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DNB BANK
- a company in the DNB Group

Fourth quarter report 2012
(PRELIMINARY AND UNAUDITED)

Financial highlights

Income statement	DNB Bank Group			
	4th quarter 2012	4th quarter 2011	Full year 2012	Full year 2011
<i>Amounts in NOK million</i>				
Net interest income	7 181	6 804	27 557	25 232
<i>Net commissions and fees, core business ¹⁾</i>	1 202	1 062	4 768	4 776
<i>Net financial items</i>	2 209	4 007	7 079	9 937
Net other operating income, total	3 410	5 068	11 847	14 713
Ordinary operating expenses	5 031	4 856	19 278	18 328
Other expenses	0	380	85	380
Pre-tax operating profit before impairment	5 561	6 636	20 041	21 237
Net gains on fixed and intangible assets	(65)	(1)	(1)	19
Impairment of loans and guarantees	1 190	926	3 179	3 445
Pre-tax operating profit	4 307	5 709	16 860	17 811
Taxes	1 084	2 040	4 473	5 308
Profit from operations held for sale, after taxes	4	0	96	(5)
Profit for the period	3 227	3 669	12 483	12 498

Balance sheet	31 Dec. 2012	31 Dec. 2011
<i>Amounts in NOK million</i>		
Total assets	2 013 406	1 884 948
Loans to customers	1 308 864	1 291 660
Deposits from customers	819 945	750 102
Total equity	116 594	104 304
Average total assets	2 113 512	1 910 290

Key figures	4th quarter 2012	4th quarter 2011	Full year 2012	Full year 2011
<i>Per cent</i>				
Combined weighted total average spread for lending and deposits	1.21	1.12	1.18	1.10
Cost/income ratio	47.5	40.9	48.9	45.9
Impairment relative to average net loans to customers, annualised	0.36	0.29	0.24	0.28
Return on equity, annualised	11.1	14.9	11.3	13.5
Equity Tier 1 capital ratio at end of period	10.5	9.3	10.5	9.3
Core (Tier 1) capital ratio at end of period	10.8	9.9	10.8	9.9
Capital ratio at end of period	12.4	11.5	12.4	11.5

1) Includes commissions and fees related to money transfers and interbank transactions, asset management services, credit broking, real estate broking, custodial services and securities trading as well as sale of insurance products and other commissions and fees from banking services.

There has been no full or partial external audit of the quarterly directors' report and accounts, though the report has been reviewed by DNB's Group Audit.

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Directors' report

Fourth quarter 2012

The Bank Group ¹⁾ recorded profits of NOK 3 227 million in the fourth quarter of 2012, down NOK 441 million or 12.0 per cent from the fourth quarter of 2011. Adjusted for the effect of basis swaps ²⁾, there was an increase in profits of NOK 879 million or approximately 40 per cent, reflecting higher income, reduced costs and lower taxes. The banking group's capital adequacy levels showed a positive trend, and the common equity Tier 1 capital ratio, calculated according to the Basel II transitional rules, was 10.5 per cent at end-December 2012.

Average lending volumes increased by 3.2 per cent from the fourth quarter of 2011. However, lending growth slowed during the final quarters of 2012, and lending volume in the fourth quarter was 0.4 per cent below the third-quarter figure. Measured against the 3-month money market rate, lending spreads widened from 1.63 per cent in the fourth quarter of 2011 to 2.16 per cent in the fourth quarter of 2012. The banking group needs to increase its equity capital, inter alia by increasing spreads to meet the ever stricter capital requirements from the authorities. Deposit spreads narrowed to minus 0.27 per cent, reflecting continued strong competition for deposits and lower money market rates. Overall, volume-weighted spreads widened by 0.09 percentage points from the fourth quarter of 2011.

Adjusted for the accounting effect of basis swaps, other operating income rose by 5.9 per cent from the fourth quarter of 2011. The rise in income primarily reflected a strong trend in stock market-related income and a rise in commission and fee income.

Adjusted for non-recurring effects and costs pertaining to non-core operations, operating expenses were reduced by 2.4 per cent from the fourth quarter of 2011. There was a decline in IT expenses and performance-based pay parallel to a rise in pension expenses due to falling interest rate levels.

Impairment losses on loans and guarantees totalled NOK 1 190 million, an increase from both the fourth quarter of 2011 and the third quarter of 2012. The increase mainly reflected higher impairment within shipping due to the weaker economic situation.

Return on equity was 11.1 per cent, down from 14.9 per cent in the fourth quarter of 2011. Adjusted for the effect of basis swaps, return on equity increased from 8.8 per cent to 10.6 per cent. The cost/income ratio, adjusted for the effect of basis swaps, was reduced from 49.5 per cent in the fourth quarter of 2011 to 48.6 per cent.

The DNB Group's organisational structure was changed at the

1) DNB Bank ASA is a subsidiary of DNB ASA and part of the DNB Group. The DNB Bank Group, hereinafter called "the banking group", comprises the bank and the bank's subsidiaries. Other companies owned by DNB ASA, including DNB Livsforsikring, DNB Skadeforsikring and DNB Asset Management, are not part of the banking group. Operations in DNB ASA and the total DNB Group are not covered in this report but described in a separate report and presentation.

2) Basis swaps are derivative contracts entered into by the bank when issuing senior bonds or raising other long-term funding in the international capital markets and converting the relevant currency to Norwegian kroner.

start of 2013. The largest changes were the division of personal and corporate banking into separate business areas and the establishment of a new business area to serve high-net worth clients. The new structure aims to strengthen the DNB organisation and make it better prepared to meet changes in the regulatory framework and customer behaviour.

Income statement for the fourth quarter of 2012

Net interest income

<i>Amounts in NOK million</i>	4th quarter 2012	Change	4th quarter 2011
Net interest income	7 181	377	6 804
Lending and deposit spreads		644	
Lending and deposit volumes		164	
Amortisation effects on the international bond portfolio		(84)	
Equity and non-interest bearing items		(138)	
Long-term funding costs		(305)	
Other net interest income		97	

Net interest income showed a healthy trend, rising by NOK 377 million or 5.5 per cent from the fourth quarter of 2011. On an annual basis, there was a 9.2 per cent increase. Lending spreads widened by 0.53 percentage points, while deposit spreads narrowed by 0.54 percentage points. Retail Banking and DNB Baltics experienced the strongest increase in lending spreads. The volume-weighted spread widened by 0.09 percentage points. Average lending volumes increased by 3.2 per cent from the fourth quarter of 2011, while deposits were up 12.0 per cent. Due to stricter capital requirements, there was a lower level of activity in some customer segments. Long-term funding costs were up NOK 305 million compared with the fourth quarter of 2011. Parallel to this, a declining interest rate level resulted in lower interest income on equity.

Net other operating income

<i>Amounts in NOK million</i>	4th quarter 2012	Change	4th quarter 2011
Net other operating income	3 410	(1 658)	5 068
Net stock market-related income		490	
Net other commissions and fees		89	
Net gains on investment property		116	
Profits from associated companies		66	
Real estate broking		28	
Net other gains on foreign exchange and interest rate instruments ¹⁾		(584)	
Basis swaps		(1 834)	
Other operating income		(28)	

1) Excluding guarantees and basis swaps.

Net other operating income declined by NOK 1 658 million from the fourth quarter of 2011. Adjusted for the effect of basis swaps, there was a NOK 176 million increase in income. In consequence of a stronger stock market, income from equity investments showed a healthy trend. In addition, there was a high level of commission and fee income for the quarter. On the other hand, customer and trading revenues from foreign exchange and interest rate instruments showed a weaker trend, declining by NOK 584 million.

Operating expenses

Amounts in NOK million	4th quarter		4th quarter 2011
	2012	Change	
Operating expenses	5 031	(206)	5 236
Costs for non-core operations		37	
Non-recurring effects:			
Impairment losses for goodwill, intangible assets, leases etc.		(254)	
Restructuring costs		37	
Reclassifications etc.		91	
Total adjusted operating expenses	4 754	(116)	4 871
Income-related costs:			
Operational leasing		32	
Performance-based pay		(177)	
Expenses related to operations:			
Rise in pension expenses		150	
Ordinary wage inflation		71	
IT expenses		(129)	
Marketing etc.		(44)	
Other costs		(19)	

The banking group's operating expenses were brought down 3.9 per cent from the fourth quarter of 2011. Adjusted for costs for non-core operations acquired by the banking group and non-recurring effects, there was a NOK 116 million or 2.4 per cent reduction in expenses. The reduction mainly reflected lower costs related to performance-based pay and IT operations, though there was also a decline in costs in other areas. There was an increase in pension expenses due to lower interest rate levels.

During 2011, the banking group expanded its operations both in Norway and internationally, while the number of full-time positions in other parts of operations was reduced through 2012. Overall, the number of full-time positions was reduced by 286 from end-December 2011.

Impairment of loans and guarantees

Impairment losses on loans and guarantees totalled NOK 1 190 million, up NOK 264 million from the fourth quarter of 2011.

At NOK 949 million, individual impairment declined by NOK 72 million from the fourth quarter of 2011, but rose by NOK 279 million from the third quarter of 2012. The increase from the third quarter of 2012 related mainly to corporate customers in Retail Banking. The level of impairment was markedly reduced in the Baltics and Poland from the fourth quarter of 2011. In the fourth quarter of 2012, impairment represented a lower percentage of loans in the Baltics and Poland than in the rest of the banking group.

There were reversals of collective impairment losses of NOK 94 million in the fourth quarter of 2011, while the weak economic conditions in the shipping industry resulted in new collective impairment of NOK 241 million in the fourth quarter of 2012.

Taxes

The banking group's tax charge for the fourth quarter of 2012 was NOK 1 084 million, down from NOK 2 040 million in the year-earlier period. Relative to pre-tax operating profits, the estimated tax charge was 25.2 per cent, compared with 35.7 per cent in the fourth quarter of 2011. The reduction in the tax charge was of a temporary nature and mainly reflected changes in estimated taxes for international operations.

Business areas

The DNB Bank group's business areas operate as independent profit centres and have responsibility for serving all of the banking group's customers and for the total range of products and services. In 2012, activities in the banking group were organised in the business areas Retail Banking, Large Corporates and International and DNB Markets. In addition, operations in DNB Baltics and Poland were reported as a separate profit centre.

Retail Banking

In 2012, Retail Banking was responsible for serving the banking group's 2.1 million personal customers and some 220 000 corporate customers through the branch network and customer service centres in Norway. DNB aspires to be a local bank for the whole of Norway, while offering the expertise of a large bank.

Pre-tax operating profits totalled NOK 2 246 million in the fourth quarter of 2012, an increase of NOK 404 million from the year-earlier period. Operating profits for the full year also showed a healthy trend, rising by NOK 1 611 million to NOK 8 825 million. There was a positive development in volumes and a satisfactory trend in non-performing loans and guarantees and impairment losses.

Retail Banking	4th quarter		Full year	
	2012	2011	2012	2011
<i>Income statement in NOK million</i>				
Net interest income	4 378	3 812	16 364	14 397
Other operating income	937	892	3 970	3 681
Income attributable to product suppliers	297	340	1 135	1 328
Net other operating income	1 234	1 232	5 105	5 010
Total income	5 612	5 044	21 469	19 406
Other operating expenses	2 717	2 752	10 895	10 659
Costs attributable to product suppliers	148	176	562	658
Total operating expenses	2 865	2 929	11 457	11 317
Pre-tax operating profit before impairment	2 747	2 116	10 012	8 089
Net gains on fixed assets	1	0	0	2
Impairment loss on loans and guarantees	467	274	1 139	877
Profit from repossessed operations	(35)	0	(48)	0
Pre-tax operating profit	2 246	1 842	8 825	7 214

Average balance sheet items in NOK billion

Net lending to customers	868.7	809.2	847.4	784.0
Deposits from customers	463.6	424.4	448.8	404.9

Key figures in per cent

Lending spread ¹⁾	2.24	1.57	2.04	1.54
Deposit spread ¹⁾	(0.39)	0.43	(0.14)	0.45
Return on risk-adjusted capital ²⁾	30.3	23.8	30.6	24.6
Cost/income ratio	51.0	58.1	53.1	58.3
Ratio of deposits to loans	53.4	52.5	53.0	51.6
Number of full-time positions, end of period			4 897	5 040

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

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

There was continued brisk growth in home mortgages during the fourth quarter of 2012, while loans to corporate customers showed slower growth. Average net loans increased by 7.4 per cent from the fourth quarter of 2011, parallel to brisk deposit growth at 9.2 per cent for the period. Along with customer deposits, covered bonds based on home mortgages in DNB Boligkreditt were key sources of funding. At end-December 2012, 94 per cent of lending volume in Retail Banking was funded by deposits and covered bonds.

Rising volumes and widening lending spreads relative to the 3-month money market rate contributed to the rise in net interest income from the fourth quarter of 2011. Deposit spreads narrowed due to lower interest rate levels and strong competition in the market. The average volume-weighted interest rate spread was 1.34 per cent in the fourth quarter of 2012, an increase from 1.18 per cent in the year-earlier period.

In September 2012, an agreement was signed on the sale of SalusAnsvær AB in Sweden, and the company was reclassified as "held for sale" as from 1 October 2012. The sale was formally completed in late January 2013. Adjusted for income from SalusAnsvær, other operating income increased by NOK 33 million compared with the fourth quarter of 2011. Income from real estate broking, guarantee commissions and payment services showed a positive trend, while there was a reduction in income from interest rate instruments. Adjusted for expenses in SalusAnsvær, operating expenses were NOK 34 million lower than in the fourth quarter of 2011. A high level of activity in DNB Finans gave an increase in depreciation on operational leasing, while lower IT development activity brought down costs. Excluding full-time positions in SalusAnsvær, the number of full-time positions was 4 759 at end-December 2012, with 4 574 in the business area's units in Norway.

The quality of the loan portfolio was sound in both the retail and corporate markets. On an annual basis, net impairment of loans increased by NOK 262 million and represented 0.13 per cent of net loans, up from 0.11 per cent in 2011. Net non-performing and doubtful loans and guarantees amounted to NOK 5.9 billion at end-December 2012, down NOK 0.3 billion from end-December 2011.

The market share of credit to households stabilised through 2012 and stood at 27.8 per cent as at 30 November. The market share of wage-earner savings was 34.6 per cent on the same date.

Housing prices are expected to increase further in 2013, though extensive housebuilding activity could dampen price growth. Low interest rates combined with high real wage growth and a stable, low unemployment rate provide a basis for strong consumption growth. Retail Banking expects moderate lending growth. Impairment of loans to both personal and corporate customers is expected to remain low.

Large Corporates and International

Large Corporates and International serves large Norwegian corporate customers and the banking group's international customers. Operations are based on broad and sound industry expertise and long-term customer relationships.

Pre-tax operating profits came to NOK 1 734 million in the fourth quarter of 2012, down NOK 112 million from the fourth quarter of 2011, reflecting an increase in impairment of loans. Operating profits for the full year rose by NOK 860 million compared with 2011, totalling NOK 7 594 million.

Large Corporates and International	4th quarter		Full year	
	2012	2011	2012	2011
<i>Income statement in NOK million</i>				
Net interest income	2 362	2 440	9 335	8 245
Other operating income	351	286	1 309	1 097
Income attributable to product suppliers	634	516	2 344	2 100
Net other operating income	985	802	3 653	3 196
Total income	3 346	3 242	12 987	11 441
Other operating expenses	671	705	2 600	2 463
Costs attributable to product suppliers	268	219	972	873
Total operating expenses	939	924	3 572	3 336
Pre-tax operating profit before impairment	2 407	2 318	9 415	8 106
Impairment loss on loans and guarantees	670	336	1 674	1 176
Profit from repossessed operations	(2)	(136)	(148)	(197)
Pre-tax operating profit	1 734	1 846	7 594	6 734

Average balance sheet items in NOK billion

Net lending to customers	383.9	395.0	396.0	367.3
Deposits from customers	308.9	249.5	288.3	234.7

Key figures in per cent

Lending spread ¹⁾	2.02	1.76	1.91	1.66
Deposit spread ¹⁾	(0.17)	(0.01)	(0.15)	0.02
Return on risk-adjusted capital ²⁾	20.0	20.9	21.7	20.6
Cost/income ratio	28.1	28.5	27.5	29.2
Ratio of deposits to loans	80.5	63.2	72.8	63.9

Number of full-time positions, end of period

1 118 1 174

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

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

Average loans to customers were reduced by 2.8 per cent from the fourth quarter of 2011. The reduction reflected exchange rate movements, strategic portfolio adjustments, brisk bond market activity and weak credit demand in several customer segments. Lending volumes were reduced during the second half of the year, reflecting an intended shift in risk exposure to specific segments. There was a NOK 15.6 billion decline in lending volumes from the third to the fourth quarter of 2012.

There was a significant rise in deposits throughout 2012, with an increase of 23.8 per cent from the fourth quarter of 2011 to the fourth quarter of 2012. Deposits increased by 4.8 per cent from the third quarter of 2012.

Relative to the 3-month money market rate, average lending spreads were 2.02 per cent in the fourth quarter of 2012, widening by 0.26 percentage points from the fourth quarter of 2011 and 0.06 percentage points from the third quarter of 2012. The widening spreads helped compensate for higher long-term funding costs. There was strong competition for deposits, and deposit spreads declined by 0.16 percentage points from the fourth quarter of 2011, while there was a 0.03 percentage point increase from the third quarter of 2012.

The rise in other operating income was mainly attributable to an increase in income from guarantees, a positive development in the market value of acquired equities and shareholdings and higher income from cross-sales of DNB Markets products.

