking sector, Basel III. Even though the proposals were moderated somewhat during 2010, they remain conservative and may be challenging to fulfil for a number of banks. The requirements will entail future changes in banks' balance sheet structure, and both DnB NOR and other international banks are in the process of preparing for the changes by securing more long-term funding.

The cost of long-term funding in 2010 was considerably higher than during the period prior to the financial crisis for both DnB NOR and other banks. Though the financial crisis is becoming more of a distant memory, funding costs remain at a relatively high level due to stricter long-term funding requirements for banks, cf. the above-mentioned regulatory proposal. Along with uncertainty regarding sovereign debt in a number of European countries, this may still cause some instability, especially in the long-term funding markets.

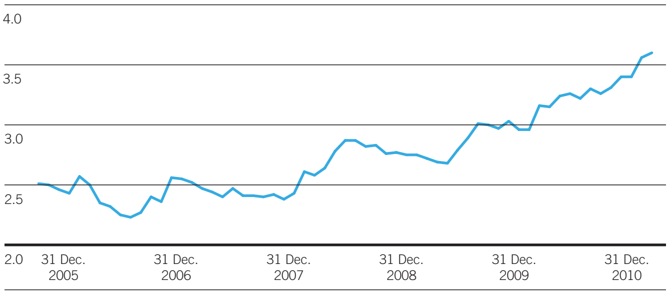
DnB NOR enjoyed a sound liquidity situation at year-end 2010. The average remaining term to maturity for the portfolio of senior bond debt was 3.6 years at end-December 2010, an increase from 3.0 years a year earlier. The Group aims to achieve a sound and stable maturity structure for funding over the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

Liquidity risk management

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

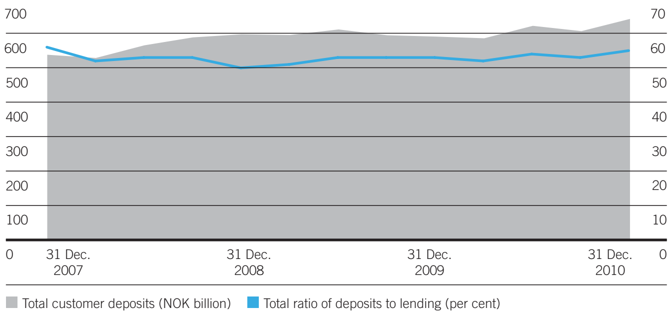
Average term to maturity for the bond portfolio, senior debt

Years



Customer deposits and ratio of deposits to lending

NOK billion Per cent



The bank's liquidity management is organised based on a clear authorisation and reporting structure.

Group Finance and Risk Management has divided the responsibility for determining principles and limits for liquidity management and for arranging long-term funding between the Asset and Liability Management unit and the IR/Long-term Funding unit. The Treasury function is responsible for modifying the Group's total short-term liquidity risk and for ensuring that liquidity requirements are within the short-term limits established by the Board of Directors. The unit also has operative responsibility for long-term bond debt in Norwegian kroner, while the operative responsibility for liquidity management in other currencies lies with DnB NOR Markets. The Asset and Liability Committee, ALCO, is the advisory body for DnB NOR's CFO with respect to principles and methods for liquidity risk measurement.

Overall liquidity management in the DnB NOR Bank Group is based on DnB NOR Bank ASA providing funding for subsidiaries such as Nordlandsbanken and international branches and subsidiaries. Liquidity risk is managed through both short-term limits which restrict the net refinancing requirement within one week and one month, along with a long-term management target which specifies the share of lending to be financed by customer deposits or funding with a residual maturity of minimum 12 months. Liquidity risk limits reduce the bank's dependence on short-term funding from the money and capital markets in Norway and abroad. The limits have been established as funding from such sources is generally more unstable than ordinary deposits.

Liquidity management in DnB NOR implies maintaining a broad deposit and funding base, representing both retail and corporate customers, along with diversified funding of other operations. As an element in this strategy, a number of funding programmes have been established in different markets. DnB NOR has a commercial paper programme of USD 18 billion in the US and a commercial paper programme of EUR 10 billion in Europe. The short-term funding sources are further diversified through a so-called Yankee CD programme, where commercial paper are issued by DnB NOR's New York branch. The bank also has a European Medium Term Note Programme of EUR 45 billion and a USD 8 billion long-term funding programme in the US market.

An important instrument for long-term funding is the issue of covered bonds. The bonds are issued by the bank's subsidiaries DnB NOR Boligkreditt AS and DnB NOR Næringskreditt AS, and are secured by the companies' home mortgage and commercial mortgage portfolios, respectively. During the financial market turmoil, covered bonds proved to be a more robust and considerably lower priced funding instrument than ordinary bonds. Over the next few years, DnB NOR will thus seek to cover a large share of its long-term funding requirement through the issue of covered bonds.

As an element in ongoing liquidity management, DnB NOR Bank needs to have a holding of securities that can be used in various ways to regulate the Group's liquidity requirements and serve as collateral for operations in the main currencies in which the bank is active. The securities are used, among other things, as collateral for short-term loans in a number of central banks and serve as liquidity buffers to fulfil regulatory requirements. The bank has chosen to meet its need for liquid securities by holding international bonds of superior credit quality. At end-December 2010, the international bond portfolio totalled NOK 115 billion, of which 96 per cent were securities with an AAA rating, while 3 per cent had an AA rating. In addition, the bank had a portfolio of Norwegian Treasury bills totalling NOK 112 billion at year-end 2010.

DnB NOR gives priority to maintaining sound business relations with a large number of international investors and banks and to promoting the Group in international capital markets.

Liquidity risk measurement

Liquidity risk is managed and measured using various measurement techniques, as no single technique can quantify this type of risk. The techniques include monitoring refinancing needs, balance sheet key ratios, average residual maturity and future funding requirements. DnB NOR also uses stress testing, simulating the liquidity effect of a downgrading of the bank's international credit rating following one or more negative events. The results of such stress testing are included in the banking group's contingency plan for liquidity management during a financial crisis.

The refinancing requirement limits reflect that the bank should be self-sufficient with regard to liquidity for a minimum period of one month in an acute situation. The limit for structural liquidity risk implies that minimum 90 per cent of lending to the general public should be financed through customer deposits, long-term funding and primary capital.

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

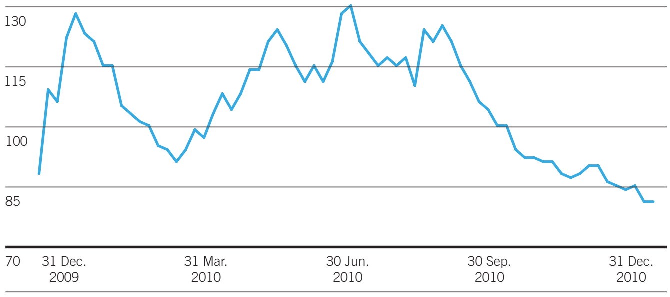
Market risk in life insurance

Market risk in life insurance is the risk that the return on financial assets will not be sufficient to meet the obligations specified in insurance policies.

According to current parameters for life insurance operations in Norway, Vital carries the risk of fulfilling the company's commitments in contracts with policyholders. The return on financial assets must be sufficient to meet the guaranteed annual return to the company's policyholders. If this is not the case, additional allocations will have to be used, representing buffer

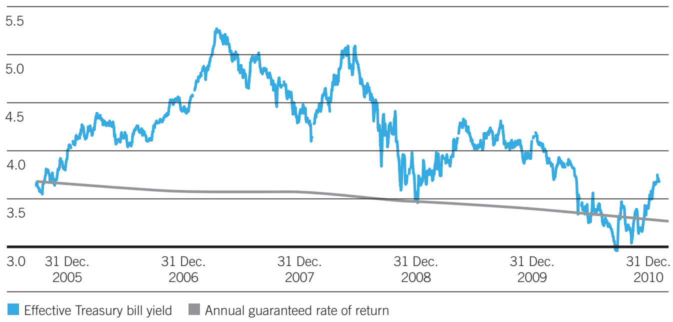
Development in investment risk – measured weekly

NOK million



Development in annual guaranteed rate of return and 10-year Treasury bill yield

Per cent



capital built up from profits in previous years. Alternatively, the shortfall could be charged to equity.

Market risk in life insurance is the chief risk category in Vital.

