
DnB NOR Bank

Liquidity Portfolio

Update Q3, 2008

October 30, 2008

Agenda

1. Why does DnB NOR Bank have a Liquidity Portfolio
2. Description of Portfolio and Credit Risk
3. Pull to Par and Writebacks
4. Q&A

DnB NOR Bank Liquidity Portfolio Highlights

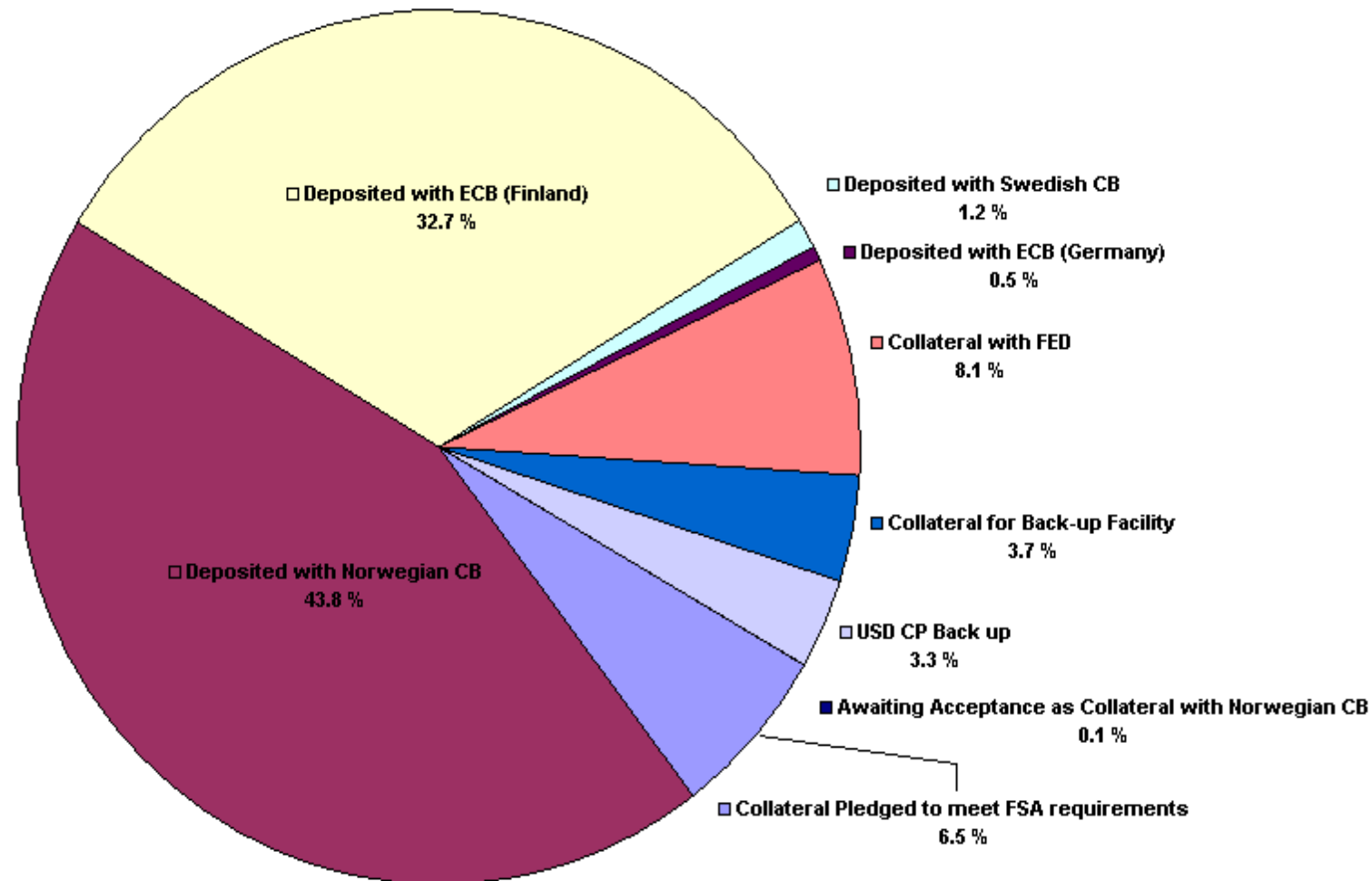
- As of the beginning of Q3, the portfolio is booked according to the hold to maturity principle.
- The portfolio was reclassified out of the fair value category at its fair value on the date of reclassification.
 - The accumulated MtM writedown at reclassification will be reversed linearly to maturity, subject to no significant asset quality impairment.
- The decision to reclassify was based on:
 - Rising volatility and reduced liquidity in the underlying markets, making it increasingly misleading to define the portfolio as a trading portfolio.
 - Increasing difference between market pricing and credit quality of the Liquidity Portfolio.
 - Recently revised accounting standards (IAS39), allowing reclassification "if the entity has the intention and ability to hold the financial asset for the foreseeable future or until maturity".
 - Reclassification better aligns accounting treatment of assets and liabilities (fair value treatment of liabilities gains would outweigh Liquidity Portfolio writedowns)
 - Reclassification also better aligns accounting treatment of the portfolio with Nordic peers.
 - The portfolio's function as collateral for central bank borrowing is unaffected by the reclassification.
- The portfolio credit risk is viewed as zero:
 - 98.7 % of the portfolio is rated AAA
 - There is no exposure to Sub-Prime nor CDOs