Operating expenses rose by 1.7 per cent from the fourth quarter of 2011 to the fourth quarter of 2012. Staff numbers were reduced in defined areas, while there was an overall rise in costs due to higher restructuring expenses, impairment of intangible assets and higher income-related product costs. The cost/income ratio declined by 0.4 percentage points from the fourth quarter of 2011. At end-December 2012, staff in the business area represented 1 118 full-time positions, including 635 positions outside Norway.

Net impairment represented 0.69 per cent of net loans to customers in the fourth quarter of 2012, of which individual impairment represented 0.50 per cent. In the fourth quarter of 2011, net individual impairment came to 0.32 per cent of net loans. Net non-performing and doubtful loans and guarantees amounted to NOK 8.7 billion at end-December 2012, up NOK 0.8 billion from end-September. The corresponding figure at end-December 2011 was NOK 6.4 billion. The increase was due to impairment of a few large loans.

The quality of the loan portfolios was considered to be sound at year-end 2012. Close follow-up of customers and preventive credit management measures are vital to ensuring satisfactory quality. Market conditions caused challenges for certain customer segments, especially shipping.

DNB will give priority to strong, long-term and profitable customer relationships. Sound customer relationships, close customer follow-up and the banking group's wide range of products and expertise will form the basis for operations over the coming years. Average lending spreads are expected to increase further through continued repricing in certain segments. It is anticipated that competition for stable customer deposits will continue, which could put further pressure on deposits spreads.

DNB Markets

DNB Markets, Norway's largest provider of securities and investment services, recorded healthy profits in both the fourth quarter and the full year 2012. Pre-tax operating profits totalled NOK 1 045 million in the fourth quarter, up 3.5 per cent compared with the year-earlier period. The rise in profits reflected higher income from corporate finance, especially from arranging bond issues. Pre-tax operating profits for the full year 2012 were NOK 5 375 million, up NOK 1 214 million from 2011.

DNB Markets	4th quarter		Full year	
	2012	2011	2012	2011
<i>Income statement in NOK million</i>				
FX, interest rate and commodity derivatives	361	407	1 554	1 476
Investment products	81	137	367	432
Corporate finance	290	106	920	770
Securities services	56	55	220	230
Total customer revenues	787	705	3 061	2 908
Net income from international bond portfolio	399	51	2 168	591
Other market making/trading revenues	342	687	2 161	2 495
Total trading revenues	741	738	4 329	3 086
Interest income on allocated capital	32	50	157	165
Total income	1 560	1 493	7 547	6 159
Operating expenses	513	483	2 170	1 999
Pre-tax operating profit before impairment	1 048	1 009	5 378	4 160
Net gains on fixed assets	(3)	0	(3)	0
Pre-tax operating profit	1 045	1 009	5 375	4 160

Key figures in per cent

Return on risk-adjusted capital ¹⁾	45.5	42.9	57.0	51.0
Cost/income ratio	32.9	32.4	28.8	32.5

Number of full-time positions, end of period

722 698

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

Customer-related revenues totalled NOK 787 million, up NOK 82 million from the fourth quarter of 2011.

The decline in customer-related income from foreign exchange and interest rate and commodity derivatives from the fourth quarter of 2011 reflected reduced demand for interest rate hedging products. Due to declining interest rate levels in the fourth quarter of 2011, a large number of customers entered into hedging contracts in 2011, while there was less need for such hedging in 2012. The level of income from foreign exchange increased from the fourth quarter of 2011. In addition, strong demand ensured an increase in income from commodity hedging.

There was a reduction in customer-related income from the sale of securities and other investment products compared with the fourth quarter of 2011. A higher market share on Oslo Børs (the Oslo Stock Exchange) was not sufficient to compensate for the generally low level of stock market activity. DNB Markets was the largest player on Oslo Børs in terms of sales of Exchange Traded Notes (ETN), warrants and other equity derivatives. The shift to a new trading platform on Oslo Børs in November 2012 was successful.

A high level of activity in arranging bond issues ensured strong growth in customer-related revenues from corporate finance services from the fourth quarter of 2011. There was also an increase in income from merger and acquisition advisory services compared with the year-earlier period.

Customer-related revenues from custodial and other securities services were on a level with the fourth quarter of 2011. There was brisk activity within both securities lending and securities services.

Market making and other proprietary trading generated revenues on a level with the fourth quarter of 2011. Capital gains on foreign currency bonds increased by NOK 348 million while income from Norwegian kroner bonds was up NOK 21 million, reflecting narrower credit spreads. Income from other market making and proprietary trading declined by approximately the same amount.

The normalisation of the financial markets, with lower margins on products such as bonds, is expected to result in lower future income from proprietary trading. Moreover, activity levels, including volatility in the equity, credit, commodity, currency and interest rate markets, will be decisive for the business area's future profits.

DNB Baltics and Poland

DNB Baltics and Poland offers financial services to both corporate and personal customers in Estonia, Latvia and Lithuania. In Poland, future operations will focus on the corporate market within the banking group's international priority areas. An agreement has been entered into on the sale of the branch network in Poland, including the appurtenant customer relationships with personal customers and small and medium-sized companies. The sale is expected to be completed during the first half of 2013.

DNB Baltics and Poland recorded a pre-tax operating loss of NOK 69 million in the fourth quarter of 2012, representing an improvement of NOK 167 million from the year-earlier period. High IT expenses in the Baltics and restructuring expenses in Poland contributed to the operating loss in the fourth quarter. Operating profits for 2012 came to NOK 130 million, an improvement of NOK 803 million from 2011.

DNB Baltics and Poland	4th quarter		Full year	
	2012	2011	2012	2011
<i>Income statement in NOK million</i>				
Net interest income	260	329	1 061	1 319
Other operating income	221	226	886	763
Total income	481	555	1 948	2 082
Operating expenses	508	570	1 558	1 484
Pre-tax operating profit before impairment	(27)	(15)	389	598
Net gains on fixed assets	(6)	(4)	(3)	9
Impairment loss on loans and guarantees	36	217	256	1 280
Pre-tax operating profit	(69)	(236)	130	(673)

Average balance sheet items in NOK billion

Net loans to customers	52.6	54.6	53.4	53.7
Deposits from customers	29.1	22.3	28.6	23.8

Key figures in per cent

Lending spread ¹⁾	2.34	1.82	2.13	1.77
Deposit spread ¹⁾	0.06	1.07	0.28	0.89
Return on risk-adjusted capital ²⁾	(6.3)	(19.9)	2.8	(15.3)
Cost/income ratio	105.6	68.4	80.0	62.1
Ratio of deposits to loans	55.4	40.9	53.6	44.4
Number of full-time positions, end of period			3 083	3 297

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

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

The macroeconomic situation in the Baltic region gradually improved during 2012. However, there was low credit demand throughout the year, and the banking group's lending volumes in the Baltics declined by 5.0 per cent from year-end 2011. In spite of this reduction, there was a rise in the banking group's market share during 2012. Operations in Poland reflected the banking group's change of strategy in this country, and there was a decline in lending volume towards the end of 2012. Overall, average lending in the Baltics and Poland declined by 3.8 per cent from the fourth quarter of 2011.

Average customer deposits showed a healthy trend and rose by 30.4 per cent from the year-earlier period. This demonstrates that customers in this region have faith in DNB Baltics and Poland as part of a sound Norwegian bank.

The reduction in net interest income from the fourth quarter of 2011 reflected a combination of rising funding costs, lower lending volumes and pressure on deposit spreads. There was a positive trend in lending spreads, measured against the 3-month money market rate, while deposit spreads narrowed, partly due to strong competition for deposits.

There was a further reduction in net impairment of loans in the fourth quarter of 2012, representing 0.27 per cent of average lending on an annual basis, down from 0.43 per cent in the third quarter of 2012 and 1.56 per cent in the fourth quarter of 2011.

Efforts to improve portfolio quality and cost efficiency will be high on the agenda. In the longer term, growth in the Baltics is expected to surpass average European levels. The banking group will work to improve operations and widen the product range in the region. Operations in Poland will be adapted to the amended strategy, concentrating on the corporate segment. Improved operations combined with lower impairment levels are expected to ensure greater profitability.

Full year results 2012

The banking group recorded profits of NOK 12 483 million in 2012, a decrease of NOK 14 million or 0.1 per cent compared with 2011. Adjusted for the accounting effect of basis swaps, there was a rise in profits of NOK 3 382 million or 32.8 per cent. The increase was primarily due to higher net interest income, a rise in other operating income and lower taxes.

Compared with 2011, there was a significant increase in costs to finance the banking group's lending operations in the form of both

higher deposit rates relative to the short-term money market rate and a rise in long-term funding costs. Wider lending spreads compensated for the higher costs, and net interest income was up 9.21 per cent from 2011 to 2012. Lending growth was relatively brisk in the second half of 2011, but the rate of growth abated throughout 2012. In terms of NOK, deposits increased significantly more than loans from 2011 to 2012, which gave a marked increase in the ratio of deposits to net loans, from 58.1 per cent at end-December 2011 to 62.6 per cent at year-end 2012.

Adjusted for the effect of basis swaps, other operating income rose by NOK 1 853 million or 16 per cent. There was a small increase in commission and fee income compared with 2011, and income from foreign exchange and interest rate instruments in DNB Markets also showed an upward trend.

Total operating expenses rose by NOK 656 million or 3.5 per cent from 2011. Adjusted for non-recurring effects and costs pertaining to non-core operations, operating expenses were up 3.2 per cent. There was an increase in pension expenses due to lower interest rate levels. New initiatives entailing an increase in full-time positions in the largest Norwegian cities and at certain international offices in the second half of 2011 also contributed to the rise in costs from 2011 to 2012.

Impairment losses on loans and guarantees were reduced by NOK 265 million from 2011. At NOK 3 179 million, impairment was roughly on a level with estimates presented in the quarterly reports through 2012. Impairment losses increased within shipping, but were significantly reduced in the Baltics and Poland.

Return on equity was 11.3 per cent, down from 13.5 per cent in 2011. Adjusted for the effect of basis swaps, return on equity increased from 11.1 per cent to 12.4 per cent. The cost/income ratio, adjusted for the effect of basis swaps, was reduced from 49.6 per cent in 2011 to 46.9 per cent.

DNB continued to climb on Ipsos MMI's Norwegian corporate reputation list and was ranked best among the banks. In addition, DNB still qualified for inclusion in the Dow Jones World Sustainability Index in 2012. The index is based on extensive analyses of companies' sustainability and comprises the top 10 per cent within each industry sector worldwide based on their performance within financial, environmental and social aspects.

In 2012, the banking group entered into an agreement to sell its Swedish subsidiary SalusAnsvar AB. The transaction was completed in January 2013. The banking group has also entered into an agreement to sell the branch network in Poland. It is expected that close to 400 employees will be transferred to the new owners in 2013 in connection with these transactions.

The shares in Nordisk Tekstil Holding AS (Kid Interiør) were sold during the second quarter. The company was acquired in 2009 and was thereafter successfully restructured. The sale generated a gain of NOK 92 million after tax.

The banking group's management team and some of the business areas' operations were moved to the new head office in Bjørsvika in Oslo at the end of September. The banking group's other employees in Oslo will move as and when the premises are completed up until spring 2014.

During the second quarter, changes were made to the Board of Directors of DNB Bank ASA. Vigdis Mathisen was elected as a board member representing the employees and Anne Carine Tanum was re-elected as chairman of the board.

The banking group aimed to strengthen its capital adequacy ratio by year-end 2012. Due to a healthy profit trend, combined with a number of measures to ensure efficient capital utilisation, the common equity Tier 1 capital ratio, calculated according to the Basel II transitional rules, was 10.5 per cent at end-December. Parallel to this, the banking group continued its adaptations to the new liquidity and capital requirements which are expected to be introduced over

the next few years. Higher capital adequacy ratios and an increase in long-term funding make the banking group well prepared to meet these requirements. Based on full implementation of Basel II and excluding the effects of the limitations ensuing from the transitional rules, the common equity Tier 1 capital ratio would have been 11.9 per cent at year-end 2012. The Board of Directors considers the banking group to be well capitalised in relation to the risk of operations and well prepared to meet future capital adequacy requirements.

The Board of Directors would like to thank all employees for their contribution to the banking group's continued strong profit performance and improved corporate reputation and customer satisfaction scores. Parallel to this, the banking group has succeeded in widening lending spreads to compensate for rising funding costs and stricter capital requirements.

Income statement for 2012

Net interest income

<i>Amounts in NOK million</i>	2012	Change	2011
Net interest income	27 557	2 324	25 232
Lending and deposit volumes		1 284	
Lending and deposit spreads		2 060	
Exchange rate movements		194	
Amortisation effects on loans		241	
Amortisation effects on the international bond portfolio		(298)	
Long-term funding costs		(1 237)	
Other net interest income		81	

Net interest income showed a healthy trend, rising by NOK 2 324 million or 9.2 per cent compared with 2011. Long-term funding costs in excess of the short-term money market rate rose by NOK 1 237 million from 2011. Increasing volumes and interest rate spreads compensated for these costs. Lending spreads widened by 0.41 percentage points from 2011, parallel to a corresponding reduction in deposit spreads. The weighted interest rate spread widened by 0.08 percentage points. Overall, interest rate spreads gave a NOK 2 060 million increase in income. Average lending volumes increased by 6.8 per cent from 2011 to 2012, parallel to a 14 per cent rise in deposit volumes. Thus, the overall effect of rising volumes was a NOK 1 284 million increase in income.

Net other operating income

<i>Amounts in NOK million</i>	2012	Change	2011
Net other operating income	11 847	(2 865)	14 713
Profits from associated companies		712	
Net other gains on foreign exchange and interest rate instruments ¹⁾		613	
Net other commissions and fees		82	
Net stock market-related income		295	
Real estate broking		122	
Net gains on investment property		(308)	
Basis swaps		(4 718)	
Other operating income		337	

1) Excluding guarantees and basis swaps.

Net other operating income declined by NOK 2 865 million from 2011. Adjusted for the effect of basis swaps, there was a NOK 1 853 million or 16 per cent increase in income. Profits from associated companies showed a positive trend, primarily related to the Eksportfinans portfolio, which is guaranteed by the owners, while DNB Markets recorded strong trading income on foreign exchange and interest rate instruments. Income from less capital-intensive operations within real estate broking also showed a healthy trend.

Operating expenses

<i>Amounts in NOK million</i>	2012	Change	2011
Total operating expenses	19 363	656	18 708
Costs for non-core operations		182	
Non-recurring effects:			
Impairment losses for goodwill, intangible assets, leases etc.		(185)	
Restructuring costs		71	
Total adjusted operating expenses	18 749	588	18 161

Income-related costs:

Operational leasing	107
Performance-based pay	(138)

Expenses related to operations:

Ordinary wage inflation	279
IT expenses	(191)
Rise in pension expenses	370
Properties and premises	118
Other costs	42

Operating expenses increased by 3.5 per cent compared with 2011. Adjusted for costs for non-core operations acquired by the banking group and non-recurring effects, there was a NOK 588 million or 3.2 per cent rise in expenses. IT expenses were reduced by NOK 191 million, primarily due to non-recurring effects in connection with the change of name to DNB in 2011 and somewhat lower IT development activity in 2012. Costs relating to properties and premises increased somewhat in 2012 in connection with the move to new premises in Bjørvika in Oslo. Pension expenses were up NOK 370 million, mainly due to the low interest rate levels.

During 2011, the banking group expanded its operations both in Norway and internationally, while the number of full-time positions was reduced through 2012. Overall, the number of full-time positions was reduced by 286 from end-December 2011 to year-end 2012.

Impairment of loans and guarantees

Impairment losses on loans and guarantees totalled NOK 3 179 million, down NOK 265 million from 2011. At NOK 2 915 million, individual impairment declined by NOK 303 million from 2011. There was a certain rise in impairment within both Retail Banking and the large corporate segments, with a significant increase within shipping. The level of impairment was markedly reduced in the Baltics and Poland. There was a moderate NOK 37 million rise in collective impairment compared with 2011. Impairment was reduced from 0.28 per cent of loans in 2011 to 0.25 per cent in 2012.

Net non-performing and doubtful loans and guarantees totalled NOK 19.7 billion at end-December 2012, a slight increase from NOK 19.5 billion at year-end 2011. Net non-performing and doubtful loans and commitments represented 1.48 per cent of the loan portfolio, slightly down from 1.49 per cent year-end 2011.

Taxes

The banking group's tax charge for 2012 was NOK 4 473 million, a reduction from NOK 5 308 million in 2011. Relative to pre-tax operating profits, the estimated tax charge was 26.5 per cent, down from 29.8 per cent in 2011. The reduction reflected changes in estimated taxes for international operations compared with 2011.

Funding, liquidity and balance sheet

Throughout 2012, the short-term funding markets were generally accessible to banks with strong credit ratings. The banking group had ample access to short-term funding, and investors showed a greater interest in short-term funding with somewhat longer maturities in the second half of the year. The markets were less selective, and an increasing number of banks were regarded as financially strong.

There was a very high level of activity in the long-term funding markets during the January through March period, and banks with strong credit ratings had good access to these markets. The banking group completed most of its annual long-term funding activities during the first few months of the year. There was increasing uncertainty regarding European sovereign debt during the second quarter, and fewer transactions were completed during this period. In the second half of the year, investors showed renewed interest in long-term funding, while the banks had a limited need for new funding. Thus, there was a reduction in funding costs for both new covered bonds and senior bond debt.

At end-December 2012, total combined assets in the banking group were NOK 2 114 billion, an increase from NOK 1 910 billion at year-end 2011. Total assets in the banking group's balance sheet were NOK 2 013 billion as at 31 December 2012 and NOK 1 885 billion a year earlier.