Developments in market risk in life insurance in 2010

At the end of 2010, the average annual guaranteed return was 3.3 per cent.

The yield on Norwegian 10-year government bonds declined from 4.2 per cent at year-end 2009 to 3.7 per cent at end-December 2010. In consequence, overall long-term financial risk in Vital increased somewhat.

The DnB NOR Group reported risk-adjusted capital for market risk in life insurance of NOK 12.9 billion at the end of 2010 and NOK 10.3 billion at end-December 2009. A significant increase in equity exposure contributed to the rise in risk-adjusted capital.

Management of market risk in life insurance

Risk management in Vital is part of the company's strategy, which has been approved by the Board of Directors. Through regular assessments by the Group's Asset and Liability Committee, ALCO, the risk situation in Vital is reviewed relative to the Group's overall risk profile. Vital's chief executive and Board of Directors are to help ensure that Vital's strategy and risk management are consistent with the DnB NOR Group's risk profile. The Risk Analysis and Control unit is organised independent of the company's financial management and business areas and is responsible for reporting, monitoring and follow-up of the company's total risk. Every four months, the unit prepares a risk report for the company's management and Board of Directors.

Risk reports to Vital's management and Board of Directors include stress tests and sensitivity tests to enable continual monitoring of the company's total risk. The Risk Analysis and Control unit oversees financial market developments on a daily basis and issues weekly reports on the level of risk relative to the risk limit for asset management. Compliance with laws and regulations and internal guidelines is reported monthly.

The asset management strategy aims to reduce earnings fluctuations. In order to comply with the need for minimum diversification, limits have been set for each asset class. The limits also restrict concentration risk relative to individual issuers. Separate limits have been established for derivatives within asset management. All asset management limits are determined each year by the Boards of Directors of DnB NOR ASA and Vital.

Solvency II

Solvency II are new EU regulations which, among other things, will replace the current minimum requirements for capital adequacy and solvency margin. The framework directive was approved in May 2009, and final implementation in national regulations is scheduled to take place by end-October 2012. Supplementary provisions to the framework directive are currently under consultation and are expected to be approved in 2011.

The regulations are based on the same structure as Basel II, with three pillars. This implies that in addition to minimum capital adequacy requirements, Solvency II will also include qualitative requirements regarding operational and risk management, the internal capital adequacy assessment process and more stringent external reporting requirements. The new requirements will be more risk-sensitive and ensure better insight into insurance companies' actual risk profiles.

Vital has participated in the quantitative studies implemented for the European insurance industry. The company has also performed a gap analysis.

The Group has initiated a programme for developing new solutions and implementing Solvency II. The programme aims to ensure that the Group is in compliance with the regulations by 1 January 2013. A good dialogue has been established with government and industry bodies to ensure the best possible adaptation of the Norwegian regulations during the period until they enter into force.

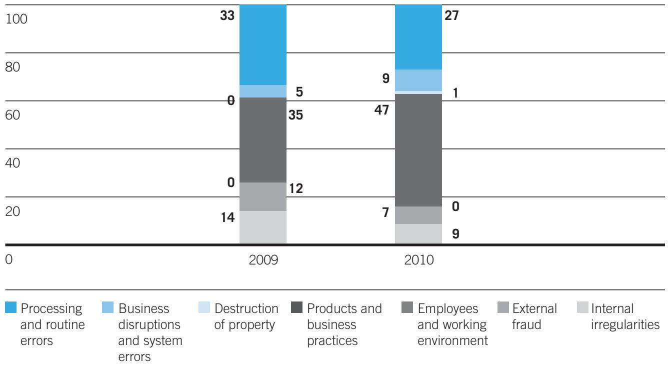
Measurement of market risk in life insurance

Measurement of market risk in Vital includes stress tests and sensitivity analyses. The internally developed stress test calculates the total loss potential for market, insurance, credit, operational and business risk. When determining the overall investment risk tolerance, this loss potential is measured against the company's buffer capital in excess of the regulatory requirement. This method is also used as a basis for measuring and determining the limit for market and credit risk in asset management. Calculations of the loss potential associated with market and credit risk include stress tests for equity, interest rate, property, spread and counterparty risk, respectively.

Sensitivity analyses have been established which estimate the change in value and effects on profits of a 20 per cent fall in equity prices, a 1.5 percentage point rise in interest rates and a 12 per cent reduction in property prices. The sensitivity analyses are carried out separately.

Risk-adjusted capital reflects the ownership risk associated with the DnB NOR Group, as owner of the life insurance company, having to report a net loss from these operations and possibly being required to inject new equity. In the calculations of risk-adjusted capital, developments in the value of the insurance company's financial assets are simulated. In the simulations, a distinction is made between policyholders' funds and company funds, whereby the company's capital is managed separately at the owner's expense and risk. Value developments are simulated on a daily basis for all portfolios, taking account of the level of correlation between the sub-portfolios. The values are tested against limits which indicate when DnB NOR will have to record losses. These

Operational losses according to category
Per cent



limits are affected by the securities adjustment reserve, interim profits, additional allocations and the guaranteed rate of return. The calculations also include the effect of a possible rebalancing of the portfolio, i.e. dynamic adaptation of risk.

Insurance risk

Insurance risk in DnB NOR comprises insurance risk in life insurance and risk in DnB NOR Skadeforsikring.

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

Risk in DnB NOR Skadeforsikring includes insurance, market, credit, operational and business risk. Insurance risk is the risk of losses if insurance premiums fail to cover future claims payments. The non-life insurance company is exposed to market and credit risk in investment operations, and reassurance agreements encompass credit risk. However, based on the current business model for DnB NOR Skadeforsikring, these risk categories are of little significance compared with pure insurance risk.

Developments in insurance risk in 2010

The DnB NOR Group's risk-adjusted capital for insurance risk was NOK 1.8 billion at year-end 2010, compared with NOK 1.6 billion at end-December 2009.

Insurance risk in life insurance primarily relates to the need for provisions for higher future insurance payments due to an increase in average life expectancy. At year-end 2010, risk-adjusted capital was estimated at NOK 1 billion, virtually unchanged from year-end 2009. Risk-adjusted capital in DnB NOR Skadeforsikring was estimated at NOK 0.8 billion.

Due to growth in the insurance portfolio, there was an increase in non-life insurance risk during 2010. The premium portfolio totalled NOK 1.1 billion at year-end 2010. More than 90 per cent of the premium portfolio represents insurance coverage for individual customers. A limited range of products is offered to small and medium-sized companies.

Management of insurance risk

In 2010, Vital worked out a special strategy for insurance risk management, which includes the scope and type of reassurance contracts to be entered into and measures to meet higher life expectancy. The risk results are periodically monitored, and in the longer term, developments will be reflected in prices, products and market strategies.

DnB NOR Skadeforsikring's Board of Directors has established a strategy and principal guidelines for market and insurance risk, including the premises for the company's reinsurance hedging. Through the reassurance programme, the total risk is geared to the capital base. The reassurance programme also contributes to profit equalisation by hedging catastrophe risk. Credit and market risk is managed through the investment plan, which is considered by the company's Asset and Liability Committee and Board of Directors once a year.

Insurance risk in DnB NOR Skadeforsikring is continually monitored by tracking profitability on all products. In addition, the claims reserve is reviewed on a quarterly basis.

Measurement of insurance risk

Risk-adjusted capital for insurance risk in life insurance is measured as the potential need to strengthen insurance provisions due to changes in life expectancy, mortality and disability.

Risk-adjusted capital for non-life insurance risk is measured on the basis of Finanstilsynet's stress test for calculating total risk and is also calibrated against DnB NOR's confidence level.

Operational risk

Operational risk is the risk of losses due to deficiencies or errors in processes and systems, errors made by employees or external events. Operational risk is a consequence of DnB NOR's operations.

Developments in operational risk during 2010

The registration of operational loss events started on 1 January 2005. The Group thus has data on operational loss events dating back five years and experience from just under 2 700 events. Operational losses average approximately NOK 25 million each quarter, though major individual events could have a significant impact on the loss level.

A total of 454 operational loss events were reported during 2010, causing an overall net loss of NOK 182 million. Potential losses relating to the same events represented just under NOK 1.3 billion, which was roughly on a level with previous years.