1. Why does DnB NOR Bank have a Liquidity Portfolio

Liquidity Portfolio Rationale

- All banks have bond portfolios for liquidity purposes
- DnB NOR's portfolio is deposited with Central Banks or used as collateral elsewhere
 - Represents Liquidity Reserve – drawing rights from Central Banks
 - Used to raise liquidity through Central Banks' Liquidity Operations
- Fulfills rating agency and regulatory liquidity requirements
- The portfolio has grown with the bank, including collateral in the Central Bank supporting DnB NOR's NOK clearing function

100% of Liquidity Portfolio is Used as Collateral



2. Description of Portfolio and Credit Risk as at September 30, 2008

Main Characteristics of DnB NOR Bank's Liquidity Portfolio

- Size € 10,895 million
- Rating distribution:
 - AAA 98.7 %
 - AA 1.1 %
 - A 0.2 %
 - Lower 0 %
- 99.8% Asset Backed Securities, predominantly RMBS
- 100 % deposited with Central Banks or otherwise used as collateral for liquidity purposes
- 100 % cash bonds, no synthetic exposure

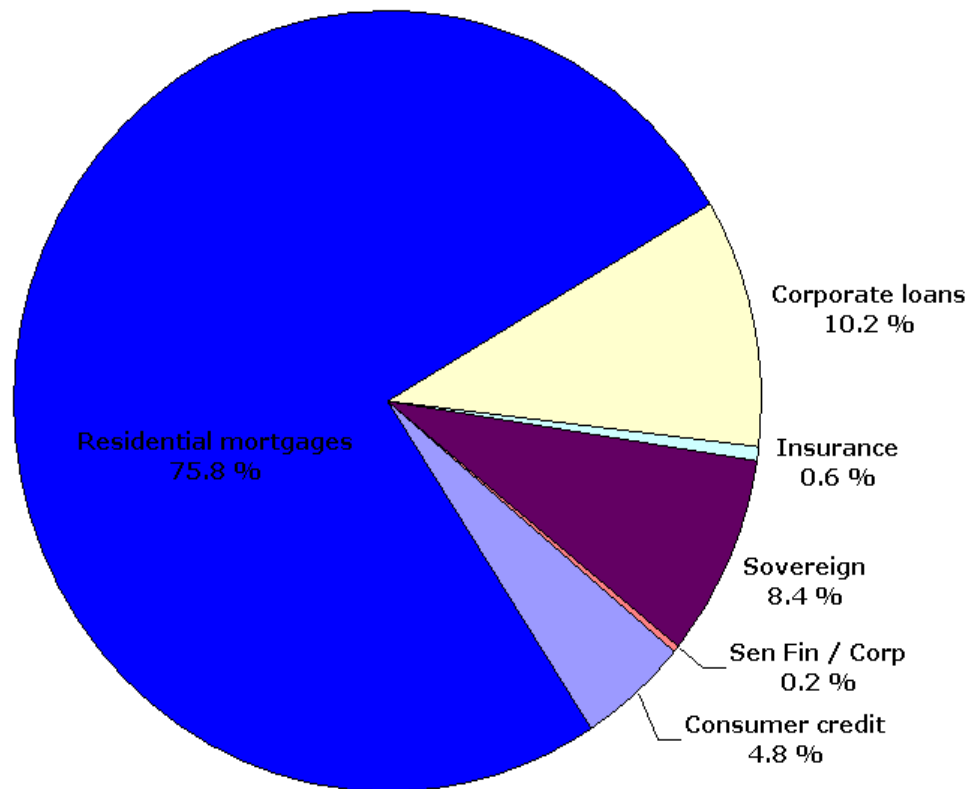
Conservative Portfolio "Philosophy"