Net loans to customers increased by NOK 17.3 billion or 1.3 per cent from end-December 2011. Customer deposits increased by NOK 69.8 billion or 9.3 per cent during the same period. The ratio of customer deposits to net loans to customers increased from 58.1 per cent at end-December 2011 to 62.6 per cent at year-end 2012. The ratio of deposits to net loans in DNB Bank ASA was 110.3 per cent at end-December 2012, reflecting that all loans which were not carried in the books of DNB Boligkreditt were financed through customer deposits.

In order to keep the banking group's liquidity risk at a low level, short-term and long-term liquidity risk limits have been established. Among other things, this implies that the majority of loans are financed through customer deposits, long-term securities, subordinated loan capital and equity. The banking group stayed well within the liquidity limits during 2012.

Debt securities issued by the banking group totalled NOK 713 billion at year-end 2012 and NOK 640 billion a year earlier. The average remaining term to maturity for the portfolio of debt securities issued was 4.6 years at end-December 2012, compared with 4.5 years a year earlier.

The Basel III regulations define short and long-term liquidity requirements and the appurtenant calculation methods. With effect from 2012, the banking group has adjusted its liquidity risk limits in line with the calculation methods in the Basel III regulations. A gradual adaptation to the liquidity requirements within the time limits stipulated by the Basel Committee is being planned.

Risk and capital adequacy

Overall, the risk situation developed favourably during 2012. The year started on a positive note, followed by increasing capital market turmoil once again during the second quarter. There was a downturn in the stock markets, and risk premiums increased in the money and credit markets. This was partly due to the failure to solve the debt problems in the Eurozone and lower growth prospects for the global economy. Thereafter, the situation changed significantly due to extensive purchases of sovereign debt by the central banks within the EU and the US. In addition, confidence in the banking system increased in the EU in consequence of the plans to establish a banking unit. There was a marked increase in equity prices in the second half of the year, and risk premiums in the money and capital markets were reduced to the levels prevailing in the first half of 2011. Interest rates continued to decline through 2012, reaching record-low levels.

There was strong growth in the Norwegian economy throughout 2012, reflecting a high level of activity in the oil and gas sector. After lowering its key policy rate by 0.5 percentage points in December 2011, Norges Bank chose to implement a further 0.25 percentage point reduction, to 1.5 per cent, as a result of lower international interest rates. The strong Norwegian krone and relatively high wage inflation presented increasing challenges for Norwegian industries which compete in international markets. One must go as far back as the period prior to the devaluation in 1986 to find an equally strong Norwegian krone as at year-end 2012.

The banking group quantifies risk by measuring risk-adjusted capital requirements. The net risk-adjusted capital requirement declined by NOK 4.5 billion from year-end 2011, to NOK 68.9 billion.

Developments in the risk-adjusted capital requirement ¹⁾

	31 Dec. 2012	30 Sept. 2012	30 June 2012	31 Dec. 2011
<i>Amounts in NOK billion</i>				
Credit risk	57.0	59.5	62.0	64.5
Market risk ²⁾	7.6	6.2	6.0	6.0
Operational risk	7.4	7.4	6.6	6.7
Business risk	4.0	4.0	3.8	4.0
Gross risk-adjusted capital requirement	76.1	77.1	78.4	81.2
Diversification effect ³⁾	(7.2)	(8.5)	(7.2)	(7.8)
Net risk-adjusted capital requirement	68.9	68.6	71.2	73.4
Diversification effect in per cent of gross risk-adjusted capital requirement ³⁾	9.4	11.0	9.2	9.6

- ¹⁾ In the third quarter of 2012, significant changes were made in the calculation method for risk-adjusted capital for credit. The diversification effects were reduced, while the probability of default was adjusted upwards for some portfolios to ensure greater consistency between external capital adequacy calculations and internal risk measurement. In addition, risk-adjusted capital calculations for non-performing and doubtful loans were introduced. These changes have thus far not been reflected in the allocation of capital to the business areas or in risk-adjusted profitability measurement. The changes will affect these calculations as from 1 January 2013. With respect to operational risk, the banking group no longer uses an internal quality index to modify the risk-adjusted capital requirement. Figures for previous periods have been adjusted correspondingly.
- ²⁾ With effect from the fourth quarter of 2012, the risk associated with basis risk for derivative positions in trading activities is included in market risk calculations. Figures for previous periods have been adjusted accordingly.
- ³⁾ The diversification effect refers to the risk-mitigating effect achieved by the banking group by having operations which are affected by different types of risk where unexpected losses are unlikely to occur at the same time.

The risk-adjusted capital requirement for credit declined by NOK 7.5 billion in 2012, reflecting a reduction in volumes in the corporate customer segments. The strengthening of the Norwegian krone was a key factor behind this development. There was stable, sound credit quality in the healthy portfolio in most areas, with the exception of the shipping sector. Record-low freight rates in the tanker, dry bulk and container segments put pressure on shipping companies' earnings and liquidity. Lower portfolio quality must be expected in these segments in the future. Increased production of shale oil in the US will reduce the need to import oil from Africa and the Middle East and curtail demand for tanker tonnage. Due to continued brisk growth in global trade, however, there will be greater demand for sea freight in other segments.

Large new oil findings in the Norwegian sector give reason for optimism in the offshore and oil suppliers sectors. The Norwegian commercial property market showed a positive trend in 2012, with increasing sales and a moderate rise in values, even though it has become more difficult and expensive for investors to finance commercial property investments.

There was an increase in the risk-adjusted capital requirement for market risk in operations, mainly due to changes in assumptions to reflect fluctuations in market prices during the financial crisis. In addition, changes affecting basis risk for derivative positions in trading activities were made. With effect from 2012, such basis risk is included in risk-adjusted capital. This risk fluctuated significantly through the year and was estimated at NOK 1.2 billion at year-end. There were no significant changes in market risk limits in 2012. Mark-to-market adjustments of swap contracts entered into in connection with the banking group's long-term financing of loans, basis swaps, are not included in the measurement of the risk-adjusted capital requirement for market risk. These contracts may have significant effects on the accounts from one quarter to the next. However, as the contracts are generally held to maturity, these effects will be balanced out over time.

There was a 60 per cent increase in registered events entailing operational risk from 2011, which partly reflected more extensive registration of such events, but also an actual increase. The net loss was approximately 3 per cent higher than the loss registered in 2011. The level of losses is considered to be low. There was a marked increase in the number of Trojan attacks and hacking attempts against the banking group's Internet bank in 2012. The risk-adjusted capital requirement for operational risk and business risk is updated every six months, i.e. at end-March and end-September.

Risk-weighted volume included in the calculation of the formal capital adequacy requirement declined by NOK 34.4 billion in 2012, to NOK 984.1 billion. In 2012, risk-weighted volume could not be less than 80 per cent of the corresponding figure calculated according to the Basel I regulations. The common equity Tier 1 capital ratio was 10.5 per cent, while the capital adequacy ratio was 12.4 per cent.

Calculations have also been made of full future implementation of the Basel II rules on all of the banking group's credit portfolios, excluding those in the Baltics and Poland, disregarding the limitations ensuing from the transitional rules. The calculations showed a pro forma risk-weighted volume of NOK 867.9 billion and a potential common equity Tier 1 capital ratio of 11.9 per cent.

Macroeconomic developments

The weak trend in the international economy continued throughout 2012. Following an upturn in 2010 and 2011, the euro area experienced a decline in manufacturing output. Coupled with large running budget deficits, there was thus an increase in sovereign debt relative to GDP. Nevertheless, some countries succeeded in reducing their deficits through a tighter fiscal policy, which contributed to the weak GDP growth. Measures implemented by the European Central Bank reduced interest rates on sovereign debt and thus eased the

debt burden for the European countries. Even though the crisis in Europe has received less attention over the past few months, the weak economic trend may cause renewed turmoil in countries with high sovereign debt levels. The US experienced moderate economic growth in 2012, but rising sovereign debt levels may cause problems here as well. As the country has low tax revenues relative to GDP, it will have to use more government revenues to service debt than most European countries. This could contribute to dampening international economic growth.

In Norway, the economic recovery continued in 2012. In spite of an increase in employment levels, the unemployment rate rose from 3.1 per cent of the labour force in the first quarter to 3.5 per cent in the fourth quarter. This was caused partly by an increase in the supply of labour, reflecting continued high immigration levels. The strong increase in the supply of labour also contributed to keeping price inflation low. Wage inflation in 2012 was on a level with 2011. Combined with an increase in pension payments, this gave a boost in household purchasing power. In addition, low interest rates ensured continued strong growth in housing prices and housing investments, which in turn contributed to higher production within both the building and construction industry and the private service industry. A high level of petroleum investment also gave a positive impetus to the economic growth in Norway.

Due to expected sluggish growth among key trading partners, the Norwegian economy will probably get little stimulus from exports of goods and services over the next few years. Thus, it is assumed that petroleum activities and the household sector will continue to be the main drivers of economic growth. Due to a strong increase in household income and high population growth, especially in urban areas, housing demand will probably remain strong. The low interest rate level reinforces this trend. An anticipated increase in house-building activity may gradually ensure an adequate supply of new homes to dampen price growth on resale housing. Even though it is expected that interest rate levels will normalise in the course of two to three years, households' interest expenses will probably not be so high as to cause a major setback in the housing market.

New regulatory framework

The EU has not yet finalised its proposal for new regulations for credit institutions and investment firms, CRR and CRD IV (Capital Requirements Regulation and Capital Requirements Directive). Due to the EEA agreement, new regulations in Norway will be implemented on the basis of EU legislation. The regulations are based on the Basel Committee's recommendations from December 2010 on new and stricter capital and liquidity standards, Basel III. The new regulations will present major challenges for banks in the form of requirements for higher earnings in order to increase equity. Parallel to this, requirements for increased long-term funding and stricter liquidity requirements will give higher funding costs. CRR and CRD IV are intended to apply to all banks and investment firms within the EEA. The possible implementation date is 1 January 2014, depending on when the EU will finalise the proposals, with full implementation as from 2019.

Uncertainty still prevails regarding the final content of the new liquidity requirements. Several important changes regarding the short-term liquidity requirement, LCR, were announced in January 2013. The European Banking Authority, EBA, will use the observation period in 2013 to assess the effects of the new rules for European banks. Based on the EBA's report, the EU Commission will present a final proposal regarding LCR to the EU. Over the next couple of years, these bodies will also continue to work on the long-term liquidity requirement, NSFR.

The new capitalisation proposals imply that the minimum capital adequacy requirement will be unchanged at 8 per cent. With the addition of the so-called capital conservation buffer, however, this

requirement will in practice be increased to 10.5 per cent. In addition, a counter-cyclical capital element will be introduced, ranging between 0 and 2.5 per cent, which will be determined by the national supervisory authorities. The Norwegian Ministry of Finance has previously signalled that it aims to introduce a counter-cyclical capital buffer as soon as possible in 2013 after the new capital and liquidity requirements have been approved by the EU. The process in the EU has been delayed, thus it remains to be seen when this will happen. Additional capital buffers will be required for global and national systemically important banks. Finanstilsynet (the Financial Supervisory Authority of Norway) has chosen to retain the Basel II transitional rules, which set a floor for how low a bank's risk-weighted volume can be relative to the Basel I rules, the so-called "80 per cent floor". This supervisory practice, which is unique to Norway, will be of no consequence to Norwegian banks' actual capital adequacy, but will make Norwegian banks appear weaker capitalised in international comparisons.

The Ministry of Finance has asked Finanstilsynet to review an increase in the systemic risk premium on the risk weights for home mortgages to minimum 35 per cent. Today, the banking group's average risk weight on home mortgages is 12.8 per cent. An increase to 35 per cent will thus have a negative impact on the banking group's capital adequacy according to Basel II without transitional rules and Basel III. In addition, measurement according to the Swedish proposal will make Swedish banks appear better capitalised than Norwegian banks.

The banking group is of the opinion that it is vital that equal framework conditions are established for competition in the market and therefore urges the Norwegian authorities to work for optimal harmonisation in agreement with the intentions behind the new regulatory framework within the EEA.

Covered bonds issued by wholly or partially-owned mortgage institutions have become an important source of funding for Norwegian banks, contributing to reducing the banks' funding costs and liquidity risk during a period characterised by extensive turmoil in the international financial markets. Towards the end of 2012, the Ministry of Finance asked Finanstilsynet to consider whether the introduction of a qualitative rule whereby banks will not be allowed to transfer more assets to their mortgage institutions than what is considered prudent, could help reduce systemic risk. The Ministry also asks for a proposal for legal authority to introduce additional capital requirements if there is a significant increase in risk in the banks which transfer loans to mortgage institutions. The banking group assumes that the authorities will not introduce rules which undermine the banks' chances to strengthen their liquidity profile through the use of covered bonds, which in turn will be of great significance to the banks' general ability to serve both personal and corporate customers.

Towards the end of 2012, the EU decided to establish a single, supranational supervisory authority for the banks in the Eurozone. The European Central Bank will assume the supervisory function, and the new authority is expected to be operative as from 2014.

At year-end 2012, the Norwegian parliament resolved that the members of the Norwegian Banks' Guarantee Fund should pay a full annual levy to the Guarantee Fund independent of the Fund's size. The change in practice will imply an increase in the banks' annual guarantee fund levies compared with today, when the Fund's members are required to pay levies only when the Fund's capital base is below a certain level.

The banking group is working to be ready to meet the various new requirements. Up until the final regulations are in place, the banking group's activities will be gradually adapted to the new requirements.

Future prospects

The DNB Group presented updated financial targets at its Capital Markets Day event in September, and these targets remain unchanged. The targets for the 2012-2015 period are annual growth in net interest income above 6 per cent and maximum 2 per cent annual cost growth, including restructuring costs. In 2015, the DNB Group aims to have a return on equity above 12 per cent, while the common equity Tier 1 capital ratio according to Basel III should be 12.0 -12.5 per cent. The return on equity target was adjusted downwards somewhat compared with previous targets, mainly due to expectations of lower interest rate levels than previously assumed, as well as stricter capitalisation requirements from the authorities.

There are a number of key factors which make the DNB Group believe that these targets are attainable. In spite of a weak international economic trend, the Norwegian economy is expected to remain strong. Coupled with strict cost control, this will provide the basis for a healthy profit trend in the DNB Group's Norwegian operations. During the period up to 2015, Large Corporates and International will rebalance its credit exposure. In addition, the DNB Group will implement other measures to reduce the exposure to capital-intensive operations while focusing on operations which increase less capital-intensive income.

The DNB Group's targets are based on key analysis institutions' expectations to developments in the Norwegian and international economies, which include a gradual normalisation of interest rate levels. However, there is still great uncertainty regarding these developments, and a further postponement of a new, international growth period, along with the possibility of even stricter regulatory requirements, could influence future target attainment.

A gradual widening of volume-weighted interest rate spreads and moderate growth in lending volumes are expected in the period ahead. Costs will remain stable. Portfolio quality is expected to remain strong, with impairment of loans on a level with 2012. The DNB Group will continue to build up capital and improve its capital adequacy ratios. The DNB Group is well positioned to meet expected regulatory requirements.