The majority of events and the largest losses are still in the category "processing and routine errors" relating to the Group's products and services. This underlines the importance of having high-quality processes and well-documented routines which are evaluated and reviewed on a regular basis. As in 2009, there was a continued rise in the number of fraud-related events. However, the effects of most of these events are recorded as credit losses even though operational risk constitutes the underlying cause.

At end-December 2010, risk-adjusted capital for operational risk was estimated at NOK 7.7 billion.

Operational risk management

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

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

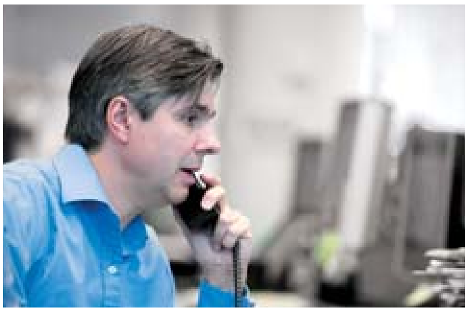
In all business areas, special groups have been established to support management in managing operational risk. Responsibilities include assessing and reporting identified risks and helping to prevent operational losses. To ensure independence relative to business operations, these persons are organised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

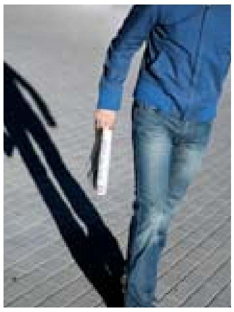
The Group's insurance coverage is an element in operational risk management. Insurance contracts are entered into to limit the financial consequences of undesirable events which occur in spite of established security routines and other risk-mitigating measures. The contracts will typically provide coverage against criminal attacks, damage to the Group's assets, various types of business liabilities, operational disruptions etc. The insurance programme also covers legal liabilities the Group may face related to its operations, i.e. professional liability. The insurance programme is cost-effective and primarily aims to cover serious loss events in line with the Group's insurance policy. The deductible risk is handled through the Group's captive company, DnB NOR Reinsurance SA.

Operational risk measurement

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

The Board of Directors is kept updated on the status of operational risk through the Group's periodic risk report, which provides a basis for analysing the risk situation and for considering the capitalisation of the Group. In addition, the Board of Directors is kept updated on the Group's operational risk in the annual status report on ongoing management and control of operational and business risk. The status report includes a presentation of key group-wide risks, relevant improvement measures and a detailed





qualitative assessment based on the Group's ambitions within key areas for risk management and quality assurance. The conclusion in the report for 2010 was that the Group's operational risk was at a satisfactory level and that operations, management and control were of high quality.

Risk-adjusted capital for operational risk is calculated based on external capital requirements, where income and the type of business operations are the drivers for capital volumes, and is adjusted upward to reflect DnB NOR's risk tolerance.

Business risk

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

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

Negative media coverage may be a consequence of other risk factors, but is handled as business risk in DnB NOR. A damaged reputation can have an adverse impact on all business areas, independent of where in the Group or in the rest of the financial industry the original incident occurred.

Developments in business risk in 2010

Risk-adjusted capital for business risk represented NOK 4.5 billion at year-end 2010, up from NOK 4.1 billion a year earlier.

Business risk management and measurement

As business risk may arise due to various risk factors, a broad range of tools is applied to identify and report such risk.

Sound strategic planning is instrumental in reducing business risk. Reputational risk is managed through policies and business activities, including compliance.

The Group's active commitment to corporate social responsibility and the code of ethics for employees also have a positive impact on business risk.

Reputational risk is followed up by monitoring media coverage, while the competitive situation is followed up by analysing market trends and developments in market shares.

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

THE DnB NOR SHARE

2010 WAS A VERY GOOD YEAR for the DnB NOR share, with a 33 per cent rise in the share price, adjusted for dividends. This was significantly better than the 19 per cent unweighted average increase in the share prices of the Group's Nordic peers. The DnB NOR share has also outperformed its Nordic peers over the past two and three-year periods.

DnB NOR had a market capitalisation of NOK 133 billion at end-December 2010 and was the third largest company listed on Oslo Børs (the Oslo Stock Exchange). The Group's market capitalisation was NOK 102 billion at year-end 2009.

The DnB NOR share is covered by 13 Nordic-based and 14 international brokerage houses. It is in the interests of DnB NOR that high-quality equity analyses are published. Emphasis is thus placed on providing relevant, complete and high-quality information and on ensuring that all analysts, regardless of their assessments of the DnB NOR share, receive equal treatment at all times. A list of analysts following the DnB NOR share can be found on dnbnor.no. Daily contact with investors and analysts is handled by the Investor Relations/Long-term Funding department. A further description of DnB NOR's shareholder policy can be found in the chapter "Corporate governance" in the Annual Report 2010.

RETURNS AND DIVIDEND POLICY

The price of the DnB NOR share increased by 33 per cent during 2010, including dividends, and a dividend of NOK 1.75 per share was paid for 2009. The positive development reflected less uncertainty in the global economy in general combined with a very healthy trend in the Norwegian economy. The Board of Directors has proposed a dividend of NOK 4.00 per share for 2009.

DnB NOR's primary objective is to create value for shareholders through an attractive and competitive return relative to comparable investment alternatives, partly through increases in share price and partly through dividend payments. The Board of Directors has approved a dividend policy for the company which aims to fulfil this objective. DnB NOR intends to distribute approximately 50 per cent of net annual profits as dividends provided that capital adequacy is at a satisfactory level. Dividends will be determined on the basis of expected profit levels in a normalised market situation, prevailing economic parameters and the Group's need for capital.

SHARE TURNOVER

The total trading volume for the DnB NOR share on Oslo Børs was NOK 88 billion in 2010, a 38 per cent increase compared with the previous year. The number of transactions was 800 867, up 18 per cent. The average daily trading volume for the DnB NOR share was 5 million shares in 2010 (table 2), which represented approximately 4 per cent of the total trading volume on Oslo Børs.

Derivative contracts on the DnB NOR share are also traded on Oslo Børs. In 2010, options related to the DnB NOR share were sold on 215 of the 252 trading days for a total value of NOK 37 million. In addition, forward contracts for NOK 307 million, warrants for NOK 10 million and Exchange Traded Notes for NOK 0.4 million were traded.

At the beginning of 2011, the DnB NOR share is weighted on all relevant Oslo Børs indices, with 9.5, 7.9, 11.9 and 8.6 per cent, respectively, on the benchmark, all-share, OBX and mutual fund indices. DnB NOR is also represented on various global indices, but with relatively low weights.

Share price development in 2010

Local currency. 31 Dec. 2009 = 100

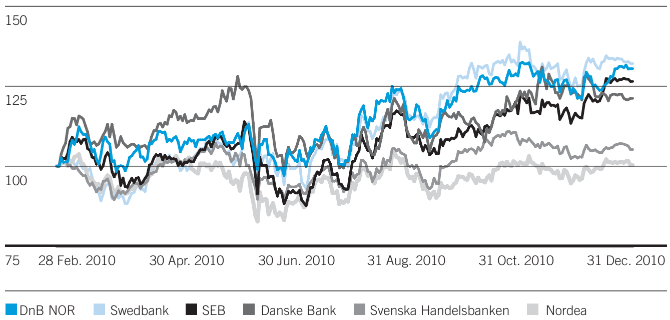


Table 1: Total annual return as at 31 December 2010 [1)]

Total annual return (%)	Last year	Last two years	Last three years
DnB NOR	33.3	80.6	3.7
Nordic average [2)]	19.0	45.9	(5.7)

1) Aggregate return is defined as the closing price at the end of the period minus the closing price at the start of the period, plus dividends paid during the period and divided by the closing price at the start of the period.
2) Unweighted average of Danske Bank, Swedbank, Nordea, SEB and Handelsbanken.

Table 2: The DnB NOR share in 2008, 2009 and 2010

In NOK unless otherwise indicated	2010	2009	2008
Highest closing price [1)]	83.15	69.13	79.77
Lowest cosing price [1)]	60.95	15.86	20.89
Closing price as at 31 December [2)]	81.90	62.75	25.64
Market capitalisation as at 31 December (NOK million)	133 399	102 207	35 982
Tax value as at 1 January the following year	82.10	63.70	27.75
Dividends for the accounting year [3)]	4.00	1.75	0.00
Annual turnover (in 1 000)	1 258 334	1 487 761	1 549 935
Average daily turnover (in 1 000)	4 993	5 923	6 150
Annual turnover (NOK million)	88 391	63 921	91 586
Turnover rate (%)	77	111	116

1) The prices for 2008 and 2009 are adjusted for the share issue implemented in December 2009.
2) The price for 2008 is adjusted for the share issue.
3) Proposed dividend for 2010.