- AAA
- Prime
 - No subprime
 - No non-conforming (UK "version" of US subprime)
- Best of class
 - In terms of originators
 - In terms of servicers
 - In terms of underlying collateral
- High granularity
 - Pools with a large number of underlying borrowers
 - Increases obligor diversification
 - Reduces event risk
- Focus on pools with high seasoning and low loan-to-value
 - Increases investor protection
- No synthetic/geared structures
 - Always top of structure
 - No subordinated tranches even if these are AAA-rated
- Balance sheet
 - No investment bank arbitrage deals
 - Focus on regulatory capital motivated deals

=>No exposure to the US housing market nor CDOs

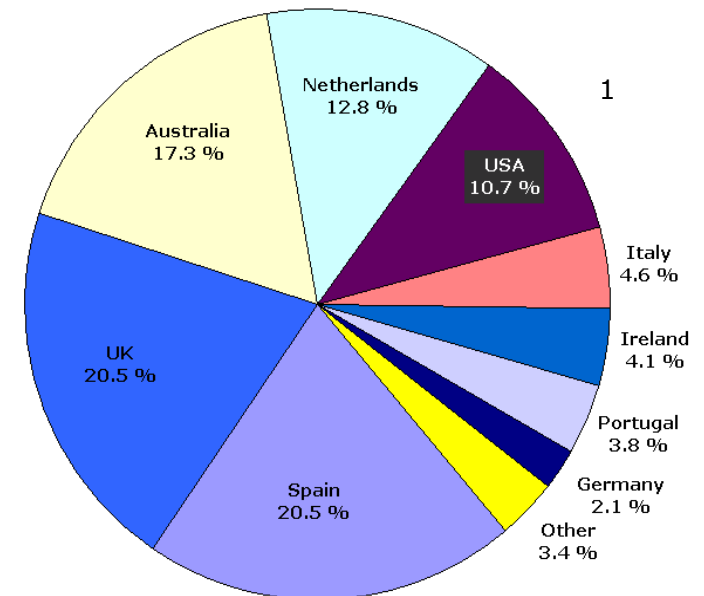
International Liquidity Portfolio - Overview

Assets backed by:



Granular, conservative, AAA-rated portfolio with excellent credit quality

Assets originated in:

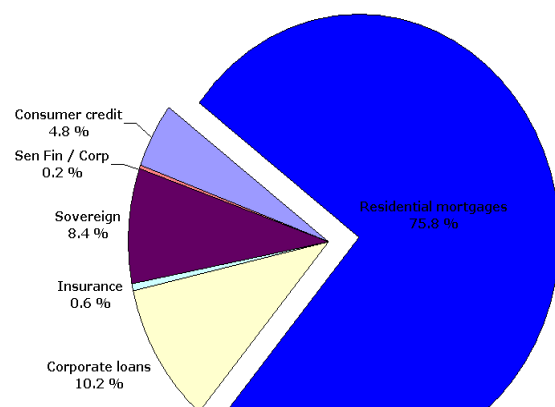


Portfolio Volume	€ 10,895 Million
AAA	98.7%
AA	1.1 %
A	0.2 %

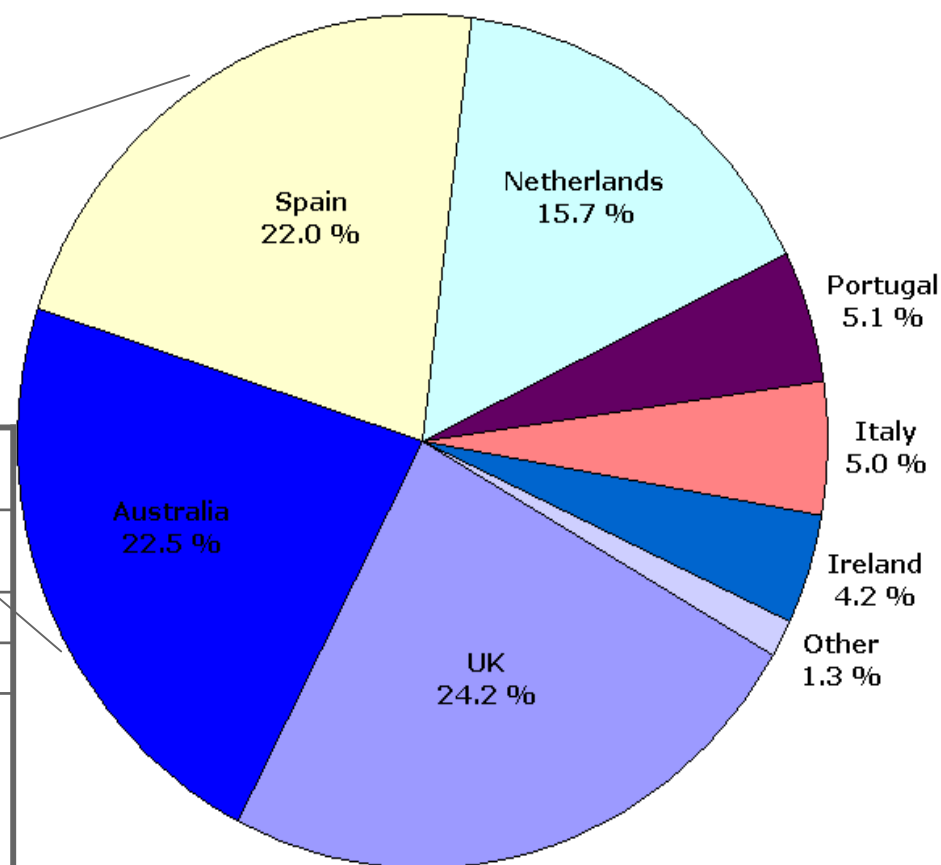
¹ No sub-prime RMBS, no CDOs. Primarily US Government Guaranteed Student Loan ABS.

Residential Mortgage Backed Securities

€ 8.3 Billion – 75.8 %



Underlying assets	First ranking prime residential mortgages from Europe and Australia only
Category	RMBS – Residential Mortgage Backed Securities
Volume	€ 8.3 Billion
Share of Total	75.8 %
Rating	100 % AAA. Zero downgrades. EUR 159 million worth of bonds put on watch negative during Q3. EUR 281 million worth of bonds taken off watch neg and affirmed AAA during Q3. Total on watch negative as at 30/9: EUR 159 million.
DnB NOR Credit Assessment	Zero principal risk and EUR 159 million worth of bonds (1.9 %) at risk for a limited downgrade.



No Sub-Prime nor Non-Conforming exposure
No exposure to US-Housing market

RMBS Buffers

What it Takes to Lose the First Cent on a AAA RMBS

1. Borrower default

Linked to rising unemployment and rising interest rates.
Current 90+ days portfolio delinquencies is 0.9%. No losses.

2. Realisation of collateral below loan balance

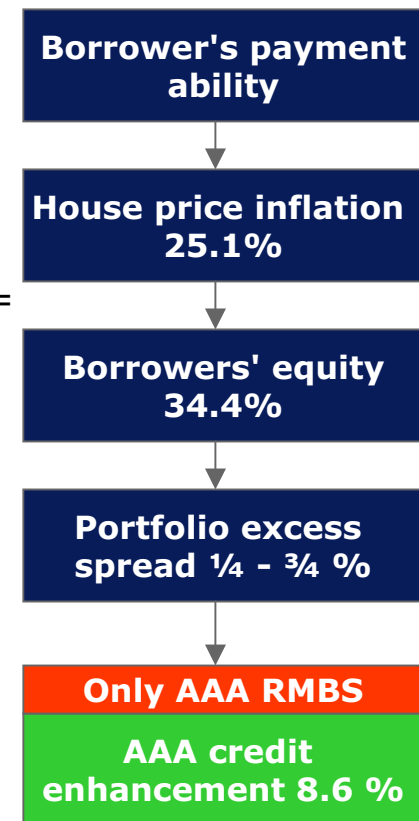
Requires both reversal of house price increase since mortgage was granted (portfolio average 4 years seasoning = **25.1%** house price inflation) and house price decline exceeding borrowers equity (portfolio average **34.4 %**).