Oslo, 6 February 2013
The Board of Directors of DNB Bank ASA

Anne Carine Tanum
(chairman)

Jarle Berge
(vice-chairman)

Sverre Finstad

Kai Nyland

Torill Rambjør

Vigdis Mathisen

Rune Bjerke
(group chief executive)

Income statement

<i>Amounts in NOK million</i>	Note	DNB Bank ASA			
		4th quarter 2012	4th quarter 2011	Full year 2012	Full year 2011
Total interest income	5	12 032	12 754	48 562	48 030
Total interest expenses	5	6 146	6 873	26 391	26 722
Net interest income	5	5 887	5 880	22 170	21 308
Commission and fee income etc.	6	1 446	1 225	5 393	5 296
Commission and fee expenses etc.	6	495	512	2 003	1 935
Net gains on financial instruments at fair value	7	1 487	1 663	7 413	5 286
Other income	9	1 853	1 964	4 662	3 703
Net other operating income		4 290	4 340	15 465	12 350
Total income		10 177	10 220	37 636	33 658
Salaries and other personnel expenses	10, 11	2 171	1 937	8 374	7 490
Other expenses	10	1 627	1 640	5 953	6 104
Depreciation and impairment of fixed and intangible assets	10	612	1 181	1 876	2 417
Total operating expenses	10	4 409	4 758	16 203	16 011
Net gains on fixed and intangible assets		(1)	31	(2)	35
Impairment of loans and guarantees	13	1 186	789	3 195	2 029
Pre-tax operating profit		4 580	4 704	18 236	15 653
Taxes	12	1 093	1 845	4 917	5 020
Profit for the period		3 486	2 859	13 319	10 633

Comprehensive income statement

<i>Amounts in NOK million</i>	DNB Bank ASA			
	4th quarter 2012	4th quarter 2011	Full year 2012	Full year 2011
Profit for the period	3 486	2 859	13 319	10 633
Exchange differences arising from the translation of foreign operations	(88)	42	(183)	(87)
Comprehensive income for the period	3 399	2 901	13 135	10 547

Balance sheet

DNB Bank ASA

<i>Amounts in NOK million</i>	Note	31 Dec. 2012	31 Dec. 2011
Assets			
Cash and deposits with central banks		296 158	220 721
Due from credit institutions		208 646	193 379
Loans to customers	14, 15	713 743	711 966
Commercial paper and bonds at fair value		241 728	211 335
Shareholdings		9 864	11 829
Financial derivatives		120 511	108 506
Commercial paper and bonds, held to maturity	16	71 288	96 042
Investments in associated companies		1 141	1 187
Investments in subsidiaries		49 896	35 763
Intangible assets	17	3 999	3 549
Deferred tax assets		565	3
Fixed assets		6 575	5 497
Other assets		12 673	15 389
Total assets		1 736 786	1 615 166
Liabilities and equity			
Due to credit institutions		283 093	295 884
Deposits from customers		787 245	704 438
Financial derivatives		92 653	88 207
Debt securities issued	18	414 998	384 467
Payable taxes		4 253	228
Deferred taxes		1 518	3 455
Other liabilities		23 015	13 638
Provisions		643	459
Pension commitments		2 806	2 677
Subordinated loan capital	18	21 090	24 070
Total liabilities		1 631 312	1 517 523
Share capital		18 314	18 314
Share premium reserve		19 895	19 895
Other equity		67 264	59 433
Total equity		105 474	97 643
Total liabilities and equity		1 736 786	1 615 166
Off-balance sheet transactions, contingencies and post-balance sheet events	22		

Income statement

<i>Amounts in NOK million</i>	Note	DNB Bank Group			
		4th quarter 2012	4th quarter 2011	Full year 2012	Full year 2011
Total interest income	5	15 107	16 124	63 560	60 563
Total interest expenses	5	7 926	9 319	36 003	35 331
Net interest income	5	7 181	6 804	27 557	25 232
Commission and fee income etc.	6	1 613	1 461	6 302	6 233
Commission and fee expenses etc.	6	507	536	2 083	2 015
Net gains on financial instruments at fair value	7	1 348	3 369	3 899	7 628
Profit from companies accounted for by the equity method	8	177	111	789	77
Net gains on investment property		(16)	(132)	(340)	(32)
Other income	9	795	795	3 281	2 822
Net other operating income		3 410	5 068	11 847	14 713
Total income		10 592	11 873	39 404	39 945
Salaries and other personnel expenses	10, 11	2 504	2 361	10 030	9 171
Other expenses	10	1 934	2 033	7 343	7 475
Depreciation and impairment of fixed and intangible assets	10	592	843	1 990	2 062
Total operating expenses	10	5 031	5 236	19 363	18 708
Net gains on fixed and intangible assets		(65)	(1)	(1)	19
Impairment of loans and guarantees	13	1 190	926	3 179	3 445
Pre-tax operating profit		4 307	5 709	16 860	17 811
Taxes	12	1 084	2 040	4 473	5 308
Profit from operations held for sale, after taxes		4	0	96	(5)
Profit for the period		3 227	3 669	12 483	12 498

Comprehensive income statement

<i>Amounts in NOK million</i>	DNB Bank Group			
	4th quarter 2012	4th quarter 2011	Full year 2012	Full year 2011
Profit for the period	3 227	3 669	12 483	12 498
Exchange differences arising from the translation of foreign operations	(89)	50	(193)	(52)
Comprehensive income for the period	3 138	3 719	12 290	12 445

Balance sheet

		DNB Bank Group	
		31 Dec.	31 Dec.
		2012	2011
<i>Amounts in NOK million</i>	Note		
Assets			
Cash and deposits with central banks		298 892	224 581
Due from credit institutions		33 373	25 105
Loans to customers	14, 15	1 308 864	1 291 660
Commercial paper and bonds at fair value		160 664	106 000
Shareholdings		10 290	12 300
Financial derivatives		95 890	96 264
Commercial paper and bonds, held to maturity	16	71 288	96 042
Investment property		5 034	5 165
Investments in associated companies		2 866	2 173
Intangible assets	17	4 826	4 854
Deferred tax assets		1 047	636
Fixed assets		7 311	6 322
Assets held for sale		417	1 054
Other assets		12 645	12 792
Total assets		2 013 406	1 884 948
Liabilities and equity			
Due to credit institutions		251 388	279 553
Deposits from customers		819 945	750 102
Financial derivatives		63 193	63 130
Debt securities issued	18	713 273	640 277
Payable taxes		6 940	400
Deferred taxes		1 753	4 531
Other liabilities		15 553	14 786
Liabilities held for sale		76	383
Provisions		724	533
Pension commitments		2 877	2 793
Subordinated loan capital	18	21 090	24 156
Total liabilities		1 896 812	1 780 644
Share capital		18 314	18 314
Share premium reserve		20 611	20 611
Other equity		77 668	65 378
Total equity		116 594	104 304
Total liabilities and equity		2 013 406	1 884 948
Off-balance sheet transactions, contingencies and post-balance sheet events	22		

Statement of changes in equity

DNB Bank ASA

<i>Amounts in NOK million</i>	Share capital	Share premium reserve	Other equity	Total equity
Balance sheet as at 31 December 2010	17 514	12 695	48 887	79 096
Profit for the period			10 633	10 633
Exchange differences arising from the translation of foreign operations			(87)	(87)
Comprehensive income for the period			10 547	10 547
Share issue	800	7 200		8 000
Balance sheet as at 31 December 2011	18 314	19 895	59 433	97 643
Profit for the period			13 319	13 319
Exchange differences arising from the translation of foreign operations			(183)	(183)
Comprehensive income for the period			13 135	13 135
Group contribution to DNB ASA			(6 000)	(6 000)
Merger with Nordlandsbanken ASA			696	696
Balance sheet as at 31 December 2012	18 314	19 895	67 264	105 474
<u>Of which currency translation reserve:</u>				
Balance sheet as at 31 December 2010			(270)	(270)
Comprehensive income for the period			(87)	(87)
Balance sheet as at 31 December 2011			(356)	(356)
Comprehensive income for the period			(183)	(183)
Balance sheet as at 31 December 2012			(540)	(540)

DNB Bank Group

<i>Amounts in NOK million</i>	Share capital	Share premium reserve	Other equity	Total equity
Balance sheet as at 31 December 2010	17 514	13 411	58 933	89 859
Profit for the period			12 498	12 498
Exchange differences arising from the translation of foreign operations			(52)	(52)
Comprehensive income for the period			12 445	12 445
Group contribution for 2010 to DNB ASA			(6 000)	(6 000)
Share issue	800	7 200		8 000
Balance sheet as at 31 December 2011	18 314	20 611	65 378	104 304
Profit for the period			12 483	12 483
Exchange differences arising from the translation of foreign operations			(193)	(193)
Comprehensive income for the period			12 290	12 290
Balance sheet as at 31 December 2012	18 314	20 611	77 668	116 594
<u>Of which currency translation reserve:</u>				
Balance sheet as at 31 December 2010			(438)	(438)
Comprehensive income for the period			(52)	(52)
Balance sheet as at 31 December 2011			(490)	(490)
Comprehensive income for the period			(193)	(193)
Accumulated currency translation reserve in Pres-Vac			2	2
Balance sheet as at 31 December 2012			(682)	(682)

Cash flow statement

DNB Bank ASA

Full year 2012 Full year 2011

Amounts in NOK million

Operating activities

Net receipts/payments on loans to customers	13 624	(40 350)
Interest received from customers	36 064	32 647
Net receipts on deposits from customers	78 538	77 366
Interest paid to customers	(17 453)	(16 785)
Net receipts/payments on loans to credit institutions	(51 237)	51 021
Interest received from credit institutions	4 925	6 635
Interest paid to credit institutions	(3 289)	(4 737)
Net receipts/payments on the sale of financial assets for investment or trading	2 635	88 228
Interest received on bonds and commercial paper	6 756	8 275
Net receipts on commissions and fees	3 411	3 379
Payments to operations	(14 354)	(13 615)
Taxes paid	(214)	(2 790)
Other receipts/payments	6 481	(4 653)
Net cash flow from operating activities	65 889	184 622

Investment activities

Net payments on the acquisition of fixed assets	(2 823)	(2 846)
Receipts on the sale of long-term investments in shares	0	85
Payments on the acquisition of long-term investments in shares	(16 871)	(12 819)
Dividends received on long-term investments in shares	97	105
Net cash flow from investment activities	(19 596)	(15 475)

Funding activities

Receipts on issued bonds and commercial paper	854 746	250 582
Payments on redeemed bonds and commercial paper	(820 874)	(210 333)
Interest payments on issued bonds and commercial paper	(4 611)	(4 967)
Receipts on the raising of subordinated loan capital	5 525	0
Redemptions of subordinated loan capital	(7 996)	(9 806)
Interest paid on subordinated loan capital	(1 024)	(715)
Share issue	0	8 000
Group contributions payments/receipts	1 266	(4 524)
Net cash flow from funding activities	27 033	28 237

Effects of exchange rate changes on cash and cash equivalents **(2 962)** **1 019**

Net cash flow **70 364** **198 404**

Cash as at 1 January	230 580	32 176
Net receipts/payments of cash	70 364	198 404
Cash at end of period ¹⁾	300 944	230 580

*) *Of which: Cash and deposits with central banks* 296 158 220 721
Deposits with credit institutions with no agreed period of notice ¹⁾ 4 786 9 859

1) *Recorded under "Due from credit institutions" in the balance sheet.*

Cash flow statement (continued)

	DNB Bank Group	
<i>Amounts in NOK million</i>	Full year 2012	Full year 2011
Operating activities		
Net payments on loans to customers	(39 284)	(107 060)
Interest received from customers	57 029	52 883
Net receipts on deposits from customers	80 887	84 676
Interest paid to customers	(18 993)	(18 225)
Net receipts/payments on loans to/from credit institutions	(35 303)	36 618
Interest received from credit institutions	1 389	1 421
Interest paid to credit institutions	(3 166)	(4 719)
Net receipts/payments on the sale of financial assets for investment or trading	(19 881)	76 369
Interest received on bonds and commercial paper	4 385	8 511
Net receipts on commissions and fees	4 240	4 237
Payments to operations	(16 962)	(16 460)
Taxes paid	(391)	(6 036)
Other receipts/payments	4 150	(1 518)
Net cash flow from operating activities	18 100	110 697
Investment activities		
Net payments on the acquisition of fixed assets	(3 182)	(2 655)
Net payments, investment property	(399)	(688)
Receipts on the sale of long-term investments in shares	0	85
Dividends received on long-term investments in shares	97	105
Net cash flow from investment activities	(3 484)	(3 153)
Funding activities		
Receipts on issued bonds and commercial paper	941 355	364 876
Payments on redeemed bonds and commercial paper	(861 109)	(244 281)
Interest payments on issued bonds and commercial paper	(12 725)	(15 007)
Receipts on the raising of subordinated loan capital	5 525	0
Redemptions of subordinated loan capital	(8 082)	(9 806)
Interest paid on subordinated loan capital	(1 021)	(722)
Share issue	0	8 000
Group contributions payments	0	(6 000)
Net cash flow from funding activities	63 943	97 060
Effects of exchange rate changes on cash and cash equivalents	(3 468)	967
Net cash flow	75 090	205 571
Cash as at 1 January	229 031	23 460
Net receipts of cash	75 090	205 571
Cash at end of period ¹⁾	304 121	229 031
<i>*) Of which: Cash and deposits with central banks</i>	<i>298 892</i>	<i>224 581</i>
<i>Deposits with credit institutions with no agreed period of notice ¹⁾</i>	<i>5 229</i>	<i>4 450</i>

1) Recorded under "Due from credit institutions" in the balance sheet.

The cash flow statement shows receipts and payments of cash and cash equivalents during the period. The statement has been prepared in accordance with the direct method. Cash flows are classified as operating activities, investment activities or funding activities. Balance sheet items are adjusted for the effects of exchange rate movements. Cash is defined as cash and deposits with central banks, and deposits with credit institutions with no agreed period of notice.

Note 1 Accounting principles

The fourth quarter accounts 2012 have been prepared according to IAS 34 Interim Financial Reporting. A description of the accounting principles applied by the banking group is found in the annual report for 2011. The annual and interim accounts for the banking group are prepared according to IFRS principles as endorsed by the EU. The statutory accounts of DNB Bank ASA have been prepared according to the Norwegian Ministry of Finance's regulations on annual accounts, Section 1-5, on the use of IFRS, which implies that recognition and measurements are in accordance with IFRS and that the presentation and note information are in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

The banking group's accounting principles and calculation methods are essentially the same as those described in the annual report for 2011. With effect from the first quarter of 2012, however, profits from repossessed operations which are fully consolidated in the DNB Bank Group are presented net under "Profit from repossessed operations" in the company's internal reporting of business areas. The repossessed operations are included in the Group Centre. The presentation in note 4 Segments has been adjusted correspondingly, including comparable figures. The changes are of significance only to the presentation of profits for the individual business areas and have no impact on the presentation of the banking group's income statement.

No new or amended accounting standards or interpretations entered into force during 2012, apart from the amendments to IAS 12 Income Taxes, described below.

Amendments to IAS 12 Income Taxes

The amendments imply that deferred tax on investment property carried at fair value according to IAS 40 Investment Property, as a rule should be determined based on the presumption that the carrying amount of the asset will be recovered through sale rather than use. The amendments also apply to non-depreciable assets recorded at fair value according to the rules in IAS 16 Property, Plant and Equipment. The amendments to IAS 12 entered into force on 1 January 2012 and were endorsed by the EU in the fourth quarter of 2012. The amendments are not expected to have any significant impact on the banking group's use of accounting principles.

Note 2 Important accounting estimates and discretionary assessments

When preparing the accounts of the bank and the banking group, management makes estimates and discretionary assessments and prepares assumptions that influence the effect of the accounting principles applied and thus the recorded values of assets, liabilities, income and expenses. A more detailed description of important estimates and assumptions is presented in note 1 Important accounting estimates and discretionary assessments in the annual report for 2011.

Note 3 Changes in group structure

Pres-Vac

Pres-Vac Engineering Aps and Valpress GmbH (Pres-Vac) develop and produce, among other things, tank valves for ships which transport liquid cargo. As part of the restructuring of the bank's commitment with the companies, DNB Bank ASA took over all the shares in the companies. With effect from the first quarter of 2012, the companies are consolidated in the group accounts.

The companies were taken over at a price of DKK 1 and EUR 1, respectively. At the beginning of 2012, the Pres-Vac Group had a total negative equity of DKK 208 million. Prior to the acquisition, DNB Bank ASA had written down the loan by approximately DKK 272 million. In the acquisition analysis, the remaining DKK 64 million was considered to represent the difference between fair value and recorded value of goodwill in Pres-Vac's consolidated accounts.

During the first quarter of 2012, DKK 105 million of the company's debt to the bank was converted to equity. Sales revenues for 2012 were DKK 97 million, while operating expenses came to DKK 149 million (including impairment losses for goodwill of DKK 38 million). The company recorded an operating loss of DKK 52 million.

Bryggetorget Holding AS

After Faktor Eiendom ASA went into liquidation, Bryggetorget Holding AS, which is owned by DNB Bank ASA, took over Skurufjellet Eiendom AS, Trysiltunet Eiendom AS and Trysilfjell Apartment Eiendom AS from the estate in the first quarter of 2012. In addition, 31 holiday apartments in Uvdal organised as a housing cooperative were taken over. The properties were acquired at fair value. After the acquisition, the balance sheet value of the properties in Bryggetorget Holding was NOK 222 million.

SalusAnsvar

During the third quarter of 2012, DNB entered into an agreement to sell the wholly-owned subsidiary SalusAnsvar AB to the insurance company Folksam Sak AB at a price of approximately SEK 480 million. SalusAnsvar primarily offers non-life insurance and personal insurance in the Swedish market. The company's staff represents 137 full-time positions. In consequence of the agreement, the DNB bank Group recorded impairment losses for goodwill of SEK 55 million (corresponding to NOK 47 million) in the third quarter of 2012. The transaction was approved by the supervisory authorities during the fourth quarter, and the operations were classified as held for sale in the group accounts as at 31 December 2012. Assets totalling SEK 444 million (corresponding to NOK 380 million), classified as held for sale, included the residual value of goodwill of SEK 210 million and other intangible assets of SEK 80 million.

Note 4 Segments

Business areas

DNB's business areas are independent profit centres and have responsibility for serving all of the banking group's customers and for the total range of products. The operational structure of the DNB Bank Group in 2012 included three business areas and four staff and support units. The business areas comprised Retail Banking, Large Corporates and International and DNB Markets. In addition, operations in DNB Baltics and Poland were reported as a separate profit centre.

- Retail Banking - offers a broad range of financial products and services through a wide distribution network. In cooperation with several of the banking group's product areas, customers are offered various financing and leasing, deposit and investment alternatives, insurance, as well as real estate broking and financial advisory services. In addition, extensive everyday banking services are provided through the internet bank, mobile banking, SMS services, branch offices, in-store banking outlets, in-store postal outlets and Norway Post. The ordinary home mortgage operations of DNB Boligkreditt AS are integrated in Retail Banking, while the company's debt capital funding is shown under the Group Centre.
- Large Corporates and International - offers a broad range of financial products and services to large Norwegian and international customers in cooperation with several of the banking group's product areas, including various types of financing solutions, deposits and investments, insurance, e-commerce products, commercial property brokerage, foreign currency, interest rate products, trade finance and corporate finance services.
- DNB Markets - is the banking group's investment bank with the key products foreign exchange, interest rate and commodity products, securities and other investment products, debt and equity financing in capital markets, research and advisory services, as well as custodial and other securities services.
- DNB Baltics and Poland - offers financial services to corporate and personal customers in Estonia, Latvia and Lithuania. The strategy in Poland has been changed, whereby future operations will focus on the corporate market within the DNB Bank Group's international priority areas.