SHARE CAPITAL AND SHAREHOLDER STRUCTURE

At end-December 2010, the share capital of the company was NOK 16 288 million divided into 1 628.8 million shares, each with a nominal value of NOK 10. DnB NOR has approximately 43 000 private and institutional shareholders, of which the largest are the Norwegian government, represented by the Ministry of Trade and Industry, and Sparebankstiftelsen DnB NOR (the DnB NOR Savings Bank Foundation). A further description of the government's ownership can be found in the chapter "Corporate governance" in the Annual Report 2010 under the heading "Equal treatment of shareholders".

The object of the Savings Bank Foundation is to manage its long-term ownership interests in DnB NOR and support the company in its efforts to continue the savings bank tradition. The Foundation donates a portion of annual profits to non-profit causes. The Foundation's governing body is the general meeting, with members elected among the bank's customers and by county councils in eastern Norway. The general meeting has elected a board with six members.

RATING

The creditworthiness of DnB NOR Bank ASA is assessed by the rating agencies Moody's Investors Service, Standard & Poor's and Dominion Bond Rating Service.

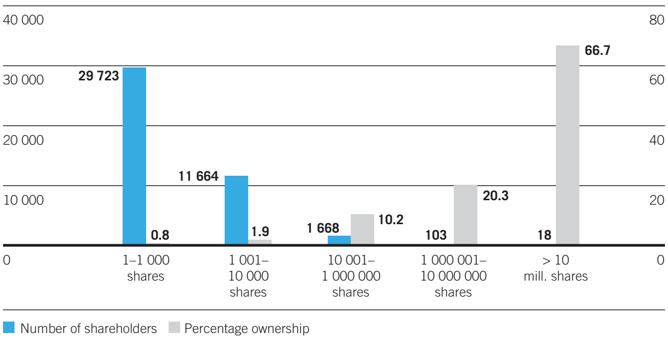
Table 3: Largest shareholders as at 31 December 2010

	Per cent
Norwegian Government/Ministry of Trade and Industry	34.0
DnB NOR Savings Bank Foundation	10.0
Folketrygdfondet (National Insurance Scheme Fund)	4.9
Capital Research/Capital International	2.6
Fidelity Investments	2.0
Blackrock Investments	1.8
People's Bank of China	1.4
Jupiter Asset Management	1.3
Threadneedle Investment funds	1.0
DnB NOR funds	0.9
Standard Life	0.8
Schroder Investment Management	0.7
Nordea funds	0.7
Vanguard	0.6
Deutsche Bank AG/DWS Investments	0.5
Kuwait Investment Authority	0.5
Legal & General	0.5
Bessemer	0.5
State Street Global Advisors	0.5
Storebrand funds	0.5
Other shareholders	34.4
Total	**100.0**

Table 4: Number of shares in 2008, 2009 and 2010

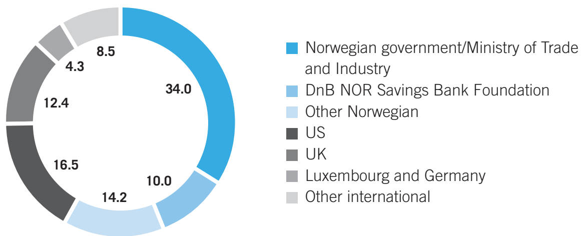
No. of shares	2010	2009	2008
Outstanding as at 1 January	1 628 798 861	1 332 653 615	1 332 653 615
No. of shares cancelled	0	0	0
Share issue (subscription rights)	0	296 145 246	0
Shares for conversion	0	0	0
Outstanding as at 31 December	1 628 798 861	1 628 798 861	1 332 653 615
Holdings of own shares	0	0	0
No. of shares outstanding as at 31 December, incl. own shares	1 628 798 861	1 628 798 861	1 332 653 615
No. of subscription rights outstanding as at 31 December	0	0	0
No. of shares outstanding, fully diluted	1 628 798 861	1 628 798 861	1 332 653 615

Shareholders according to number of shares and percentage ownership as at 31 December 2010



Ownership according to investor category as at 31 December 2010

Per cent



Norwegian investors: 58%
International investors: 42%

Table 5: Credit ratings (DnB NOR Bank ASA's credit ratings in bold type)

Standard & Poor's short-term	Standard & Poor's long-term	Moody's short-term	Moody's long-term	Dominion Bond Rating Service short-term	Dominion Bond Rating Service long-term
A-1+	AAA	**P-1**	Aaa	**R-1 (high)**	AAA
A-1	AA+	P-2	Aa1	R-1 (middle)	AA (high)
A-2	AA	P-3	Aa2	R-1 (low)	**AA**
A-3	AA-	Not prime	**Aa3**	R-2 (high)	AA (low)
B	**A+**		A1	R-2 (middle)	A (high)
C	A		A2	R-2 (low)	A
	A-		A3	R-3	A (low)
	BBB+		Baa1	R-4	BBB (high)

Bonds issued by DnB NOR Boligkreditt have a long-term AAA rating from Standard and Poor's, Moody's and Fitch.

TAXATION OF SHAREHOLDERS ACCORDING TO NORWEGIAN LAW

Limited liability companies and corresponding companies as shareholders

A tax exemption model has been introduced in accordance with Section 2-38 of the Taxation Act, whereby shareholders organised as a company etc. as a rule are exempt from tax on dividends received and capital gains on shares. Corresponding losses on the sale of shares are not tax deductible. The tax exemption model applies to corporate shareholders etc. resident in Norway and to corresponding business entities resident in other countries. The tax exemption on dividends received by foreign corporate shareholders applies only within the EEA and only if the corporate shareholder is genuinely established and carries out genuine economic activity in an EEA country.

Shareholders eligible for the tax exemption model must nevertheless record as income 3 per cent of income on shares comprised by the tax exemption model. As the normal tax rate is 28 per cent, such income will thus be taxed at a rate of 0.84 per cent. This tax liability does not apply to foreign corporate shareholders.

The taxable income will be calculated on the basis of net tax-exempt income according to the tax exemption model. The tax base thus represents tax-exempt income on shares in the form of dividends and gains on the sale of shares, minus non-deductible losses on the sale of shares. When calculating gains and losses, a deduction is made for acquisition and sales costs. A possible negative tax base from one year cannot be carried forward to subsequent fiscal years.

Natural persons as shareholders

The tax exemption model applies to shareholders who are natural persons resident in Norway. This implies that dividends on shares and gains on the sale of shares in excess of a shielded amount (the shielding deduction) are taxed at a rate of 28 per cent, with a corresponding deduction right for losses on the sale of shares.

The shielded amount should correspond to the return on an alternative risk-free investment. The shielding deduction is computed by multiplying the shielding basis by a shielding interest. In principle, the shielding basis represents the amount the shareholder has paid for the share, with the addition of any costs accrued upon acquiring the share. Moreover, any unused shielding deduction carried forward from previous years should be added. For shares acquired prior to 1 January 2006, "RISK" adjustments during the period of ownership should be used to adjust the shielding basis up or down.

A shielding basis should be calculated individually for each share. Thus, if shares in the same share class owned by a shareholder are acquired on different dates and at various prices, the shielding deduction may vary. When selling shares, the FIFO principle applies (First In First Out), whereby the shares that were acquired first, are sold first.

The shielding interest is based on the average three-month yield on Treasury bills after taxes. The Norwegian Directorate of Taxes calculates and announces the yield for each fiscal year in January/February the year after the fiscal year in question.

The shielding deduction is calculated annually and is assigned to each share on 31 December of the fiscal year. Shareholders may require that the shielding deduction be deducted from dividends on the share or gains from the sale of the share. The deduction is calculated individually for each share and can only be deducted from dividends and gains on the same share. Thus, it is not permissible to deduct unutilised shielding deductions relating to one share from gains on another share. Unutilised shielding deductions may be carried forward, and shareholders may require that such deductions be deducted from dividends or gains on the same share in subsequent years. If the sale of the share has resulted in a loss, a claim cannot be made to deduct the unutilised shielding deduction.