3. Loss exceeding acc. excess spread in portfolio

The first losses in a portfolio will be covered by the accumulated net excess spread (**0.25 % - 0.75 %**) the portfolio generates annually.

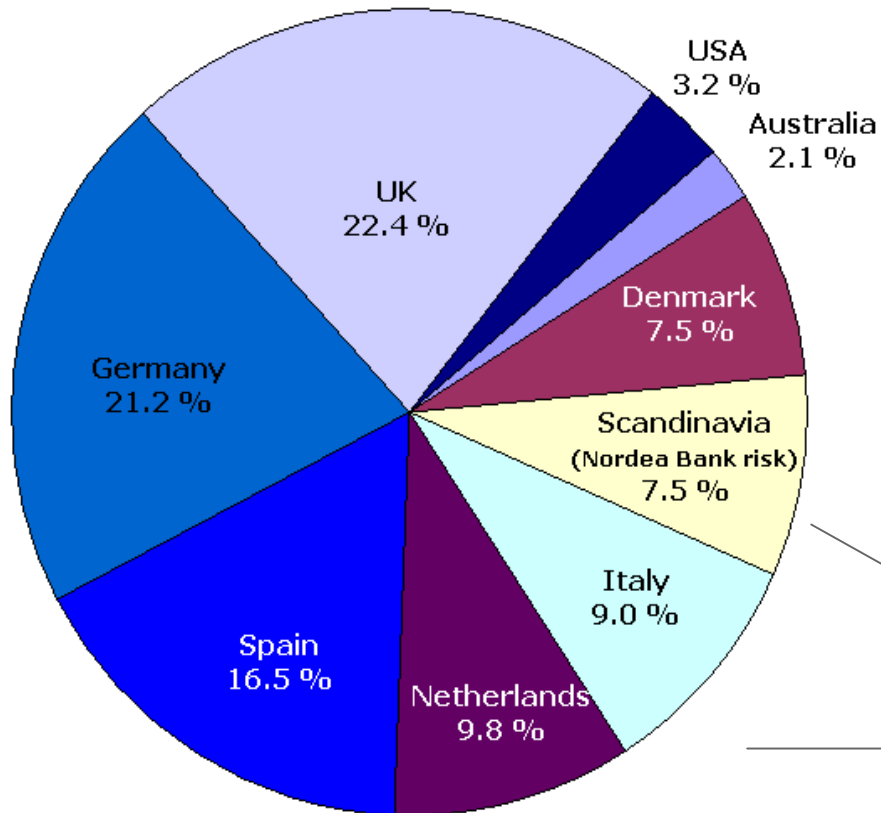
4. AAA subordination

Any further losses will be covered by lower rated tranches and reserve fund. This Credit Enhancement equals **8.6 %** on average in the portfolio.