The income statement and balance sheet for the business areas have been prepared on the basis of internal financial reporting for the functional organisation of the DNB Bank Group into business areas, as reported to group management (highest decision-making body) for an assessment of current developments and the allocation of resources. Figures for the business areas are based on DNB's management model and accounting principles. The figures have been restated in accordance with the banking group's current principles for allocating costs and capital between business areas and are based on a number of assumptions, estimates and discretionary distribution. Internal transfer rates used between the business areas are determined based on observable market rates, e.g. NIBOR. Additional costs relating to the banking group's long-term funding are charged to the business areas. With effect from the first quarter of 2012, profits from repossessed operations which are fully consolidated in the DNB Bank Group are presented net under "Profit from repossessed operations" in the company's internal reporting of business areas. The acquired companies are included in the Group Centre. See note 1 Accounting principles. Figures for previous periods have been restated.

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

Certain customers and transactions of major importance require extensive cooperation within the banking group. To stimulate such cooperation, operating income and expenses relating to some of these customers and transactions are recorded in the accounts of all relevant business areas. This refers primarily to income from customer trading in DNB Markets. Double entries are presented gross in the income statement. Income is presented under "Income attributable to product suppliers", appurtenant costs under "Costs attributable to product suppliers" and impairment under "Impairment attributable to product suppliers". Double entries are eliminated in the group accounts.

Note 4 Segments (continued)

Income statement, fourth quarter

	DNB Bank Group											
	Retail Banking		Large Corporates and International		DNB Markets		DNB Baltics and Poland		Other operations/ eliminations ¹⁾		DNB Bank Group	
	4th quarter		4th quarter		4th quarter		4th quarter		4th quarter		4th quarter	
<i>Amounts in NOK million</i>	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Net interest income - ordinary operations	4 274	3 646	2 242	2 252	79	195	259	315	328	397	7 181	6 804
Interest on allocated capital ²⁾	104	166	120	189	32	50	1	15	(256)	(419)	0	0
Net interest income	4 378	3 812	2 362	2 440	111	245	260	329	72	(23)	7 181	6 804
Other operating income	937	892	351	286	1 450	1 247	221	226	451	2 418	3 410	5 068
Income attributable to product suppliers	297	340	634	516	0	0	0	0	(931)	(856)	0	0
Net other operating income	1 234	1 232	985	802	1 450	1 247	221	226	(480)	1 561	3 410	5 068
Total income	5 612	5 044	3 346	3 242	1 560	1 493	481	555	(408)	1 539	10 592	11 873
Other operating expenses	2 717	2 752	671	705	513	483	508	570	622	726	5 031	5 236
Cost attributable to product suppliers	148	176	268	219	0	0	0	0	(416)	(395)	0	0
Operating expenses	2 865	2 929	939	924	513	483	508	570	206	331	5 031	5 236
Pre-tax operating profit before impairment	2 747	2 116	2 407	2 318	1 048	1 009	(27)	(15)	(614)	1 208	5 561	6 636
Net gains on fixed and intangible assets	1	0	0	0	(3)	0	(6)	(4)	(56)	3	(65)	(1)
Impairment of loans and guarantees ³⁾	467	274	670	338	0	0	36	217	17	97	1 190	926
Impairment loss attributable to product suppliers	0	0	0	(2)	0	0	0	0	0	2	0	0
Profit from repossessed operations	(35)	0	(2)	(136)	0	0	0	0	38	136	0	0
Pre-tax operating profit	2 246	1 842	1 734	1 846	1 045	1 009	(69)	(236)	(650)	1 248	4 307	5 709

1) Other operations/eliminations:

	Elimination of income/ cost attributable							
	to product suppliers		Other eliminations		Group Centre ¹⁾		Total	
	4th quarter		4th quarter		4th quarter		4th quarter	
<i>Amounts in NOK million</i>	2012	2011	2012	2011	2012	2011	2012	2011
Net interest income - ordinary operations	0	0	0	0	328	397	328	397
Interest on allocated capital ²⁾	0	0	0	0	(256)	(419)	(256)	(419)
Net interest income	0	0	0	0	72	(22)	72	(23)
Other operating income	0	0	(175)	(70)	626	2 487	451	2 418
Income attributable to product suppliers	(931)	(856)	0	0	0	0	(931)	(856)
Net other operating income	(931)	(856)	(175)	(70)	626	2 487	(480)	1 561
Total income	(931)	(856)	(175)	(70)	697	2 465	(408)	1 539
Other operating expenses	0	0	(175)	(70)	797	796	622	726
Cost attributable to product suppliers	(416)	(395)	0	0	0	0	(416)	(395)
Operating expenses	(416)	(395)	(175)	(70)	797	796	206	331
Pre-tax operating profit before impairment	(514)	(461)	0	0	(100)	1 669	(614)	1 208
Net gains on fixed and intangible assets	0	0	0	0	(56)	3	(56)	3
Impairment of loans and guarantees ³⁾	0	0	0	0	17	97	17	97
Impairment loss attributable to product suppliers	0	2	0	0	0	0	0	2
Profit from repossessed operations	0	0	0	0	38	136	38	136
Pre-tax operating profit	(515)	(463)	0	0	(135)	1 711	(650)	1 248

The eliminations refer mainly to internal services from support units to business areas and between business areas. Further, intra-group transactions and gains and losses on transactions between companies in the banking group are eliminated. The elimination of income/cost attributable to product suppliers primarily concerns net profits on customer business carried out in cooperation between DNB Markets and other business areas and taken to income in both areas.

The Group Centre includes Operations, HR (Human Resources), IT, Group Finance and Risk Management, Marketing, Communications and eBusiness, Corporate Centre, Treasury, the partially owned company Eksportfinans and investments in IT infrastructure. In addition, the Group Centre includes that part of the banking group's equity that is not allocated to the business areas. With effect from the first quarter of 2012, profits from repossessed operations which are fully consolidated in the DNB Bank Group are presented net under "Profit from repossessed operations" in the company's internal reporting of business areas. The acquired companies are included in the Group Centre. Figures for previous periods have been restated.

	4th quarter	
	2012	2011
* ⁾ Group Centre - pre-tax operating profit in NOK million		
+ Interest on unallocated equity etc.	311	167
+ Income from equities investments	(96)	(14)
+ Gains on fixed and intangible assets	(56)	2
+ Mark-to-market adjustments Treasury and fair value on lending	(299)	91
+ Basis swaps	235	2 017
+ Eksportfinans ASA	140	112
+ Net gains on investment property	4	(116)
- Unallocated impairment of loans and guarantees	17	97
- Allocated to employees	54	52
- Unallocated pension expenses	130	11
- Unallocated IT expenses	87	54
- Funding costs on goodwill	10	15
- Impairment losses for intangible assets	0	190
Other	(76)	(129)
Pre-tax operating profit	(135)	1 711

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

3) See note 13 Impairment loss on loans and guarantees for an analysis of the gross change in impairment for the banking group.

Note 4 Segments (continued)

Main average balance sheet items

	DNB Bank Group											
	Retail Banking		Large Corporates and International		DNB Markets		DNB Baltics and Poland		Other operations/ eliminations		DNB Bank Group	
	4th quarter		4th quarter		4th quarter		4th quarter		4th quarter		4th quarter	
<i>Amounts in NOK billion</i>	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Loans to customers ¹⁾	868.7	809.2	383.9	395.0	2.9	1.9	52.6	54.6	11.5	11.9	1 319.6	1 272.6
Deposits from customers ¹⁾	463.6	424.4	308.9	249.5	42.7	44.7	29.1	22.3	4.2	16.2	848.5	757.2
Allocated capital ²⁾	21.2	22.1	24.8	25.2	6.6	6.7	3.5	3.8				

Key figures

	DNB Bank Group											
	Retail Banking		Large Corporates and International		DNB Markets		DNB Baltics and Poland		Other operations		DNB Bank Group	
	4th quarter		4th quarter		4th quarter		4th quarter		4th quarter		4th quarter	
<i>Per cent</i>	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Cost/income ratio ³⁾	51.0	58.1	28.1	28.5	32.9	32.4	105.6	68.4			46.7	40.9
Ratio of deposits to loans ¹⁾⁴⁾	53.4	52.5	80.5	63.2			55.4	40.9			64.3	59.5
Return on allocated capital, annualised ²⁾	30.3	23.8	20.0	20.9	45.5	42.9	(6.3)	(19.9)				
Number of full-time positions as at 31 Dec. ⁵⁾	4 897	5 040	1 118	1 174	722	698	3 083	3 297	2 454	2 352	12 274	12 560

- 1) Loans to customers include accrued interest, impairment and value adjustments. Loans to credit institutions are not included. Correspondingly, deposits from customers include accrued interest and value adjustments. Amounts due from credit institutions are not included.
- 2) The allocated capital and return on allocated capital for the business areas are calculated on the basis of internal measurement of risk-adjusted capital requirement.
- 3) Total operating expenses relative to total income.
- 4) Deposits from customers relative to loans to customers.
- 5) Historical figures for DNB Baltics and Poland do not include DnB NORD's operations and branches in Finland and Denmark which have been closed down or transferred to DNB in Oslo.

Income statement, full year

	DNB Bank Group											
	Retail Banking		Large Corporates and International		DNB Markets		DNB Baltics and Poland		Other operations/ eliminations		DNB Bank Group	
	Full year		Full year		Full year		Full year		Full year		Full year	
<i>Amounts in NOK million</i>	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Net interest income - ordinary operations	15 883	13 805	8 750	7 584	552	842	1 039	1 268	1 332	1 733	27 557	25 232
Interest on allocated capital	481	592	585	661	157	165	22	51	(1 245)	(1 468)	0	0
Net interest income	16 364	14 397	9 335	8 245	710	1 007	1 061	1 319	87	265	27 557	25 232
Other operating income	3 970	3 681	1 309	1 097	6 838	5 152	886	763	(1 156)	4 019	11 847	14 713
Income attributable to product suppliers	1 135	1 328	2 344	2 100	0	0	0	0	(3 478)	(3 428)	0	0
Net other operating income	5 105	5 010	3 653	3 196	6 838	5 152	886	763	(4 634)	591	11 847	14 713
Total income	21 469	19 406	12 987	11 441	7 547	6 159	1 948	2 082	(4 547)	856	39 404	39 945
Other operating expenses	10 895	10 659	2 600	2 463	2 170	1 999	1 558	1 484	2 140	2 103	19 363	18 708
Cost attributable to product suppliers	562	658	972	873	0	0	0	0	(1 534)	(1 531)	0	0
Operating expenses	11 457	11 317	3 572	3 336	2 170	1 999	1 558	1 484	606	573	19 363	18 708
Pre-tax operating profit before impairment	10 012	8 089	9 415	8 106	5 378	4 160	389	598	(5 153)	284	20 041	21 237
Net gains on fixed and intangible assets	0	2	0	0	(3)	0	(3)	9	4	8	(1)	19
Impairment of loans and guarantees	1 139	877	1 674	1 175	0	0	256	1 280	110	113	3 179	3 445
Impairment loss attributable to product suppliers	0	0	0	1	0	0	0	0	0	(1)	0	0
Profit from repossessed operations	(48)	0	(148)	(197)	0	0	0	0	196	197	0	0
Pre-tax operating profit	8 825	7 214	7 594	6 734	5 375	4 160	130	(673)	(5 063)	376	16 860	17 811

Note 5 Net interest income

<i>Amounts in NOK million</i>	DNB Bank ASA			
	4th quarter 2012	4th quarter 2011	Full year 2012	Full year 2011
Interest on amounts due from credit institutions	590	1 844	4 570	6 713
Interest on loans to customers	8 721	7 844	31 578	28 692
Interest on impaired loans and guarantees	151	112	580	441
Interest on commercial paper and bonds	1 660	2 286	7 298	9 128
Front-end fees etc.	70	84	287	271
Other interest income	839	583	4 249	2 783
Total interest income	12 032	12 754	48 562	48 030
Interest on amounts due to credit institutions	693	1 026	3 320	4 485
Interest on deposits from customers	4 056	3 867	15 444	13 716
Interest on debt securities issued	1 008	1 340	5 007	4 885
Interest on subordinated loan capital	144	149	676	612
Other interest expenses ¹⁾	244	492	1 945	3 024
Total interest expenses	6 146	6 873	26 391	26 722
Net interest income	5 887	5 880	22 170	21 308

<i>Amounts in NOK million</i>	DNB Bank Group			
	4th quarter 2012	4th quarter 2011	Full year 2012	Full year 2011
Interest on amounts due from credit institutions	177	453	1 196	1 426
Interest on loans to customers	12 999	13 512	53 263	49 189
Interest on impaired loans and guarantees	164	86	625	548
Interest on commercial paper and bonds	1 147	1 336	4 944	6 100
Front-end fees etc.	83	91	337	292
Other interest income	538	646	3 195	3 007
Total interest income	15 107	16 124	63 560	60 563
Interest on amounts due to credit institutions	673	958	3 264	4 426
Interest on deposits from customers	3 894	4 048	15 992	14 452
Interest on debt securities issued	2 968	3 315	13 135	12 118
Interest on subordinated loan capital	143	149	676	616
Other interest expenses ¹⁾	247	848	2 936	3 719
Total interest expenses	7 926	9 319	36 003	35 331
Net interest income	7 181	6 804	27 557	25 232

1) Other interest expenses include interest rate adjustments resulting from interest swaps entered into.

Note 6 Net commission and fee income

<i>Amounts in NOK million</i>	DNB Bank ASA			
	4th quarter 2012	4th quarter 2011	Full year 2012	Full year 2011
Money transfer fees	786	708	3 015	2 784
Fees on asset management services	51	48	201	223
Fees on custodial services	78	72	320	310
Fees on securities broking	36	41	169	248
Corporate finance	123	89	355	295
Interbank fees	11	22	41	87
Credit broking commissions	143	31	439	480
Sales commissions on insurance products	75	63	276	267
Sundry commissions and fees on banking services	143	149	577	602
Total commission and fee income etc.	1 446	1 225	5 393	5 296
Money transfer fees	298	270	1 113	1 016
Commissions on fund management services	0	0	0	0
Fees on custodial services	27	27	132	122
Interbank fees	20	32	75	123
Credit broking commissions	28	37	121	125
Commissions on the sale of insurance products	0	0	0	0
Sundry commissions and fees on banking services	122	146	561	550
Total commission and fee expenses etc.	495	512	2 003	1 935
Net commission and fee income	950	713	3 390	3 361

<i>Amounts in NOK million</i>	DNB Bank Group			
	4th quarter 2012	4th quarter 2011	Full year 2012	Full year 2011
Money transfer fees	804	762	3 190	2 988
Fees on asset management services	57	51	228	237
Fees on custodial services	80	74	326	317
Fees on securities broking	46	36	185	254
Corporate finance	192	123	585	454
Interbank fees	10	23	43	92
Credit broking commissions	143	33	445	488
Sales commissions on insurance products	79	105	409	434
Sundry commissions and fees on banking services	202	252	891	968
Total commission and fee income etc.	1 613	1 461	6 302	6 233
Money transfer fees	303	278	1 142	1 049
Commissions on fund management services	0	0	1	0
Fees on custodial services	27	27	132	122
Interbank fees	20	33	78	130
Credit broking commissions	21	29	91	93
Commissions on the sale of insurance products	1	6	17	16
Sundry commissions and fees on banking services	136	162	621	605
Total commission and fee expenses etc.	507	536	2 083	2 015
Net commission and fee income	1 106	925	4 219	4 218

Note 7 Net gains on financial instruments at fair value

<i>Amounts in NOK million</i>	DNB Bank ASA			
	4th quarter 2012	4th quarter 2011	Full year 2012	Full year 2011
Dividends	55	61	385	495
Net gains on commercial paper and bonds ¹⁾	976	(591)	4 529	(117)
Net gains on shareholdings	202	(215)	110	(333)
Net unrealised gains on basis swaps	(328)	973	(934)	1 636
Net gains on other financial instruments	581	1 435	3 323	3 605
Net gains on financial instruments at fair value	1 487	1 663	7 413	5 286

<i>Amounts in NOK million</i>	DNB Bank Group			
	4th quarter 2012	4th quarter 2011	Full year 2012	Full year 2011
Dividends	54	61	392	514
Net gains on commercial paper and bonds	795	21	3 044	421
Net gains on shareholdings	195	(216)	123	(259)
Net unrealised gains on basis swaps	235	2 069	(1 687)	3 031
Net gains on other financial instruments	69	1 435	2 027	3 922
Net gains on financial instruments at fair value	1 348	3 369	3 899	7 628

1) Unrealised gains on DNB Bank ASA's investments in covered bonds issued by DNB Boligkreditt were NOK 183 million in the fourth quarter of 2012. Investments in such bonds totalled NOK 84.4 billion at 31 December 2012, of which NOK 82.6 billion have been used in the exchange scheme with the Norwegian government. See note 21 Information on related parties – stimulus packages.

Note 8 Profit from companies accounted for by the equity method

Moody's and Standard & Poor's downgrades of Eksportfinans' credit rating in the fourth quarter of 2011 resulted in sizeable unrealised gains on the company's long-term funding. The effect of such unrealised gains on DNB's holding, after tax, represented NOK 11.8 billion in the fourth quarter of 2011. After reviewing the fair value of the company in connection with the closing of the annual accounts, DNB wrote down the value by an amount corresponding to unrealised gains on Eksportfinans' own debt in the fourth quarter of 2011. In 2012, the required rate of return in the market has been reduced, and Eksportfinans has sizeable unrealised losses on own debt. The impairment loss recorded by DNB in the fourth quarter of 2011 has been reversed by an amount corresponding to these unrealised losses. The reversal represented just under NOK 7.5 billion of DNB's holding after tax. The impairment loss in 2011 and the reversal in 2012 have been reported on the line "Profit from companies accounted for by the equity method" along with DNB's share of profits from the company.