The Norwegian Tax Administration's register of Norwegian limited companies and their shares, called the shareholder register, contains the above information about shares in Norwegian companies, including DnB NOR ASA. The register is based on information from the Norwegian Central Securities Depository, DnB NOR ASA and the shareholders themselves. Each year, statements from the register are sent to all Norwegian shareholders to be used in preparing their tax returns.

Foreign shareholders

Gains on the sale of shares are, as a rule, not taxable in Norway when the shareholder is a person or a company resident outside Norway.

As a general rule, dividends received by foreign shareholders are subject to tax in Norway. For shareholders who are natural persons resident outside Norway, withholding tax should always be assessed and deducted at a rate of 25 per cent. However, Norway has entered into tax treaties with a number of countries, whereby the withholding tax rate is often reduced, normally to 15 per cent. Shareholders who are tax resident in other EEA countries are entitled to a shielding deduction. If the withholding tax deducted is higher than the tax payable on dividends after the shielding deduction, the shareholder may reclaim the excess withholding tax. If the shielding deduction exceeds dividends received during the relevant year, the unutilised shielding deduction may be carried forward and be deducted from dividends on the same share in subsequent years. If a shareholder does not claim repayment of excess withholding tax based on the right to a shielding deduction, the part of the shielding deduction that does not exceed the year's dividend payments, is annulled. The same applies in cases where the shielding deduction cannot be used as the withholding tax under the relevant tax treaty is lower than the tax assessed on dividends after deducting the shielding deduction.

As mentioned above, foreign corporate shareholders resident in an EEA country are eligible for the tax exemption model and thus exempted from withholding tax on dividends. The tax exemption is conditional on the foreign limited liability company etc. being the real beneficial owner of the share dividends.

The company distributing the dividends is responsible for making advance tax deductions to cover the income tax on such dividends.

In cases where incorrect or too much withholding tax is deducted upon the distribution of dividends, the foreign shareholder may apply to the Central Office - Foreign Tax Affairs for a refund.

Society and employees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CORPORATE SOCIAL RESPONSIBILITY

DnB NOR WISHES TO PROMOTE SUSTAINABLE DEVELOPMENT and long-term value creation through responsible business operations which focus on environmental, ethical and social aspects.

As Norway's largest bank, DnB NOR plays an important role in society. The Group provides finance, enabling companies and households to realise their plans and ambitions, secure jobs and develop products and services. In addition to providing credit, DnB NOR's role is to contribute towards a common infrastructure for payment transfers and offer payment services, while managing and insuring both financial and non-financial values.

One in two Norwegians has a private customer relationship with DnB NOR. With 200 000 corporate customers, the bank helps secure jobs and promotes value creation in both Norway and internationally. The Group's vision, "Creating value through the art of serving the customer", aims to highlight that contact with customers plays a decisive role in creating financial values and in understanding and safeguarding corporate social responsibility.

TRANSPARENCY

DnB NOR's CSR policy follows Norwegian standards, as well as international guidelines and initiatives, including the OECD's guidelines for multinational companies and the UN Global Compact. DnB NOR emphasises transparency and is committed to maintaining an open dialogue with its stakeholders. All communication to all target groups should be open, honest and unambiguous. The Group's code of ethics for employees and elected representatives is further described in the chapter on employees.

The Group's reporting of CSR topics is based on the Global Reporting Initiative framework. In the spring of 2010, DnB NOR issued a separate report on the Group's CSR practices during the two preceding years, including targets and measures for 2010 and 2011. The report was reviewed by an external auditor. Moreover, the Farmand jury named the annual report for 2009 best in class for listed companies in Norway.

In 2010, DnB NOR qualified for inclusion, for the second year in a row, in the prestigious Dow Jones Sustainability World Index (DJSI World). This means that the Group is considered to be among the top ten per cent in its industry in the world in terms of contributing towards sustainability. DnB NOR is also included in the FTSE4Good Sustainability Index.

CLIMATE AND THE ENVIRONMENT

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

In 2010, DnB NOR became part of the Global Compact "Caring for Climate" initiative. By endorsing the Caring for Climate statement, DnB NOR commits itself to developing practical solutions to meet the climate challenge, influencing the authorities to draw up environmentally-friendly legislation and framework conditions, and contributing to shaping public attitudes on climate change. In 2010, DnB NOR participated again in the Carbon Disclosure Project, a climate reporting project, both by being among the 534 investors who are the formal signatories of the survey, and by answering the survey on behalf of its own operations. The Carbon Disclosure Project collects and publishes information about the emission of greenhouse gases from businesses and about the strategies and measures implemented by companies to reduce their emissions and manage the effects of climate change.

DnB NOR is building new headquarters in Bjørvika in Oslo for some 4 000 employees. In 2010, an environmental plan was approved for the building complex. The environmental targets for the new headquarters are ambitious and include reducing energy consumption and greenhouse gas emissions per employee by more than 50 per cent. In addition, it is planned that supplied energy in the new building will not exceed 120 kwh/m^2 and that actual energy consumption will be less than 140 kwh/m^2. The energy sources will be chiefly renewable, including thermal energy from seawater. Waste per employee is to be reduced by 30 per cent and paper consumption is to be halved. With respect to transportation targets, the aim is that new technology, new procedures and proximity to collective means of transport in Bjørvika will reduce employee commuting by own car by 50 per cent, the number of taxi journeys by 50 per cent and business flight travel by 10 per cent.

Environmental criteria have also been set for all procurement to the new headquarters, entailing that priority will be given to not buying more than is necessary, since all purchases have an environmental impact. A life cycle perspective should underlie all product purchase decisions, and environmentally-labelled products and suppliers will be preferred. Employees will also be centralised in new buildings in Trondheim and Bergen, and the intention is to apply the same ambitious environmental targets.

At the end of 2010, 29 of the buildings which DnB NOR uses for its own operations in Norway were environmentally-certified. A total of 59 per cent of all employees work in these buildings. One environmentally-certified building was vacated during the year. The environmentally-certified buildings have plans and environmental targets for energy, transportation, waste, procurement, aesthetics and for the physical working environment. No new buildings were certified in 2010, but several buildings were re-certified, including the main headquarters at Aker Brygge in Oslo. Continual efforts are being made to reduce the Group's energy and material consumption.

Internal environmental efficiency [1]

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

1) All figures apply to the Group's operations in Norway.
2) The increase in energy consumption was primarily due to a colder autumn/winter in 2010.
3) One eco-lighthouse certified building was sold in 2010.
4) The increase in air travel was mainly due to greater activity compared with 2009.

During 2010, applications for private loans were digitalised, which resulted in a significant reduction in paper consumption. It is also a deliberate choice that the Group no longer distributes a paper version of the annual report to all its 43 000 shareholders after this was permitted according to the Public Limited Companies Act. The number of annual reports printed was reduced by approximately 90 per cent compared with previous years.

Due to the nature of its operations, DnB NOR's direct effect on total greenhouse gas emissions and environmental harm is marginal. However, by influencing its customers, investment objects and suppliers by making demands, creating good incentives and entering into cooperation, the Group seeks to significantly increase the impact of its work in this area.

The Group continued to offer loans with discounted interest rates for low emission cars. Leasing customers can also make car fleets carbon neutral through the purchase of UN-approved CO2 quotas. In total, 1 564 tons of CO_2 were neutralised through this scheme in 2010.

'Fox and Pia' is the name of DnB NOR's savings club for children between 0 and 13 years. As a further development of the club, a collaboration agreement has been entered into with the World Wildlife Fund, WWF, to increase children's knowledge of endangered species. A game on the Fox and Pia website will trigger contributions from DnB NOR to WWF.

Real estate brokerage and property management are a significant part of the Group's operations. In 2010, Vital Eiendom, which is Norway's largest property manager, was one of the companies behind the establishment of the Nordic Green Building Council. The organisation promotes high environmental standards in Norwegian buildings by applying the BREEAM [1] classification system. As from 2010, the aim is that rebuilding and rehabilitation projects managed by Vital Eiendom must qualify, as a minimum, for the second best classification 'Very Good', and all new investments must meet the classification requirements for 'Excellent', which is the highest level in the classification system.

CUSTOMERS AND SUPPLIERS

DnB NOR neither wishes to contribute to the infringement of human and employee rights, nor to be involved in corruption, serious environmental damage or other acts which could be perceived to be unethical.