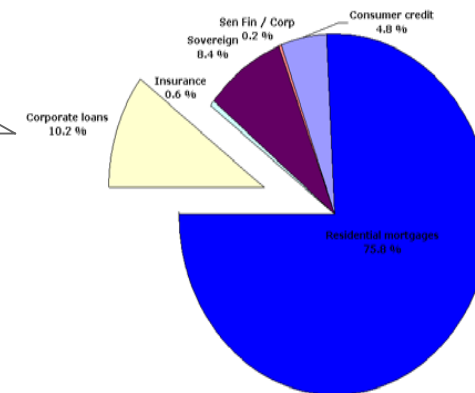
Corporate Loans - CMBS CLO ABS

€ 1.1 Billion – 10.2 %

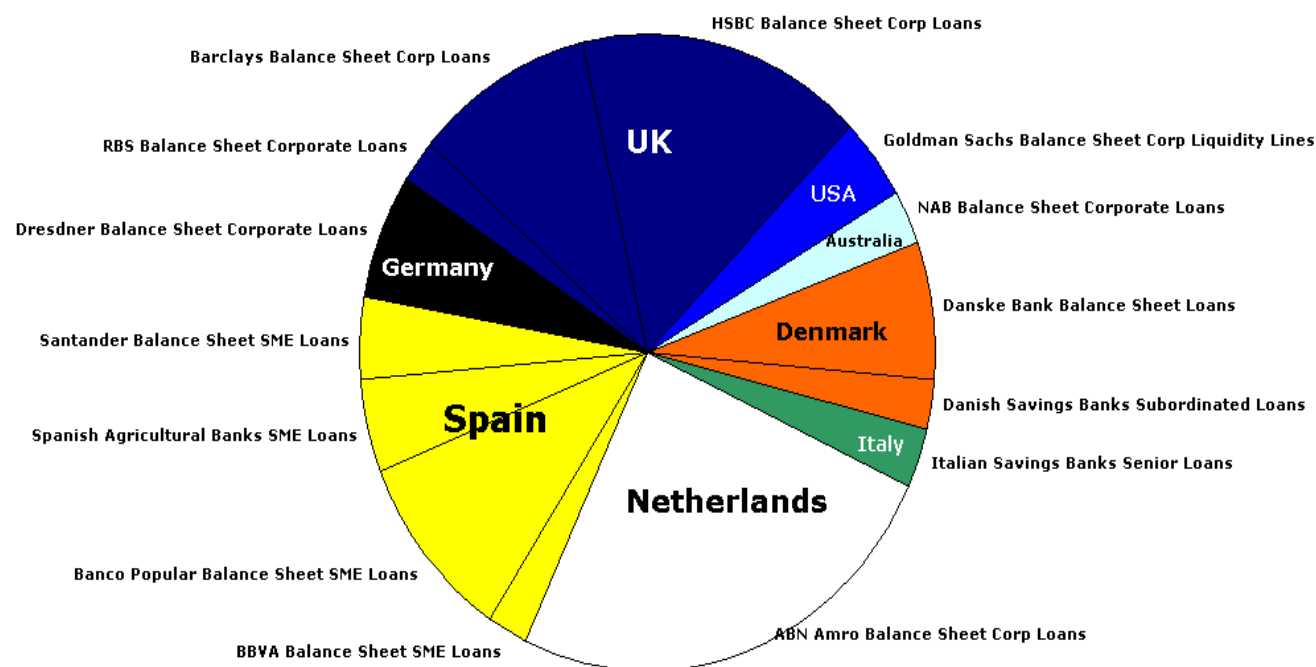


Underlying assets	Granular corporate loans with varying type and degree of security
Categories	CMBS – Commercial Mortgage Backed Securities CLO – Collateralised Loan Obligation ABS – Asset Backed Securities
Volume	€ 1.1 Billion
Share of Total	10.2 %
Rating	92.5% AAA. 7.5% AA (Nordea bank risk). No downgrades, no bonds on watch negative.
DnB NOR Credit Assessment	Zero principal risk. See further comments regarding sub-categories on following slides.