Note 9 Other income

<i>Amounts in NOK million</i>	DNB Bank ASA			
	4th quarter 2012	4th quarter 2011	Full year 2012	Full year 2011
Income from owned/leased premises	30	29	111	89
Group contributions and dividends from subsidiaries	468	1 715	468	1 715
Miscellaneous operating income	1 355	219	4 083	1 900
Total other income	1 853	1 964	4 662	3 703

<i>Amounts in NOK million</i>	DNB Bank Group			
	4th quarter 2012	4th quarter 2011	Full year 2012	Full year 2011
Income from owned/leased premises	20	9	80	42
Income from investment properties	66	64	273	197
Fees on real estate broking	288	260	1 134	1 012
Miscellaneous operating income	421	462	1 794	1 570
Total other income	795	795	3 281	2 822

Note 10 Operating expenses

<i>Amounts in NOK million</i>	DNB Bank ASA			
	4th quarter 2012	4th quarter 2011	Full year 2012	Full year 2011
Salaries	1 469	1 491	5 811	5 505
Employer's national insurance contributions	189	112	784	650
Pension expenses	340	173	1 136	747
Restructuring expenses	15	12	34	16
Other personnel expenses	159	149	608	571
Total salaries and other personnel expenses	2 171	1 937	8 374	7 490
Fees ¹⁾	328	496	1 113	1 577
IT expenses ¹⁾	434	345	1 681	1 445
Postage and telecommunications	68	80	275	288
Office supplies	15	23	51	58
Marketing and public relations	146	162	558	609
Travel expenses	64	72	192	206
Reimbursement to Norway Post for transactions executed	34	39	138	167
Training expenses	15	18	49	57
Operating expenses on properties and premises	352	272	1 235	1 100
Operating expenses on machinery, vehicles and office equipment	23	24	96	99
Other operating expenses	148	107	564	497
Total other expenses	1 627	1 640	5 953	6 104
Depreciation and impairment of fixed and intangible assets	612	1 181	1 876	2 417
Total depreciation and impairment of fixed and intangible assets	612	1 181	1 876	2 417
Total operating expenses	4 409	4 758	16 203	16 011

Note 10 Operating expenses (continued)

<i>Amounts in NOK million</i>	DNB Bank Group			
	4th quarter 2012	4th quarter 2011	Full year 2012	Full year 2011
Salaries	1 711	1 798	7 069	6 804
Employer's national insurance contributions	237	171	1 003	867
Pension expenses	353	203	1 217	847
Restructuring expenses	36	12	75	17
Other personnel expenses	166	176	667	637
Total salaries and other personnel expenses	2 504	2 361	10 030	9 171
Fees ¹⁾	348	504	1 216	1 702
IT expenses ¹⁾	437	413	1 843	1 670
Postage and telecommunications	73	90	321	344
Office supplies	33	35	94	97
Marketing and public relations	205	249	892	938
Travel expenses	72	85	228	246
Reimbursement to Norway Post for transactions executed	34	39	138	167
Training expenses	19	23	59	68
Operating expenses on properties and premises	407	344	1 492	1 338
Operating expenses on machinery, vehicles and office equipment	35	37	140	143
Other operating expenses	271	212	920	763
Total other expenses	1 934	2 033	7 343	7 475
Impairment losses for goodwill ²⁾	0	190	85	190
Depreciation and impairment of fixed and intangible assets	592	654	1 905	1 872
Total depreciation and impairment of fixed and intangible assets	592	843	1 990	2 062
Total operating expenses	5 031	5 236	19 363	18 708

1) Fees also include system development fees and must be viewed relative to IT expenses.

2) Impairment losses for goodwill of NOK 47 million relating to SalusAnsvar and NOK 38 million to Pres-Vac were recorded in the third quarter of 2012. Impairment losses for goodwill of NOK 190 million relating to Poland were recorded in the fourth quarter of 2011.

Note 11 Number of employees/full-time positions

	DNB Bank ASA			
	4th quarter 2012	4th quarter 2011	Full year 2012	Full year 2011
Number of employees at end of period	8 338	8 232	8 338	8 232
- of which number of employees abroad	751	736	751	736
Number of employees calculated on a full-time basis at end of period	8 037	7 944	8 037	7 944
- of which number of employees calculated on a full-time basis abroad	739	722	739	722
Average number of employees	8 315	8 206	8 226	7 985
Average number of employees calculated on a full-time basis	8 012	7 922	7 933	7 719

	DNB Bank Group			
	4th quarter 2012 ¹⁾	4th quarter 2011	Full year 2012 ¹⁾	Full year 2011
Number of employees at end of period	12 655	12 982	12 655	12 982
- of which number of employees abroad	4 293	4 583	4 293	4 583
Number of employees calculated on a full-time basis at end of period	12 274	12 560	12 274	12 560
- of which number of employees calculated on a full-time basis abroad	4 240	4 471	4 240	4 471
Average number of employees	12 752	12 900	12 909	12 557
Average number of employees calculated on a full-time basis	12 357	12 504	12 501	12 197

1) Including 147 employees and 137 full-time positions in Salus Ansvar AB. The sale of Salus Ansvar was formally completed in January 2013.

Note 12 Taxes

DNB Bank ASA		Balancing tax charges against pre-tax operating profit	DNB Bank Group	
Full year 2011	Full year 2012		Full year 2012	Full year 2011
<i>Amounts in NOK million</i>				
15 653	18 236	Operating profit before taxes	16 860	17 811
4 383	5 106	Estimated income tax - nominal tax rate (28 per cent)	4 721	4 987
317	2	Tax effect of different tax rates in other countries	(14)	329
84	(37)	Tax effect of debt interest distribution with international branches	(37)	84
19	270	Tax effect of tax-exempt income and non-deductible expenses	180	(219)
0	0	Tax effect of tax losses carried forward not recognised in the balance sheet ¹⁾	47	382
217	(424)	Excess tax provision previous year ²⁾	(424)	(255)
5 020	4 917	Total taxes	4 473	5 308
32%	27%	Effective tax rate	27%	30%

- 1) Deferred taxes for tax-deductible differences (mainly losses carried forward) in subsidiaries are recognised in the balance sheet to the extent that it is probable that the Group can utilize the tax positions in the future.
- 2) NOK 335 million of this represents recognition of deferred tax assets in 2012 (NOK 440 million in 2011) which have not been recognised in the balance sheet in previous years.

Note 13 Impairment of loans and guarantees

<i>Amounts in NOK million</i>	DNB Bank ASA			
	4th quarter 2012	4th quarter 2011	Full year 2012	Full year 2011
Write-offs	137	82	271	492
New individual impairment	894	935	3 223	2 357
Total new individual impairment	1 031	1 018	3 494	2 849
Reassessed individual impairment	54	85	364	461
Recoveries on loans and guarantees previously written off	99	114	383	415
Net individual impairment	878	819	2 747	1 973
Change in collective impairment of loans	277	(30)	448	56
Impairment of loans and guarantees ¹⁾	1 156	789	3 195	2 029
Write-offs covered by individual impairment made in previous years	726	531	2 000	1 464
1) Of which individual impairment of guarantees	1	41	61	41

<i>Amounts in NOK million</i>	DNB Bank Group			
	4th quarter 2012	4th quarter 2011	Full year 2012	Full year 2011
Write-offs	144	103	344	550
New individual impairment	1 070	1 265	3 800	4 120
Total new individual impairment	1 214	1 368	4 144	4 670
Reassessed individual impairment	158	228	818	1 015
Recoveries on loans and guarantees previously written off	108	120	412	437
Net individual impairment	949	1 020	2 915	3 217
Change in collective impairment of loans	241	(94)	265	227
Impairment of loans and guarantees ¹⁾	1 190	926	3 179	3 445
Write-offs covered by individual impairment made in previous years	976	770	2 876	2 753
1) Of which individual impairment of guarantees	0	40	63	26

Note 14 Loans to customers

DNB Bank ASA			DNB Bank Group	
31 Dec. 2011	31 Dec. 2012		31 Dec. 2012	31 Dec. 2011
<i>Amounts in NOK million</i>				
Loans at amortised cost:				
653 927	660 384	Loans to customers, nominal amount	1 179 902	1 192 164
4 883	5 835	Individual impairment	9 308	9 521
649 044	654 549	Loans to customers, after individual impairment	1 170 593	1 182 644
400	990	+ Accrued interest and amortisation	2 427	2 265
525	546	- Individual impairment of accrued interest and amortisation	708	710
1 424	1 867	- Collective impairment	2 321	2 119
647 495	653 125	Loans to customers, at amortised cost	1 169 991	1 182 080
Loans at fair value:				
64 045	60 095	Loans to customers, nominal amount	137 032	108 488
433	341	+ Accrued interest	523	559
(6)	182	+ Adjustment to fair value	1 317	533
64 472	60 618	Loans to customers, at fair value	138 872	109 580
711 966	713 743	Loans to customers	1 308 864	1 291 660

Note 15 Net impaired loans and guarantees for principal customer groups ¹⁾

DNB Bank ASA			DNB Bank Group	
31 Dec. 2011	31 Dec. 2012		31 Dec. 2012	31 Dec. 2011
<i>Amounts in NOK million</i>				
1 530	1 391	Private individuals	3 545	3 771
3 504	5 234	Transportation by sea and pipelines and vessel construction	5 246	3 551
3 059	3 080	Real estate	3 685	3 575
1 448	1 428	Manufacturing	1 811	2 072
323	354	Services	573	572
434	130	Trade	370	854
0	40	Oil and gas	40	0
98	358	Transportation and communication	584	334
256	742	Building and construction	1 030	647
0	91	Power and water supply	105	0
60	66	Seafood	67	67
77	65	Hotels and restaurants	205	298
104	143	Agriculture and forestry	235	260
0	0	Central and local government	0	0
14	13	Other sectors	15	22
10 907	13 136	Total customers	17 512	16 023
21	0	Credit institutions	0	21
10 928	13 136	Total net impaired loans and guarantees	17 512	16 043
1 895	1 494	Non-performing loans and guarantees not subject to impairment	2 228	3 422
12 823	14 630	Total net non-performing and doubtful loans and guarantees	19 740	19 465

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

Note 16 Commercial paper and bonds, held to maturity

<i>Amounts in NOK million</i>	DNB Bank Group	
	31 Dec. 2012	31 Dec. 2011
DNB Markets	70 831	95 062
Other units	457	980
Commercial paper and bonds, held to maturity	71 288	96 042

As part of ongoing liquidity management, DNB Bank has invested in a portfolio of securities. The portfolio can be used to regulate the liquidity requirement and as a basis for furnishing collateral for operations in various countries. Among other things, the securities serve as collateral for short and long-term borrowing in a number of central banks and as a basis for liquidity buffers to meet regulatory requirements. With effect from 1 July 2008, the international bond portfolio in DNB Markets was reclassified from the category "fair value through profit or loss" to "held-to-maturity investments". Portfolios in this category are recorded at amortised cost and written down if there is objective evidence of a decrease in value.

In line with IAS 39, the portfolio has been reviewed to identify objective indications of impairment. No impairment losses have been identified in the portfolio.

Measurement of the reclassified bond portfolio

The reclassification in accordance with IAS 39 Financial Instruments: Recognition and Measurements requires that the value of the portfolio based on the principles applied before the reclassification must be reported. In a normal market situation, the portfolio would have been recorded at external observable prices before the reclassification. Due to the financial turmoil, there were no such observable prices in the market in 2008. In order to meet the disclosure requirement at end-December 2012, the portfolio has been measured at fair value according to models used for financial instruments not traded in an active market. The model applied is based on a regression analysis whereby historical market data (explanatory variables) which have been observable even during the financial turmoil are used to explain historical changes in value in the portfolio. During the period from the fourth quarter of 2006 up to and including the second quarter of 2008, the model shows a high level of correlation between changes in given market data and changes in value in the portfolio, which at the time was priced in an active market or through broker quotes which were believed to be fairly reliable. If the model had been applied to the portfolio in the fourth quarter of 2012, there would have been a NOK 604 million increase in profits.

Effects of the reclassifications of the international bond portfolio

By measuring the portfolio at amortised cost, the value of the portfolio as at 31 December 2012 was NOK 0.8 billion higher than if the previous valuation principle had been retained. On the reclassification date, the book value of the portfolio was NOK 88.0 billion, compared with NOK 25.5 billion at end-December 2012. The average term to maturity of the portfolio was 5.0 years, and the change in value resulting from an interest rate adjustment of one basis point was NOK 13 million at end-December 2012.

Effects on profits of the reclassification

<i>Amounts in NOK million</i>	DNB Bank Group			
	4th quarter 2012	4th quarter 2011	Full year 2012	Full year 2011
Recorded amortisation effect	5	62	139	329
Net gain, if valued at fair value	609	67	1 464	(1 181)
Effects of reclassification on profits	(604)	(5)	(1 325)	1 510

Effects on the balance sheet of the reclassification

<i>Amounts in NOK million</i>	DNB Bank Group	
	31 Dec. 2012	31 Dec. 2011
Recorded unrealised losses	766	905
Unrealised losses, if valued at fair value	1 585	3 048
Effects of reclassification on the balance sheet	818	2 144

Development in the portfolio after the reclassification

<i>Amounts in NOK million</i>	DNB Bank Group	
	31 Dec. 2012	31 Dec. 2011
Reclassified portfolio, recorded value	25 511	39 825
Reclassified portfolio, if valued at fair value	24 692	37 682
Effects of reclassification on the balance sheet	818	2 144

Note 16 Commercial paper and bonds, held to maturity (continued)

DNB Markets' international bond portfolio

After the reclassification date, DNB Markets has chosen to increase its investments in held-to-maturity securities. According to new proposed liquidity requirements for banks, in order for the securities to be classified as liquid funds, they must qualify for immediate sale. New investments in the international bond portfolio as from 2011 mainly represent covered bonds carried at fair value. As at 31 December 2012 DNB Markets' international bond portfolio represented NOK 120.8 billion. 82.3 per cent of the securities in the portfolio had an AAA rating, while 12.3 per cent were rated AA. There were no synthetic securities in the portfolio and no investments in US sub-prime bonds or Collateralised Debt Obligations, CDOs. Nor were any investments made in Treasury bills in Portugal, Italy, Ireland, Greece or Spain. The structure of DNB Markets' international bond portfolio is shown below.

Asset class	DNB Bank Group	
	Per cent 31 Dec. 2012	NOK million 31 Dec. 2012
Consumer credit	0.1	122
Residential mortgages	35.1	42 679
Corporate loans	0.6	730
Government related	25.2	30 641
Covered bonds	39.0	47 421
Total international bond portfolio DNB Markets, nominal values	100.0	121 593
Accrued interest, amortisation effects and fair value adjustments		(814)
Total international bond portfolio DNB Markets		120 779
Total international bond portfolio DNB Markets, held to maturity		70 831
Of which reclassified portfolio		25 511

The average term to maturity of DNB Markets' international bond portfolio is 3.2 years, and the change in value resulting from an interest rate adjustment of one basis point was NOK 17 million at end-December 2012.

Note 17 Intangible assets

DNB Bank ASA			DNB Bank Group	
31 Dec. 2011	31 Dec. 2012	Amounts in NOK million	31 Dec. 2012	31 Dec. 2011
2 419	2 907	Goodwill ^{1) 2)}	3 036	3 267
819	808	IT systems development	1 528	1 271
310	285	Other intangible assets ³⁾	262	316
3 549	3 999	Total intangible assets	4 826	4 854

1) Nordlandsbanken ASA was merged with DNB Bank ASA on 1 October 2012 with accounting effect from 1 January 2012, increasing goodwill in DNB Bank ASA by NOK 478 million.

2) Impairment losses for goodwill related to SalusAnsva AB of SEK 55 million were recorded in the third quarter of 2012 after an agreement on the sale of the company had been concluded. The sale has been approved by the supervisory authorities and will be reflected in the accounts as from the first quarter of 2013. The remaining goodwill of SEK 210 million was reclassified as "Assets held for sale" in the fourth quarter of 2012. Impairment losses for goodwill related to Pres-Vac Engineering Aps of DKK 38 million were recorded in the third quarter of 2012 due to market developments for the company, which, among other things, produces tank valves for ships which transport liquid cargo.

3) Other intangible assets in SalusAnsva AB, totalling SEK 80 million, were reclassified as "Assets held for sale" in the fourth quarter of 2012.

Note 18 Debt securities issued and subordinated loan capital

As an element in liquidity management, the DNB Bank Group issues and redeems own securities.