DnB NOR has developed a diligence matrix to be used by account officers in lending activities to highlight and evaluate relevant social, environmental and ethical aspects. By registering information about, for example, customers' ownership structure, counterparties, areas of operation and geographic affiliation, account officers are given information about relevant risk factors. The matrix is currently being reviewed to ensure that it includes all relevant factors and provides the best possible basis for risk classification. For large loan commitments, it must also be registered whether social and environmental factors have been evaluated.

The Group has adopted the Equator Principles, a voluntary set of guidelines for managing environmental and social issues in project finance. For 2010, DnB NOR reported two projects where the Equator principles were applied.

Projects subject to the Equator Principles in 2010

Equator Principle category	Number of projects evaluated according to the Equator Principles	Number of projects which have received funding
A		
B	2	2
C		
Total	2	2

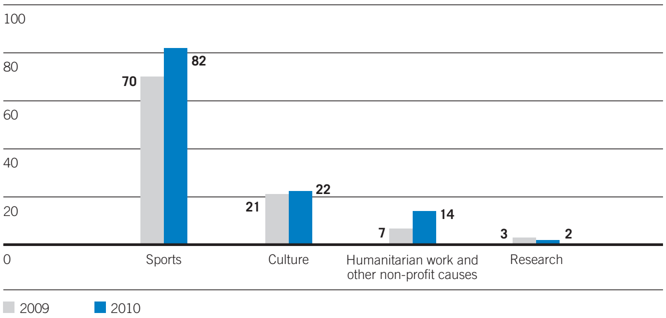
DnB NOR does not wish to invest in companies involved in the production of tobacco and/or pornography, anti-personnel mines and cluster weapons, or in companies which develop and produce central components for use in weapons of mass destruction as a key part of their operations. Weapons of mass destruction are defined as ABC weapons (atomic, biological and chemical). In addition, the Group exercises active ownership by engaging in dialogue with companies which are considered to have an unacceptable risk of contributing to the infringement of human rights, abuse of individuals in war and conflicts, violation of labour rights, serious environmental damage or corruption. In 2010, it was specified that the guidelines also apply to external managers and mutual funds.

The most extreme consequence is that companies can be excluded from the investment universe. At the end of 2010, 57 companies were excluded from the portfolios and the Group was engaged in active dialogue with several companies. An overview of the number of companies excluded from the investment portfolios and the criteria upon which the exclusions are based can be viewed on dnbnor.no.

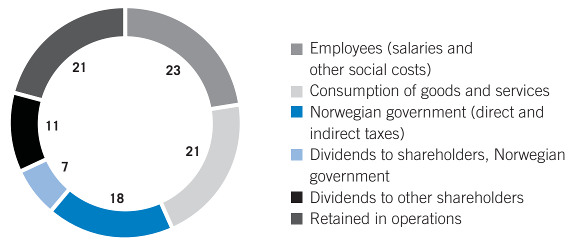
DnB NOR requests that its suppliers sign a declaration form stating that

1) BREEAM: Building, Research, Establishment – Environment Assessment Method

Financial support and sponsorship agreements
NOK million



Distribution of value creation [1)]
Per cent



1) The Group's value creation in 2010 according to stakeholder category.
Value creation is defined as the difference between income generated by operations and the consumption of external goods and services.

they do not contribute to human or labour rights violations, environmental harm or corruption.

Understanding customer needs and interests is a prerequisite for reaching the Group's ambitious targets. Customer satisfaction surveys and reputation surveys are therefore conducted each quarter. There was stable progress throughout 2010, and in the third quarter, DnB NOR achieved its best corporate reputation score ever and overtook its closest competitor. Corporate social responsibility and ethics are two of the seven areas surveyed.

Customer satisfaction shows a positive trend, but continues to be at a lower level than the average score for the financial industry. In 2010, DnB NOR established several new channels of communication in social media, such as Facebook and Twitter. The intention is to increase the Group's dialogue with customers and other stakeholders, increase accessibility to its customer service, participate in discussions concerning DnB NOR and invite customers to participate in product development. At the end of 2010, DnB NOR had more than 14 000 Facebook followers.

The group chief executive and his management team are assessed based on a number of factors including reputation and customer satisfaction. This entails that corporate social responsibility is also indirectly measured and forms part of the basis of group management's remuneration.

EMPLOYEES

DnB NOR is committed to having a working environment characterised by diversity, respect and consideration. In 2010, a process was initiated to determine targets and measures to increase employment and integration of persons with functional disabilities. A process has also been started to develop a new employee policy, which will cover areas such as equality and diversity.

DnB NOR wishes to give each employee development opportunities adapted to individual needs. Varied training is offered by the Group. Costs related to internal courses and training activities, external course fees and travel expenses in connection with courses and training amounted to NOK 139.1 million for 2010. This corresponds to NOK 10 410 per employee.

The Group has extensive security routines and training measures to prevent injuries caused by robberies and threats. Training activities and HS&E and equality initiatives are described in the chapter on the Group's employees.

CONTRIBUTION TO SOCIETY

DnB NOR makes important contributions to society through its expertise, resources and innovative ability. For example, the Group imparts its knowledge in the fields of personal finances and macroeconomics in customer meetings, through its own publications and in the press, in addition to a wide variety of lecturing and education activities.

DnB NOR supports sporting, cultural and charitable organisations and other non-profit causes with considerable amounts, cf. graph. In 2010, the Group decided to increase the share of financial support allocated to humanitarian organisations to 15 per cent as from 2011. As a consequence of this decision, a three-year collaboration agreement was entered into with the Norwegian Red Cross to strengthen its social work across Norway. The agreement entails annual financial support of NOK 4 million.

Microfinance is an effective tool to help resourceful people out of poverty. Since 2008, DnB NOR has been involved in the Norwegian Microfinance Initiative and has supported microfinance projects in Rwanda through CARE since 2006. In 2010, a three-year agreement was entered into with CARE in Norway to develop new micro-credit institutions in Rwanda. DnB NOR will annually contribute NOK 1 million to be used for training, equipment and project support. In return, CARE will share its knowledge about microfinance both with DnB NOR's own organisation and the general public.

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

In addition, DnB NOR makes a substantial contribution to society in the form of direct and indirect taxes and employers' national insurance contributions. The Norwegian government also receives, as the Group's largest shareholder, sizeable dividend payments from its ownership interest.

UNEP Finance Initiative
Innovative financing for sustainability

PRI
An investor initiative in partnership with
UNEP FI and the UN Global Compact

THE GLOBAL COMPACT
WE SUPPORT

TARGETS AND MEASURES 2010–2014

The table shows targets and measures related to corporate social responsibility for the period 2010–2014 and the status at the end of 2010.

● = Implemented ○ = In progress

Area	Target	Deadline	Status
Policy and systems	Reward ethical/socially responsible conduct	2010	●
	Have an overview of the risks and opportunities arising from climate change	2013	○
	Ensure equal labour rights throughout the Group	2011	○
Transparency and ethics	Improve DnB NOR's RepTrak corporate reputation score from 56 to 65	2011	●
	Be open about DnB NOR's exercise of ownership rights	2010	○
Customers and suppliers	Make CSR a more integral part of credit assessments of corporate customers	2010	○
	Ensure socially responsible purchases in connection with DnB NOR's new headquarters	2012	○
Contribution to society	Increase share of financial support to non-profit causes and research to 15 per cent of the total sponsorship budget	2011	○
Climate and the environment	Reduce emissions of greenhouse gases per employee by 20 per cent [1)]	2014	○
	Reduce energy consumption per employee by 20 per cent	2013	○
	Reduce surplus waste [2)] per employee by 20 per cent	2013	○
	Increase the share of employees in Norway and Sweden who work in eco-lighthouse certified buildings to 60 per cent	2011	○
	Reduce paper consumption per employee by 20 per cent	2013	○
Employees	Ensure female representation in executive positions above 30 per cent [3)]	2011	○
	Reduce sickness absence to below 5 per cent	2010	●
	Increase diversity	2011	○
	Achieve a score of minimum 75 for the statement: "I consider DnB NOR to be an attractive workplace" in the employee survey, and be among the three most attractive companies for business students [4)]	2010	●

1) New headquarters will contribute to reducing DnB NOR's energy consumption and CO_2 emissions by 50-60 per cent in Oslo and by 20 per cent for the Group as a whole.
2) Waste which is not composted, reused or recycled.
3) Levels 1-4.
4) Universum's annual survey of Norwegian companies' attractiveness among business students.