No CDO exposure



Corporate Loans – Subcategory CLO

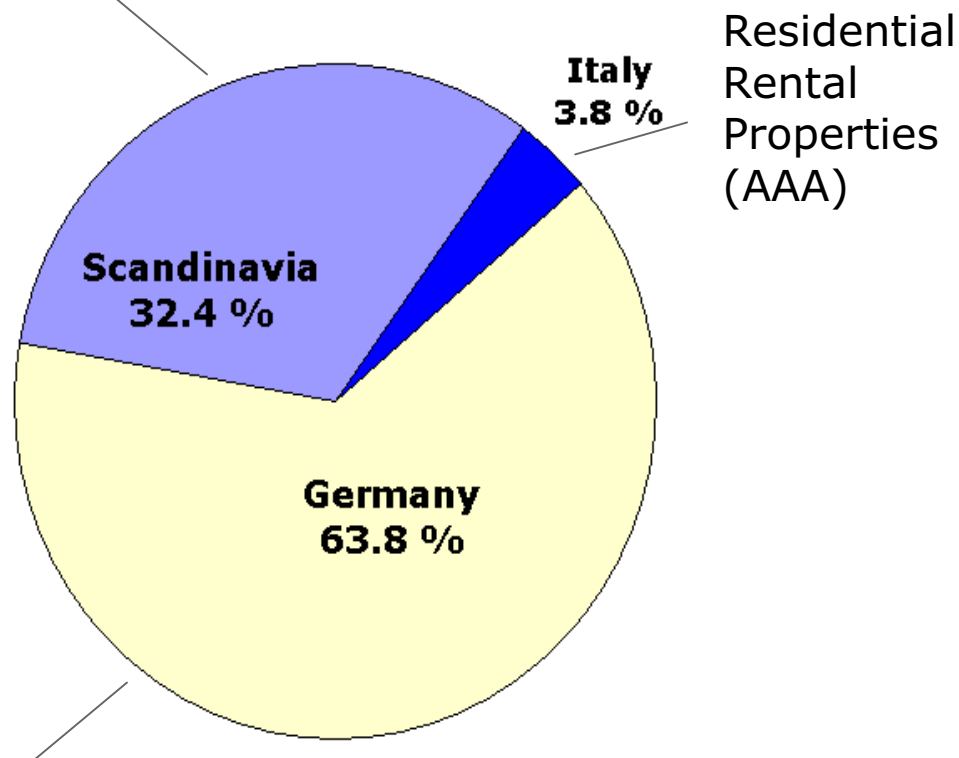


Predominantly Regulatory Capital motivated balance sheet securitisations

Underlying assets	Granular corporate loans, predominantly Regulatory Capital Reduction motivated bank balance sheet assets
Category	CLO – Collateralised Loan Obligation
Volume	€ 799 Million
Share of Total	7.3 %
Rating	100 % AAA. No downgrades. No bonds on watch negative.
DnB NOR Credit Assessment	Zero principal risk. Spain: deteriorating economy with potential risk for a limited downgrade.

Corporate Loans – Subcategory CMBS

Nordea Sale Lease Back (AA)



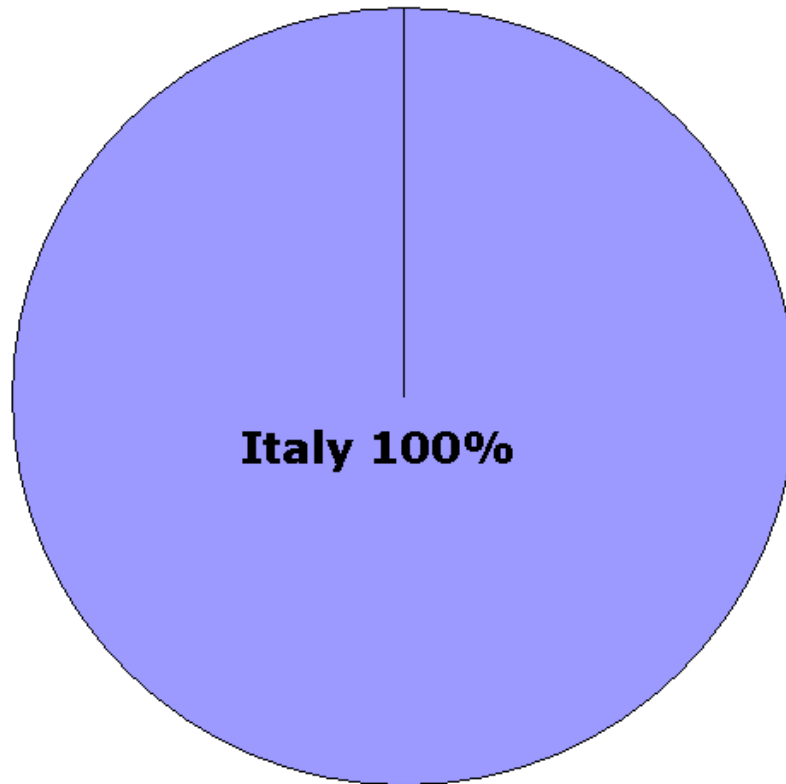
Residential Rental Properties (AAA)