Debt securities issued	DNB Bank ASA	
	31 Dec. 2012	31 Dec. 2011
<i>Amounts in NOK million</i>		
Commercial paper issued, nominal amount	244 088	228 415
Bond debt, nominal amount	160 656	149 165
Adjustments	10 254	6 887
Total debt securities issued	414 998	384 467

Changes in debt securities issued	DNB Bank ASA					
	Balance sheet 31 Dec. 2012	Issued 2012	Matured/ redeemed 2012	Exchange rate movements 2012	Other adjustments 2012	Balance sheet 31 Dec. 2011
<i>Amounts in NOK million</i>						
Commercial paper issued, nominal amount	244 088	814 517	798 843			228 415
Bond debt, nominal amount	160 656	40 230	22 031	(6 708)		149 165
Adjustments	10 254				3 367	6 887
Total debt securities issued	414 998	854 746	820 874	(6 708)	3 367	384 467

Changes in subordinated loan capital and perpetual subordinated loan capital securities	DNB Bank ASA					
	Balance sheet 31 Dec. 2012	Issued 2012	Matured/ redeemed 2012	Exchange rate movements 2012	Other adjustments 2012	Balance sheet 31 Dec. 2011
<i>Amounts in NOK million</i>						
Term subordinated loan capital, nominal amount	12 848	5 525	5 278	(172)		12 773
Perpetual subordinated loan capital, nominal amount	3 804			(353)		4 158
Perpetual subordinated loan capital securities, nominal amount ¹⁾	3 162		2 718	(93)		5 973
Adjustments	1 275				109	1 166
Total subordinated loan capital and perpetual subordinated loan capital securities	21 090	5 525	7 996	(618)	109	24 070

Debt securities issued	DNB Bank Group	
	31 Dec. 2012	31 Dec. 2011
<i>Amounts in NOK million</i>		
Commercial paper issued, nominal amount	244 092	228 430
Bond debt, nominal amount ²⁾	438 107	391 326
Adjustments	31 074	20 521
Total debt securities issued	713 273	640 277

Changes in debt securities issued	DNB Bank Group					
	Balance sheet 31 Dec. 2012	Issued 2012	Matured/ redeemed 2012	Exchange rate movements 2012	Other adjustments 2012	Balance sheet 31 Dec. 2011
<i>Amounts in NOK million</i>						
Commercial paper issued, nominal amount	244 092	814 527	798 865			228 430
Bond debt, nominal amount ²⁾	438 107	126 828	62 245	(17 802)		391 326
Adjustments	31 074				10 554	20 521
Total debt securities issued	713 273	941 355	861 109	(17 802)	10 554	640 277

Changes in subordinated loan capital and perpetual subordinated loan capital securities	DNB Bank Group					
	Balance sheet 31 Dec. 2012	Issued 2012	Matured/ redeemed 2012	Exchange rate movements 2012	Other adjustments 2012	Balance sheet 31 Dec. 2011
<i>Amounts in NOK million</i>						
Term subordinated loan capital, nominal amount	12 848	5 525	5 363	(172)		12 859
Perpetual subordinated loan capital, nominal amount	3 804			(353)		4 158
Perpetual subordinated loan capital securities, nominal amount ¹⁾	3 162		2 718	(93)		5 973
Adjustments	1 275				108	1 167
Total subordinated loan capital and perpetual subordinated loan capital securities	21 090	5 525	8 082	(618)	108	24 156

1) Perpetual subordinated loan capital securities are eligible for inclusion in core capital by an amount not exceeding 15 per cent of total core capital. The Norwegian FSA may require that the securities should be written down proportionally to equity if the bank's core capital ratio falls below 5 per cent or capital adequacy ratio falls below 8 per cent. Amounts written down on the securities must be revalued before the distribution of dividends to shareholders or revaluation of equity.

2) Minus own bonds. Outstanding covered bonds in DNB Boligkreditt totalled NOK 361.8 billion as at 31 December 2012. The cover pool represented NOK 516.4 billion.

Note 19 Capital adequacy

The DNB Bank Group follows the Basel II regulations for capital adequacy calculations. Valuation rules used in the statutory accounts form the basis for the consolidation, which is subject to special consolidation rules governed by the Consolidation Regulations.

DNB Bank ASA		Primary capital	DNB Bank Group	
31 Dec. 2011	31 Dec. 2012		31 Dec. 2012	31 Dec. 2011
		<i>Amounts in NOK million</i>		
18 314	18 314	Share capital	18 314	18 314
79 328	87 160	Other equity	98 280	85 990
97 643	105 474	Total equity	116 594	104 304
		Deductions		
0	(8)	Pension funds above pension commitments	(19)	(22)
(2 419)	(2 907)	Goodwill	(3 543)	(3 834)
(3)	(565)	Deferred tax assets	(1 055)	(644)
(1 130)	(1 092)	Other intangible assets	(1 822)	(2 028)
0	0	Group contribution, payable	(6 000)	0
0	0	Unrealised gains on fixed assets	(30)	(30)
(1 022)	(392)	50 per cent of investments in other financial institutions	(538)	(1 022)
(648)	(415)	50 per cent of expected losses exceeding actual losses, IRB portfolios	(626)	(835)
(24)	181	Adjustments for unrealised losses/(gains) on liabilities recorded at fair value	84	(713)
92 396	100 276	Equity Tier 1 capital	103 047	95 177
5 973	3 162	Perpetual subordinated loan capital securities ^{1) 2)}	3 162	6 159
98 370	103 439	Tier 1 capital	106 209	101 336
4 153	3 804	Perpetual subordinated loan capital	3 804	4 153
12 773	12 848	Term subordinated loan capital ²⁾	13 081	13 230
		Deductions		
(1 022)	(392)	50 per cent of investments in other financial institutions	(538)	(1 022)
(648)	(415)	50 per cent of expected losses exceeding actual losses, IRB portfolios	(626)	(835)
		Additions		
0	0	45 per cent of unrealised gains on fixed assets	18	18
15 256	15 846	Tier 2 capital	15 740	15 544
113 625	119 285	Total eligible primary capital ³⁾	121 949	116 879
874 786	874 840	Risk-weighted volume	984 137	1 018 586
69 983	69 987	Minimum capital requirement	78 731	81 487
10.6	11.5	Equity Tier 1 capital ratio (%)	10.5	9.3
11.2	11.8	Tier 1 capital ratio (%)	10.8	9.9
13.0	13.6	Capital ratio (%)	12.4	11.5

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

2) As at 31 December 2012, calculations of capital adequacy for the banking group included a total of NOK 233 million in subordinated loan capital in associated companies.

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

Note 19 Capital adequacy (continued)

Specification of risk-weighted volume and capital requirements

	DNB Bank ASA				
	Nominal exposure	EAD ¹⁾	Risk-weighted volume	Capital requirements	Capital requirements
	31 Dec. 2012	31 Dec. 2012	31 Dec. 2012	31 Dec. 2012	31 Dec. 2011
<i>Amounts in NOK million</i>					
IRB approach					
Corporate	789 221	653 936	362 500	29 000	30 291
Specialised Lending (SL)	4 310	4 255	2 400	192	286
Retail - mortgage loans	67 434	67 434	16 698	1 336	1 477
Retail - other exposures	99 482	82 062	22 992	1 839	1 891
Securitisation	70 831	70 831	23 660	1 893	752
Total credit risk, IRB approach	1 031 278	878 518	428 251	34 260	34 697
Standardised approach					
Central government	130 152	128 425	92	7	6
Institutions	389 755	343 303	65 280	5 222	5 795
Corporate	246 745	204 915	197 410	15 793	16 807
Retail - mortgage loans	18 662	17 397	9 214	737	180
Retail - other exposures	47 432	18 021	13 501	1 080	1 358
Equity positions	53 668	53 668	53 879	4 310	3 229
Other assets	2 836	2 836	2 836	227	310
Total credit risk, standardised approach	889 250	768 566	342 213	27 377	27 686
Total credit risk	1 920 529	1 647 085	770 464	61 637	62 383
Market risk					
Position risk, debt instruments			40 668	3 253	3 057
Position risk, equity instruments			1 295	104	95
Currency risk			0	0	0
Commodity risk			63	5	0
Total market risk			42 026	3 362	3 151
Operational risk			63 133	5 051	4 616
Deductions			(783)	(63)	(168)
Total risk-weighted volume and capital requirements before transitional rule			874 840	69 987	69 983
Additional capital requirements according to transitional rules ²⁾			0	0	0
Total risk-weighted volume and capital requirements			874 840	69 987	69 983

1) EAD, exposure at default.

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

Note 19 Capital adequacy (continued)

Specification of risk-weighted volume and capital requirements

			DNB Bank Group		
	Nominal exposure	EAD ¹⁾	Risk-weighted volume	Capital requirements	Capital requirements
	31 Dec. 2012	31 Dec. 2012	31 Dec. 2012	31 Dec. 2012	31 Dec. 2011
<i>Amounts in NOK million</i>					
IRB approach					
Corporate	808 855	673 236	367 717	29 417	30 453
Specialised Lending (SL)	4 310	4 255	2 400	192	286
Retail - mortgage loans	583 866	583 866	70 687	5 655	5 515
Retail - other exposures	99 482	82 062	22 992	1 839	1 891
Securitisation	70 831	70 831	23 660	1 893	752
Total credit risk, IRB approach	1 567 344	1 414 250	487 457	38 997	38 898
Standardised approach					
Central government	137 650	149 344	121	10	10
Institutions	148 205	117 786	27 516	2 201	2 081
Corporate	336 492	259 009	242 764	19 421	22 576
Retail - mortgage loans	53 391	51 059	27 368	2 189	1 674
Retail - other exposures	62 477	30 311	23 404	1 872	2 857
Equity positions	2 914	2 914	3 124	250	276
Securitisation	4 632	4 632	856	69	143
Other assets	10 051	10 051	10 051	804	920
Total credit risk, standardised approach	755 813	625 108	335 206	26 816	30 537
Total credit risk	2 323 157	2 039 358	822 663	65 813	69 435
Market risk					
Position risk, debt instruments			38 881	3 110	2 833
Position risk, equity instruments			1 295	104	95
Currency risk			0	0	0
Commodity risk			63	5	0
Total market risk			40 239	3 219	2 928
Operational risk			70 816	5 665	5 309
Deductions			(1 410)	(113)	(214)
Total risk-weighted volume and capital requirements before transitional rule			932 308	74 585	77 459
Additional capital requirements according to transitional rules ²⁾			51 829	4 146	4 029
Total risk-weighted volume and capital requirements			984 137	78 731	81 487

1) EAD, exposure at default.

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

Note 19 Capital adequacy (continued)

Basel II implementation

Further progress

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

Portfolios	Reporting methods for credit risk in capital adequacy calculations	
	31 Dec. 2012	31 Dec. 2013 ¹⁾
Retail:		
- mortgage loans, DNB Bank and DNB Boligkreditt	IRB ²⁾	IRB ²⁾
- qualifying revolving retail exposures, DNB Bank ³⁾	IRB ²⁾	IRB ²⁾
- loans in DNB Finans Norway	IRB ²⁾	IRB ²⁾
Corporates:		
- small and medium-sized corporates, DNB Bank	Advanced IRB	Advanced IRB
- large corporate clients (scorecard models), DNB Bank	Advanced IRB	Advanced IRB
- large corporate clients (simulation models), DNB Bank	Standardised	Advanced IRB
- leasing, DNB Bank	Advanced IRB	Advanced IRB
- corporate clients, DNB Næringskreditt	Advanced IRB	Advanced IRB
Securitisation positions:		
- international bond portfolio, DNB Markets	IRB ²⁾	IRB ²⁾
Institutions:		
- banks and financial institutions, DNB Bank	Standardised	Advanced IRB
Exceptions:		
- approved exceptions: government and municipalities, equity positions	Standardised	Standardised
- temporary exceptions: DNB Baltics and Poland, DNB Luxembourg, JSC DNB Bank and various other small portfolios	Standardised	Standardised

1) As according to implementation plan. The conversion is, however, subject to final approval from the Norwegian FSA.

2) There is only one IRB approach for retail exposures and securitisation positions.

3) Reported according to the IRB category Retail - other exposures.

Note 20 Liquidity risk

Liquidity risk is the risk that the DNB Bank Group will be unable to meet its payment obligations. Overall liquidity management in the banking group implies that DNB Bank ASA is responsible for funding domestic subsidiaries, as well as international branches and subsidiaries. Liquidity risk is managed and measured by means of various measurement techniques.

The Board of Directors has approved internal limits which restrict the short-term maturity of liabilities within different time frames. The various maturities are subject to stress testing based on a bank-specific crisis and a systemic crisis and a combination thereof, and a contingency plan has been established to handle market events. In addition, limits have been approved for structural liquidity risk, which implies that lending to customers should largely be financed through customer deposits, subordinated capital and long-term funding. Senior bond debt and covered bonds are the major sources of long-term funding. The banking group's ratio of deposits to net loans was 62.6 per cent at year-end 2012, up from 58.1 per cent a year earlier. The ratio of deposits to net loans in DNB Bank ASA was 110.3 per cent at year-end 2012.

Throughout 2012, the short-term funding markets were generally sound for banks with good credit ratings. DNB had ample access to short-term funding, and investors showed increasing interest in longer maturities during the second half of the year. The markets are less selective than before, and an increasing number of banks are regarded as financially strong and have good access to capital. DNB is still one of these banks.

There was a very high level of activity in the long-term funding markets during the first half of the year, and banks with strong credit ratings had particularly good access to these markets. Prices of long-term funding gradually improved during the January through June period, partly due to the fact that measures launched by the European Central Bank, ECB, the so-called LTRO programme, provided European banks with considerable long-term funding. As the summer was approaching, there was increasing uncertainty regarding European sovereign debt, and very few transactions were completed during the second half of the year. Towards the end of the year, investors showed renewed interest in long-term funding, while the banks had a limited need for new funding. Thus, there was a reduction in funding costs in the second half of the year for both new covered bonds and senior bond debt. The DNB Bank Group completed most of its annual long-term funding activities during the first half of the year and pre-financed some of its funding requirement for 2013 in the second half of the year.

The average remaining term to maturity for the portfolio of senior bond debt was 4.6 years at year-end 2012, compared with 4.5 years a year earlier. The banking group aims to achieve a sound and stable maturity structure for funding over the next five years.

Note 21 Information on related parties

Major transactions and agreements with related parties:

Eksportfinans

DNB Bank ASA has a 40 per cent ownership interest in Eksportfinans. Financial market turbulence resulted in sizeable unrealised losses in Eksportfinans' liquidity portfolio in the first quarter of 2008. In order to ensure an adequate capital base for the company, its Board of Directors implemented three measures:

- A share issue of NOK 1.2 billion aimed at the company's owners was implemented, and all owners participated based on their proportional shares.
- A portfolio hedge agreement was entered into, and the owners were invited to participate. DNB Bank ASA's share of the agreement corresponded to 40.43 per cent. The agreement secures Eksportfinans against further decreases in portfolio values of up to NOK 5 billion effective from 29 February 2008. Any recovery of values relative to nominal values will accrue to the participants in the portfolio hedge agreement as payment for their hedging commitment.
- During the first quarter of 2008, Eksportfinans' largest owner banks, DNB Bank ASA, Nordea Bank AB and Danske Bank A/S, approved a committed credit line giving the company access to a liquidity reserve of up to USD 4 billion. The agreement was renewed in June 2009, June 2010 and June 2011. The renewal in 2010 resulted in a reduction in the limit for the liquidity reserve to USD 2 billion. DNB Bank ASA's share of this agreement represents approximately USD 1.1 billion. Eksportfinans has not availed itself of this credit line.

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

Nordlandsbanken ASA

Nordlandsbanken, which previously was a wholly-owned subsidiary of DNB Bank ASA, was merged with the bank on 1 October 2012 with accounting effect from 1 January 2012.

DNB Boligkreditt previously acquired residential mortgages from Nordlandsbanken. Boligkreditt also purchased management services from Nordlandsbanken related to the transferred mortgages. After the merger between DNB Bank ASA and Nordlandsbanken, all transfers and management fees related to the former Nordlandsbanken portfolio are considered to be transactions between DNB Bank ASA and Boligkreditt, and are included in the paragraph on Boligkreditt below.

DNB Boligkreditt AS

DNB Boligkreditt (Boligkreditt) is 100 per cent owned by DNB Bank ASA. As part of ordinary business transactions, a large number of banking transactions are entered into between Boligkreditt and the bank, including loans, deposits and financial derivatives used in currency and interest rate risk management. Transactions are carried out on market terms and are regulated in the "Agreement relating to transfer of loan portfolio between DNB Bank ASA and DNB Boligkreditt AS" (the transfer agreement) and the "Contract between DNB Bank ASA and DNB Boligkreditt AS concerning purchase of management services" (the servicing agreement).

The transfer agreement regulates the transfer of loan portfolios qualifying as collateral for the issue of covered bonds. In the period 2008 to 2011, portfolios representing NOK 248.3 billion were transferred from DNB Bank ASA to Boligkreditt. In 2011, portfolios representing NOK 6.7 billion were transferred from Nordlandsbanken to Boligkreditt. In 2012, transfers from DNB Bank ASA and Nordlandsbanken totalled NOK 31.7 billion. The transfers are based on market terms.

Pursuant to the servicing agreement, Boligkreditt purchases services from the bank, including administration, bank production, distribution, customer contact, IT operations and financial and liquidity management. Boligkreditt pays an annual management fee for these services. The fee paid to the bank, including Nordlandsbanken, totalled NOK 2.5 billion for 2012.

At end-December 2012 the bank had invested NOK 84.4 billion in covered bonds issued by Boligkreditt. The bank has used bonds issued by Boligkreditt as security for Treasury bills purchased from Norges Bank as part of the stimulus package for the Norwegian financial services industry.

DNB Næringskreditt AS

DNB Næringskreditt (Næringskreditt) is 100 per cent owned by DNB Bank ASA. The mortgage institution was established to issue covered bonds secured by a cover pool comprising commercial property.

The company started operations in the third quarter of 2009. At end-December 2012, commitments with a total value of NOK 21.2 billion had been transferred from the bank to Næringskreditt. The portfolio is diversified with respect to property types, sizes and locations. The transfers are made in agreement with the customers and are based on market terms. Like Boligkreditt, Næringskreditt purchases management and administrative services from the bank. In addition, administrative services relating to the company's operations are purchased from Boligkreditt. The fee paid to the bank and Boligkreditt for 2012 totalled NOK 74.5 million.