Supplementary information about DnB NOR's exercise of corporate social responsibility, policy documents and the Group's carbon audit can be viewed on dnbnor.no and in the corporate social responsibility report which was published in 2010.

EMPLOYEES

DnB NOR'S EMPLOYEES are the Group's most important resource in developing and maintaining good customer relationships and creating values together with customers. The Group's employees are competent and motivated, and DnB NOR is perceived to be an attractive workplace offering tailored development opportunities.

VALUES

In 2010, the Group launched a new vision, "Creating value through the art of serving the customer", and a set of joint values: helpful, professional and show initiative. Several mandatory training tools were used to explain and highlight the significance of these values to both managers and other employees.

New leadership principles were approved in 2010. The principles emphasise that managers must be evaluated, recruited and followed up based on how they create results, develop individuals and teams, set direction and drive change. During 2010, the leadership principles were a central part of the Group's management development programmes.

In 2010, the group chief executive started to write a blog addressed to all employees on DnB NOR's intranet. Through the blog, the group chief executive wishes to share his experiences and reflections about his working day, business trips and customer meetings etc. The blog is a valuable contribution in affirming the Group's vision and values, facilitating dialogue across geographical and organisational units. It has been well received by the employees and promotes debate and involvement.

ETHICS

The importance of high ethical standards and compliance with the Group's principles for corporate social responsibility is emphasised in all parts of the organisation. Training in ethics is therefore obligatory for the whole Group.

In 2010, a process to revise and update the Group's code of ethics was started to ensure that these rules are adjusted to reflect increasing internationalisation and new external parameters.

The Group's ethics programme and dilemma training continued in 2010. In addition, the programme was launched in English and implemented at DnB NOR's offices outside Norway. The purpose of the programme is to increase employee awareness of the ethical dilemmas which may be encountered in contact with customers and in connection with internal processes. A new e-learning course on money laundering was developed in 2010. The course is compulsory for all employees in the Group and is part of the authorisation scheme for financial advisers.

RECRUITMENT

DnB NOR is one of the most popular employers in Norway both overall and within the financial industry. Vacant positions at all levels attract highly-qualified applicants. In 2010, DnB NOR retained its second place in Universum's business student survey, which ranks Norway's most attractive workplaces. Such a ranking is an important success factor for attracting the best candidates to the Group.

In 2010, the DnB NOR Group recruited 649 employees, compared with 259 in 2009, of whom 275 were women and 374 men. The average age was 32 years. 560 new employees were employed in Norway in 2010, of whom 243 were women and 317 men.

The business area Retail Banking recruited 355 new employees in 2010 and was the business area which recruited the highest number of employees during the year. Recruitment was particularly strong in the Telephone and Online banking division, with 94 new employees. The large increase was partly due to the fact that the Group introduced 24-hour telephone customer service. In addition, Retail Banking recruited employees to the branch offices, particularly in Bergen, Stavanger, Trondheim and Oslo. This was part of the Group's initiative to increase its market share in the largest cities in Norway, which was launched towards the end of 2010. Recruitment related to this initiative supports the Group's vision: "Creating value through the art of serving the customer".

DnB NOR Markets recruited 57 new employees in 2010, mainly due to extended activity outside Norway. DnB NOR Markets recruited four newly-qualified employees to a training programme for young brokers within fixed income, currencies and commodities. The training programme has been a success over several years and further recruitment is planned in 2011.

The business area Large Corporates and International recruited 18 new employees in Norway and 74 new employees at the international offices in 2010. The increase in the number of employees was due to the Group's initiatives within the energy sector and stricter international compliance requirements.

In Vital Forsikring, 58 new employees were appointed in 2010. Most of the appointments represented temporary staff who were offered permanent positions to retain expertise within the company.

The newly-appointed employees generally had college or university education. There was limited recruitment in the Group's other units in 2010.

At the end of 2010, there were 13 365 employees in the Group, of whom 8 974 were based in Norway. The gender distribution in the Group remains unchanged.

DEVELOPING MANAGERS AND EMPLOYEES

In 2010, the Group's competence development measures were evaluated and changed to meet requirements related to higher innovation speed, internationalisation, digitalisation and regulatory change. A new model for

leadership development was implemented in 2010. The model consists of three specially-adapted programmes for top executives, middle managers and first-line managers. The new programmes are practical, innovative, educational and offer tools that can be used in daily work tasks.

The programme "Effective and well-functioning management groups" aims to ensure more targeted interaction and better dialogue in management groups. In 2010, 71 management groups completed module one, while 31 management groups completed module two.

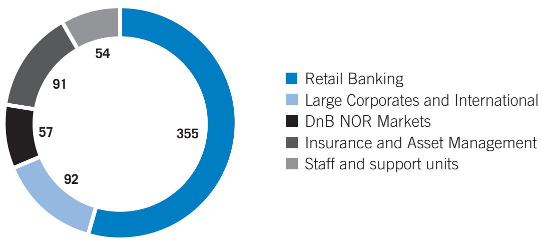
A separate programme which aims to promote good communication techniques between employees and extend networks across the DnB NOR organisation was completed by 65 managers and other employees in 2010.

The Group's talent programme for particularly competent employees within leadership, various specialist disciplines and project work was evaluated and further developed in 2010.

The group trainee programme is an initiative to promote DnB NOR as an attractive employer for new employees. The two-year programme gives trainees valuable insight into the Group's business areas and staff units. In 2010, the Group appointed seven trainees.

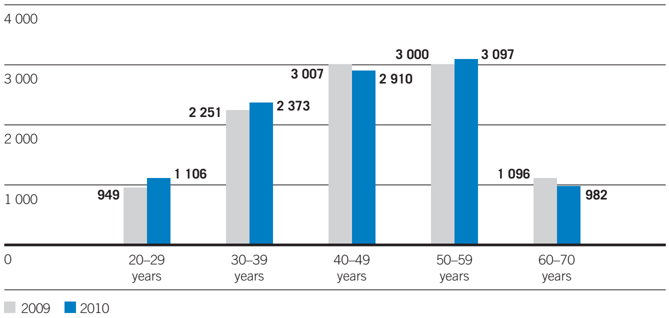
A new introduction programme for new employees was developed and implemented in 2010. The aim is to ensure that new employees in DnB NOR gain a comprehensive and standardised introduction to the Group. Topics such as the Group's history, vision and values, code of ethics and corporate social responsibility and the significance of a good corporate reputation are covered in the programme. The Group arranged five seminars for 298 new employees in 2010, two of which were held in English.

Recruitment in 2010 1)



1) Number of new employees in the DnB NOR Group excluding DnB NORD and Monchebank.

Number of employees according to age 1)



1) DnB NOR Group excluding DnB NORD and Monchebank.

The national authorisation scheme for financial advisers which was introduced in 2009 entails a considerable increase in competence levels in the financial sector. The purpose of the scheme is to strengthen the sector's reputation and ensure that each individual adviser satisfies the competence requirements which are made by the sector. The advisers must pass a theoretical test and a practical test which include analysing ethical dilemmas and good advisory practices. In DnB NOR, the scheme comprises 1 200 advisers and managers. The theoretical test was passed by 916 managers and other employees in 2010, and a total of 561 managers and other employees have become authorised advisers.

In 2010, DnB NOR joined the insurance industry's authorisation scheme for sellers and advisers who offer non-life insurance solutions. 1 600 sellers and advisers and 250 managers are comprised by the scheme. The authorisation scheme consists of an exam testing knowledge about insurance legislation, rules, products and routines. In addition, a practical test must be completed which mainly focuses on customer communication, how to identify customer needs and good advisory practices. In 2010, 1 115 employees passed the professional exam. A process has now been started to enable relevant DnB NOR employees to take the practical test.

To improve interaction in the Group, in 2010, new IT tools, rules and training modules were introduced to better facilitate knowledge sharing, improve resource utilisation and ensure more flexibility in the employees' daily work.

EMPLOYEE SATISFACTION

The employee survey which was carried out in February 2011 showed that the process of defining a strategic direction and establishing a clear and unambiguous vision for the Group has had the desired effect. The main employee satisfaction index rose as high as 76.6 points in 2011, compared with 74 points in 2010.