Note 21 Information on related parties (continued)

DNB Livsforsikring

As part of the company's ordinary investment activity, DNB Livsforsikring has subscribed for covered bonds issued by Boligkreditt. DNB Livsforsikring's investments in Boligkreditt are limited to listed covered bonds. DNB Livsforsikring's holding of Boligkreditt bonds was valued at NOK 5.2 billion at end-December 2012.

DNB Bank ASA has sold foreign currency loans guaranteed by GIEK, the Norwegian Guarantee Institute for Export Credits, to DNB Livsforsikring. At end-December 2012, the recorded value of these loans was NOK 237 million. In connection with the sale, interest rate and currency swaps were entered into, protecting DNB Livsforsikring against currency risk and providing a total return based on Norwegian interest rates. The bank still carries interest rate, settlement and credit risk associated with the relevant loans. According to the IFRS regulations, the loans have therefore not been removed from the balance sheet. The set-offs to the loans are recorded as deposits from customers.

DNB Livsforsikring has entered into an agreement to purchase three buildings in Bjørvika in Oslo which will become DNB's new head office. One building has been completed, while the two others are scheduled for completion in 2013 and 2014, respectively.

DNB has entered into an agreement to lease the three buildings as and when they are completed. The lease agreement will run for 15 years after the completion of the buildings. After the first lease period, DNB has the right to extend the contract period for five years and for another five years after the expiry of the first extension period.

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

Stimulus packages

On 24 October 2008, the Norwegian parliament authorised the Ministry of Finance to launch a scheme whereby the government and the banks exchange Treasury bills for covered bonds for an agreed period. Norges Bank administers the scheme on commission from the Ministry of Finance.

Under the swap scheme, the government sells Treasury bills to the banks in a time-limited swap for covered bonds. The banks have free disposal over the Treasury bills they acquire and may sell them in the market if they so wish. Treasury bill maturities are between three and six months. The swap agreements last for periods of up to five years, and the banks undertake to purchase new Treasury bills as and when the Treasury bills reach maturity during the agreement period. The Treasury bills are priced at NIBOR plus a premium corresponding to the margin at the time the agreement was concluded. As an additional requirement, there must be a spread of minimum 40 basis points between the agreed interest rate and the Treasury bill yield. Upon expiry of the agreements, the banks are under an obligation to repurchase the covered bonds from the government at the original selling price. Payments related to the covered bonds are credited to the banks on the same day as the payments are made, unless default occurs during the duration of the swap agreement.

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

In practice, the swap agreements imply that the bank purchases Treasury bills from Norges Bank. These are initially recorded as investments in Treasury bills. The obligation to repurchase the bonds at a price corresponding to the value of the Treasury bills is recorded as funding from Norges Bank. At end-December 2012, this funding represented NOK 50.0 billion. At end-December 2012, the bank's investments in Treasury bills used in the swap agreements represented NOK 50.2 billion.

Capitalisation and valuation of subsidiaries

During the first quarter of 2012, DNB Bank ASA took over the shares in AS DNB Pank (former AS DNB Liising) in Estonia at a price of EUR 10.5 million, while the shares in AS DNB Baltics IT were taken over at a price of EUR 2.8 million in the second quarter of 2012. Both companies were acquired from Bank DNB A/S in Copenhagen. The transactions are part of the integration of operations in the former DnB NORD into the DNB Bank Group.

During the second quarter of 2012, AS DNB Pank in Estonia received a capital injection of just over EUR 90 million, while the Polish subsidiary of Bank DNB A/S received a capital injection of PLN 487 million. During the third quarter of 2012, the share capital of DNB Baltic IT was increased by DKK 660 million. During the fourth quarter of 2012, DNB Bank ASA's subsidiary in Asia, DNB Asia Ltd, received a capital injection of USD 1.5 billion as part of the adaptation to regulatory requirements.

In connection with the agreement to sell SalusAnsvar AB, entered into in the third quarter of 2012, the value of DNB Bank ASA's investment in the company was written down by SEK 95 million. The value of DNB Bank ASA's investment in Bryggetorget Holding AS was written down by NOK 48 million in the fourth quarter of 2012, reflecting unrealised losses on investment property.

Note 22 Off-balance sheet transactions, contingencies and post-balance sheet events

Off-balance sheet transactions and additional information

DNB Bank ASA			DNB Bank Group	
31 Dec. 2011	31 Dec. 2012		31 Dec. 2012	31 Dec. 2011
<i>Amounts in NOK million</i>				
46 188	41 752	Performance guarantees	42 729	47 530
21 880	22 006	Payment guarantees	22 716	23 439
20 022	19 236	Loan guarantees ¹⁾	19 236	17 666
5 592	6 635	Guarantees for taxes etc.	6 658	5 645
1 982	2 188	Other guarantee commitments	2 405	2 285
95 664	91 817	Total guarantee commitments	93 743	96 565
0	0	Support agreements	10 863	10 237
95 664	91 817	Total guarantee commitments etc. ¹⁾	104 606	106 802
526 711	460 733	Unutilised credit lines and loan offers	492 947	519 143
2 486	2 147	Documentary credit commitments	2 219	2 594
185	151	Other commitments	221	234
529 382	463 031	Total commitments	495 387	521 971
625 045	554 848	Total guarantee and off-balance commitments	599 993	628 773
90 524	94 871	Pledged securities	94 871	90 524
10	1 131	<i>*) Of which counter-guaranteed by financial institutions</i>	1 139	19

1) DNB Bank ASA carries loans in its balance sheet that subject to legal agreement have been transferred to Eksportfinans and for which the bank has issued guarantees. According to the agreement, DNB Bank still carries interest rate risk and credit risk for the transferred portfolio. Customer loans in the portfolio totalling NOK 4 089 million were recorded in the balance sheet as at 31 December 2012. These loans are not included under guarantees in the table.

Contingencies

Due to its extensive operations in Norway and abroad, the DNB Group will regularly be party to a number of legal actions. None of the current disputes are expected to have any material impact on the Group's financial position.

Ivar Petter Røeggen has instituted legal proceedings against DNB Bank ASA, claiming that two investment agreements for structured products be declared null and void. The Borgarting Court of Appeal found in favour of the bank on 30 September 2011. The disputed amount only applies to the civil action in question, which must be evaluated as a separate case. The judgment has been appealed to the Supreme Court, and the court proceedings are scheduled for February 2013.

In addition to the civil action brought by Ivar Petter Røeggen, a group action against DNB Bank ASA with 19 plaintiffs has been described in previous quarterly reports, relating to the sale of the same structured products as the action brought by Røeggen. The group action has been dismissed in a final judgment. Several of the plaintiffs from the original multi-party action, together with some of the other plaintiffs, have submitted a civil action against DNB Bank ASA in accordance with the rules on joinder of parties. The action has been halted by the Oslo District Court awaiting a final decision in the civil action from Røeggen. Other units in the Group are also involved in legal disputes relating to structured products. The DNB Group contests the claims.

DNB Bank ASA has brought an action against seven Norwegian municipalities for the settlement of interest swaps on commercial terms. The municipalities have stopped their payments under the agreements citing that full settlement took place upon payment of the residual value of the investments made. The bank's total claim in the civil action is NOK 825 million plus interest on overdue payments.

Post-balance sheet events

No information has come to light about important circumstances which had occurred on the balance sheet date on 31 December 2012 and up till the Board of Directors' final consideration of the accounts on 6 February 2013.

Key figures

	DNB Bank Group			
	4th quarter 2012	4th quarter 2011	Full year 2012	Full year 2011
Interest rate analyses				
1. Combined weighted total average spread for lending and deposits (%)	1.21	1.12	1.18	1.10
2. Average spread for ordinary lending to customers (%)	2.16	1.63	1.99	1.57
3. Average spread for deposits from customers (%)	(0.27)	0.27	(0.12)	0.29
Rate of return/profitability				
4. Net other operating income, per cent of total income	32.2	42.7	30.1	36.8
5. Cost/income ratio (%)	47.5	40.9	48.9	45.9
6. Return on equity, annualised (%)	11.1	14.9	11.3	13.5
Financial strength				
7. Equity Tier 1 capital ratio at end of period (%)	10.5	9.3	10.5	9.3
8. Tier 1 capital ratio at end of period (%)	10.8	9.9	10.8	9.9
9. Capital ratio at end of period (%)	12.4	11.5	12.4	11.5
10. Equity Tier 1 capital at end of period (NOK million)	103 047	95 177	103 047	95 177
11. Risk-weighted volume at end of period (NOK million)	984 137	1 018 586	984 137	1 018 586
Loan portfolio and impairment				
12. Individual impairment relative to average net loans to customers, annualised (%)	0.29	0.32	0.22	0.26
13. Impairment relative to average net loans to customers, annualised	0.36	0.29	0.24	0.28
14. Net non-performing and net doubtful loans and guarantees, per cent of net loans	1.48	1.49	1.48	1.49
15. Net non-performing and net doubtful loans and guarantees at end of period (NOK million)	19 740	19 465	19 740	19 465
Liquidity				
16. Ratio of customer deposits to net loans to customers at end of period (%)	62.6	58.1	62.6	58.1
Staff				
17. Number of full-time positions at end of period	12 274	12 560	12 274	12 560

Definitions

- 1, 2, 3 Based on nominal values excluding impaired loans, measured against the 3-month money market rate.
- 5 Total operating expenses relative to total income. Total expenses exclude impairment losses for goodwill and other intangible assets.
- 6 Average equity is calculated on the basis of recorded equity.

Profit and balance sheet trends

Income statement

	DNB Bank ASA				
<i>Amounts in NOK million</i>	4th quarter 2012	3rd quarter 2012	2nd quarter 2012	1st quarter 2012	4th quarter 2011
Total interest income	12 032	11 999	12 164	12 366	12 754
Total interest expenses	6 146	6 562	6 892	6 792	6 873
Net interest income	5 887	5 437	5 272	5 574	5 880
Commission and fee income etc.	1 446	1 265	1 395	1 288	1 225
Commission and fee expenses etc.	495	494	500	513	512
Net gains on financial instruments at fair value	1 487	1 756	2 071	2 100	1 663
Other income	1 853	1 093	1 005	711	1 964
Net other operating income	4 290	3 619	3 970	3 586	4 340
Total income	10 177	9 057	9 242	9 161	10 220
Salaries and other personnel expenses	2 171	2 121	2 071	2 010	1 937
Other expenses	1 627	1 454	1 431	1 441	1 640
Depreciation and impairment of fixed and intangible assets	612	469	433	363	1 181
Total operating expenses	4 409	4 045	3 935	3 814	4 758
Net gains on fixed and intangible assets	(1)	0	(1)	0	31
Impairment of loans and guarantees	1 186	521	699	789	789
Pre-tax operating profit	4 580	4 491	4 607	4 558	4 704
Taxes	1 093	1 260	1 288	1 276	1 845
Profit for the period	3 486	3 231	3 319	3 282	2 859

Balance sheet

	DNB Bank ASA				
<i>Amounts in NOK million</i>	31 Dec. 2012	30 Sept. 2012	30 June 2012	31 March 2012	31 Dec. 2011
Assets					
Cash and deposits with central banks	296 158	364 635	407 558	430 421	220 721
Due from credit institutions	208 646	226 563	200 305	198 090	193 379
Loans to customers	713 743	692 744	709 236	701 645	711 966
Commercial paper and bonds at fair value	241 728	215 804	216 090	210 515	211 335
Shareholdings	9 864	8 075	9 506	10 465	11 829
Financial derivatives	120 511	124 449	110 972	99 396	108 506
Commercial paper and bonds, held to maturity	71 288	104 704	85 129	88 136	96 042
Investments in associated companies	1 141	1 140	1 145	1 180	1 187
Investments in subsidiaries	49 896	43 471	39 227	38 638	35 763
Intangible assets	3 999	3 435	3 501	3 479	3 549
Deferred tax assets	565	3	7	3	3
Fixed assets	6 575	6 077	5 938	5 698	5 497
Other assets	12 673	19 320	20 608	27 418	15 389
Total assets	1 736 786	1 810 420	1 809 223	1 815 083	1 615 166
Liabilities and equity					
Due to credit institutions	283 093	302 446	306 098	364 474	295 884
Deposits from customers	787 245	802 362	812 121	767 401	704 438
Financial derivatives	92 653	95 305	88 688	80 044	88 207
Debt securities issued	414 998	445 288	436 806	437 806	384 467
Payable taxes	4 253	3 416	1 893	742	228
Deferred taxes	1 518	2 768	2 775	3 448	3 455
Other liabilities	23 015	22 439	27 471	28 203	13 638
Provisions	643	555	525	444	459
Pension commitments	2 806	2 666	2 681	2 680	2 677
Subordinated loan capital	21 090	25 796	25 968	29 021	24 070
Total liabilities	1 631 312	1 703 040	1 705 025	1 714 263	1 517 523
Share capital	18 314	18 314	18 314	18 314	18 314
Share premium reserve	19 895	19 895	19 895	19 895	19 895
Other equity	67 264	69 170	65 988	62 610	59 433
Total equity	105 474	107 380	104 197	100 820	97 643
Total liabilities and equity	1 736 786	1 810 420	1 809 223	1 815 083	1 615 166

Profit and balance sheet trends (continued)

Income statement	DNB Bank Group				
	4th quarter 2012	3rd quarter 2012	2nd quarter 2012	1st quarter 2012	4th quarter 2011
<i>Amounts in NOK million</i>					
Total interest income	15 107	16 045	16 221	16 187	16 124
Total interest expenses	7 926	9 126	9 486	9 466	9 319
Net interest income	7 181	6 919	6 736	6 720	6 804
Commission and fee income etc.	1 613	1 522	1 638	1 528	1 461
Commission and fee expenses etc.	507	516	518	541	536
Net gains on financial instruments at fair value	1 348	933	2 627	(1 009)	3 369
Profit from companies accounted for by the equity method	177	246	141	225	111
Net gains on investment property	(16)	4	(184)	(144)	(132)
Other income	795	783	905	798	795
Net other operating income	3 410	2 971	4 608	858	5 068
Total income	10 592	9 890	11 344	7 578	11 873
Salaries and other personnel expenses	2 504	2 563	2 512	2 451	2 361
Other expenses	1 934	1 771	1 826	1 812	2 033
Depreciation and impairment of fixed and intangible assets	592	521	470	406	843
Total operating expenses	5 031	4 855	4 808	4 669	5 236
Net gains on fixed and intangible assets	(65)	20	37	7	(1)
Impairment of loans and guarantees	1 190	521	685	784	926
Pre-tax operating profit	4 307	4 534	5 888	2 131	5 709
Taxes	1 084	1 243	1 571	575	2 040
Profit from operations held for sale, after taxes	4	0	92	0	0
Profit for the period	3 227	3 291	4 409	1 556	3 669
Balance sheet					
	31 Dec. 2012	30 Sept. 2012	30 June 2012	31 March 2012	31 Dec. 2011
<i>Amounts in NOK million</i>					
Assets					
Cash and deposits with central banks	298 892	367 409	410 135	433 396	224 581
Due from credit institutions	33 373	38 933	28 746	29 847	25 105
Loans to customers	1 308 864	1 319 229	1 320 587	1 296 842	1 291 660
Commercial paper and bonds at fair value	160 664	137 013	138 056	133 707	106 000
Shareholdings	10 290	8 522	9 963	10 920	12 300
Financial derivatives	95 890	100 636	89 859	80 805	96 264
Commercial paper and bonds, held to maturity	71 288	104 704	85 129	88 136	96 042
Investment property	5 034	5 125	5 177	5 285	5 165
Investments in associated companies	2 866	2 778	2 536	2 391	2 173
Intangible assets	4 826	4 915	4 995	4 913	4 854
Deferred tax assets	1 047	624	626	633	636
Fixed assets	7 311	6 956	6 769	6 557	6 322
Assets held for sale	417	15	9	1 092	1 054
Other assets	12 645	20 040	21 508	25 025	12 792
Total assets	2 013 406	2 116 899	2 124 094	2 119 548	1 884 948
Liabilities and equity					
Due to credit institutions	251 388	293 530	294 126	353 396	279 553
Deposits from customers	819 945	850 652	861 104	815 244	750 102
Financial derivatives	63 193	65 928	60 292	55 352	63 130
Debt securities issued	713 273	733 194	734 868	722 773	640 277
Payable taxes	6 940	2 944	1 385	152	400
Deferred taxes	1 753	4 080	4 137	4 622	4 531
Other liabilities	15 553	23 894	28 592	29 555	14 786
Liabilities held for sale	76	0	0	361	383
Provisions	724	629	585	506	533
Pension commitments	2 877	2 795	2 808	2 821	2 793
Subordinated loan capital	21 090	25 799	25 968	29 021	24 156
Total liabilities	1 896 812	2 003 443	2 013 865	2 013 804	1 780 644
Share capital	18 314	18 314	18 314	18 314	18 314
Share premium reserve	20 611	20 611	20 611	20 611	20 611
Other equity	77 668	74 531	71 304	66 819	65 378
Total equity	116 594	113 456	110 229	105 745	104 304
Total liabilities and equity	2 013 406	2 116 899	2 124 094	2 119 548	1 884 948

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DNB Bank ASA

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Sverre Finstad
Vigdis Mathisen
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Financial calendar 2013

Preliminary results 2012 and fourth quarter 2012	7 February
First quarter 2013	26 April
Second quarter 2013	11 July
Third quarter 2013	24 October

Other sources of information

Annual and quarterly reports

Separate annual and quarterly reports are prepared for the DNB Group, DNB Boligkreditt, DNB Næringskreditt and DNB Livsforsikring. The reports are available on dnb.no.

Annual and quarterly reports can be ordered by sending an e-mail to investor.relations@dnb.no.

The quarterly report has been produced by Group Financial Reporting in DNB.
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