The survey showed that the employees are inspired and encouraged by the Group's good results and that group management is perceived to be trustworthy. The Group is considered to be an attractive employer with good opportunities for professional and personal development.

The survey also showed that the employees consider the Group to have high ethical standards. The employees know what is expected of them at work and are committed to being good ambassadors for DnB NOR.

The survey's results will be followed up with improvement measures and targeted processes in each unit in the Group.

REMUNERATION

The Group's remuneration schemes are based on new regulations and new guidelines governing the remuneration schemes of financial institutions. The purpose of the remuneration policy is to support the Group's prevailing strategy and core values, and help the Group reach its targets. The policy should also encourage conduct which promotes the desired corporate culture, i.e. with respect to performance and profit orientation, teamwork, mobility and corporate image.

A common scorecard system has been developed based on the Group's primary targets. The scorecards form the basis for variable remuneration, which should be given based on an overall evaluation of the Group's financial performance, the relevant unit's results and the individual manager's contribution to value creation. The scheme should be performance-based without exposing the Group to unwanted risk, nor should it pose a threat to DnB NOR's corporate reputation.

In connection with the closing of the accounts for 2010, it was decided to make a bonus payment of NOK 20 000 to each employee.

The average fixed salary for women and men in the Group's operations in Norway in 2010 was NOK 454 300 and NOK 582 800, respectively.

INTERNATIONALISATION

DnB NOR's acquisition of the remaining shares in DnB NORD entailed that the Group, at the end of 2010, gained 3 200 new employees from DnB NORD's offices in Estonia, Latvia, Lithuania, Poland and Denmark. The integration of DnB NORD employees contributes to greater diversity and a further internationalisation of the Group. DnB NOR's vision and values, leadership principles and code of ethics play a central role in the integration process.

The acquisition of DnB NORD means that one in four employees in DnB NOR works outside Norway. This entails a greater need for training in multi-cultural communication, foreign languages and cultural understanding. In 2010, several of the Group's competence measures, particularly for managers, were conducted in English.

DnB NOR's activities outside Norway have resulted in a further increase in international assignments for staff and managers in the Group, the majority of these being of short duration.

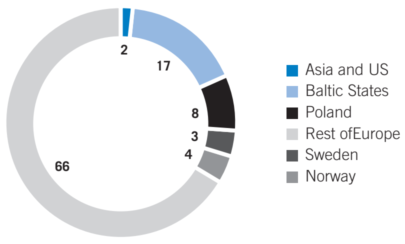
Some 50 employees worked under long-term contracts outside Norway in 2010. This figure has remained stable over the past few years. Different tax conditions in the various countries have entailed a greater need for administrative assistance to those on international assignments.

MOBILITY AND RESTRUCTURING

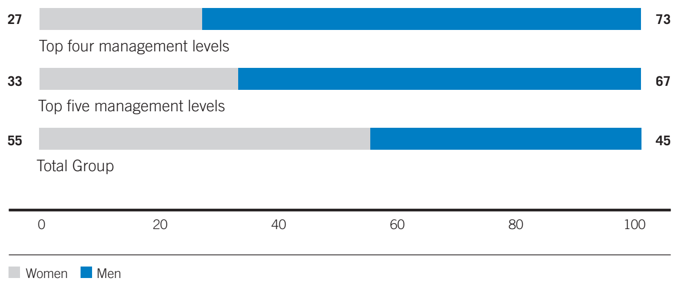
The Group wishes to encourage greater internal mobility and to facilitate job transition. During 2010, 127 employees changed jobs between legal units in the Group.

The Job Transition Management unit established in 2009 continued its work in 2010 to assist managers and other employees in extensive restructuring processes. In addition, a collaboration project was established with the Norwegian Red Cross, the Norwegian Church City Mission and the Norwegian Heart and Lung Patient Organisation. The purpose of the project is to help employees on long-term sick leave or affected by extensive restructuring processes to return to work within or outside the Group as quickly as possible. The results achieved have shown that this cooperation has been very positive both for the organisations involved and for DnB NOR.

Number of employees according to country
Per cent



Gender distribution
Per cent



In 2010, demand increased for the unit's expertise within career advice and coaching. The unit assists employees who have been made redundant or who are on long-term sick leave, as well as employees who require help to increase their self-awareness of their career situation. Employees follow a tailored programme where a clear competence profile is drawn up. Thereafter, they receive advice and guidance on their further career progression. Some of these employees accept new challenges internally or externally, whereas others return to their former job in the Group. In 2010, 185 employees received assistance from the advisory unit, of whom 47 assumed a new position in the Group, 11 took up a new appointment outside the Group, 110 returned to their previous job and 17 were granted a redundancy package or retired. Since 2003, more than 1 700 employees have received career guidance from the unit.

EQUALITY

DnB NOR is committed to giving men and women the same opportunities for professional and personal development, salary and career progression. The Group has flexible schemes which facilitate the combination of career and family life. One of the targets set by the Board of Directors is that at least 30 per cent of the positions at the top four management levels in the Group should be filled by women.

The proportion of women in the group management team was 40 per cent in 2010, unchanged from 2009. At the top four and five management levels, female representation also remained virtually unchanged at 27 and 33 per cent in 2010.

HEALTH, SAFETY AND ENVIRONMENT

In 2010, a total of 58 managers and safety representatives completed the Group's internal programme on statutory working environment training. The programme is tailored to the needs of managers with personnel responsibility, safety representatives and members of the working environment committees. The aim of the training is to provide the necessary insight and knowledge to comply with the Working Environment Act and DnB NOR's HS&E requirements.

I 2010, DnB NOR's emergency response agreement with the Norwegian Church Abroad was renewed. The agreement gives access to a global network of resources within crisis management in the event of an accident or crisis affecting the Group's employees and their families outside Norway, or employees on business travel. In connection with the earthquake in Chile, the Norwegian Church Abroad was contacted, and professional assistance was provided to contact the Group's employees in Santiago, who were not harmed during the earthquake.

In 2010, an extensive exercise was conducted for employees who have been assigned to the Group's Next-of-Kin Centre, which will take care of relatives and colleagues in the event of acute crises. The Next-of-Kin Centre is operated by DnB NOR in cooperation with the Norwegian Church Abroad.

DnB NOR's joint consultation and working environment committee structure was changed in 2010 and adjusted to meet changes in the Group's organisation. The changes entailed that a working environment committee was established in each business area and subsidiary. In addition, geographically-organised HS&E meetings were established to help promote group-wide systematic HS&E initiatives.

DnB NOR has separate guidelines addressing harassment, bullying and other improper conduct in the Group. The guidelines ensure that any reported event is assessed swiftly, predictably and consistently. Anti-harassment and bullying measures are followed up with specific questions in the annual employee survey.

In 2010, systematic initiatives were implemented to reach the targets in the inclusive workplace agreement to reduce sickness absence levels, improve working conditions for employees with special needs and increase the retirement age in the Group.

The lifestyle project 'Frisk flyt' (Fresh Flow) was established in 2010 as a preventive measure for a group of employees in Retail Banking to promote health and well-being and thus reduce sickness absence. The project focuses on involving managers and other employees and motivates individuals to be more health-conscious.

Another preventive working environment measure implemented in 2010 was exercise during working hours for employees at risk of repetitive strain injuries, RSI. The measure contributes to keeping the employees motivated and also results in a reduction in RSI and other health problems. Some 350 employees are comprised by the measure.

In 2010, sickness absence levels were reduced to 4.27 per cent in the Group's Norwegian operations, an improvement from 5.12 per cent in 2009. The reduction indicates that the preventive measures had the intended effect, and the target to reduce sickness absence to below 5 per cent in 2010 was reached.

The average retirement age declined from 61.8 years in 2009 to 61.5 years in 2010. The reduction was partly due to the fact that some employees chose to accept the opportunity to retire under the prevailing contractual early retirement scheme in 2010. In addition, there was an increase in the number of young employees receiving temporary disability benefit compared with previous years. It is probable that several of these young employees on 'work clarification benefit' from the Norwegian Labour and Welfare Organisation will return to work when the benefit period ends. The Group's target is to achieve an average retirement age above 62 years.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This report contains statements regarding the future prospects of DnB NOR, including estimates, strategies and objectives. The risks and uncertainties inherent in all forward-looking statements can lead to actual developments and profits differing materially from what has been expressed or implied.

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