Residential Rental Properties (AAA)

Underlying assets	Granular commercial mortgages, predominantly residential rental properties
Category	CMBS – Commercial Mortgage Backed Security
Volume	€ 259 Million
Share of Total	2.4 %
Rating	67.6 % AAA. 32.4 % AA (Nordea bank risk). No downgrades. No bonds on watch negative.
DnB NOR Credit Assessment	Zero principal risk and no observations of deterioration in underlying implying any risk of rating downgrade

No traditional Commercial Property CMBS exposure

Corporate Loans – Subcategory ABS

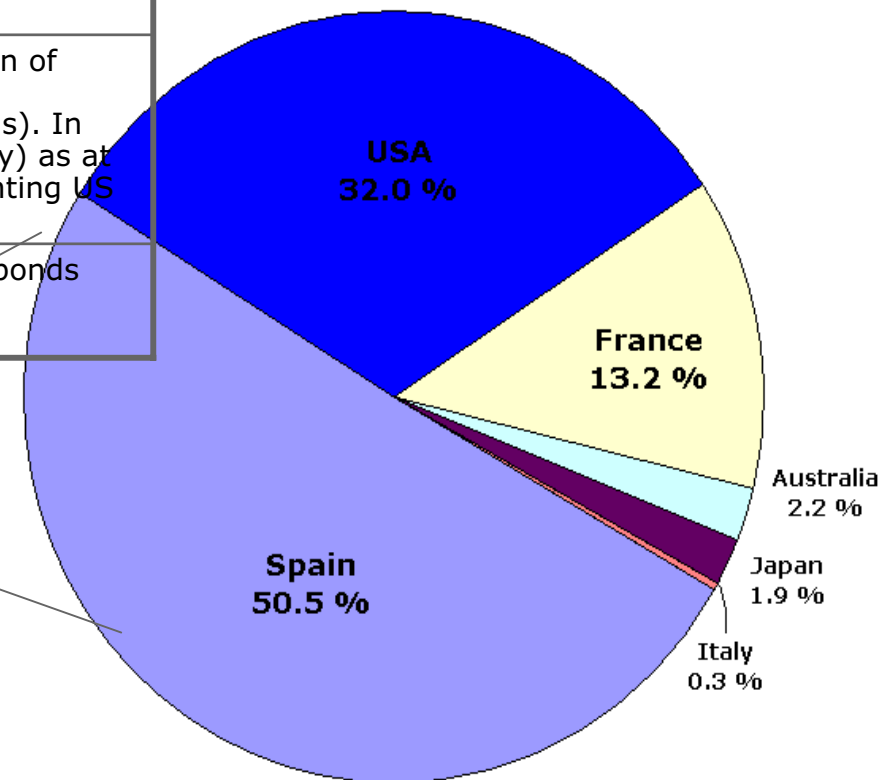
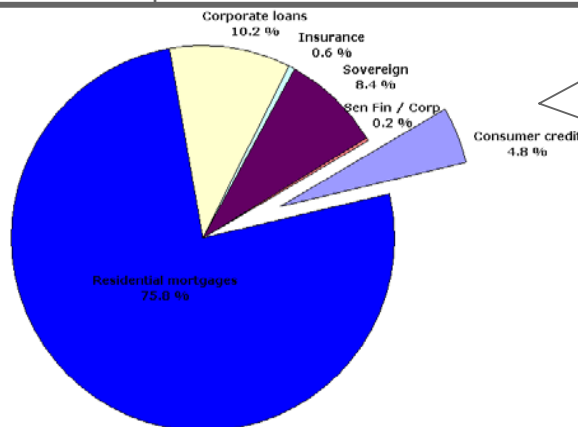


Underlying assets	Granular Leasing Loans and Trade Receivables
Category	ABS – Asset Backed Securities
Volume	€ 58 Million
Share of Total	0.5%
Rating	100 % AAA. No downgrades. No bonds on watch negative.
DnB NOR Credit Assessment	Zero principal risk and no observations of deterioration in underlying implying any risk of rating downgrade

Consumer Credit

€ 524 Million – 4.8 %

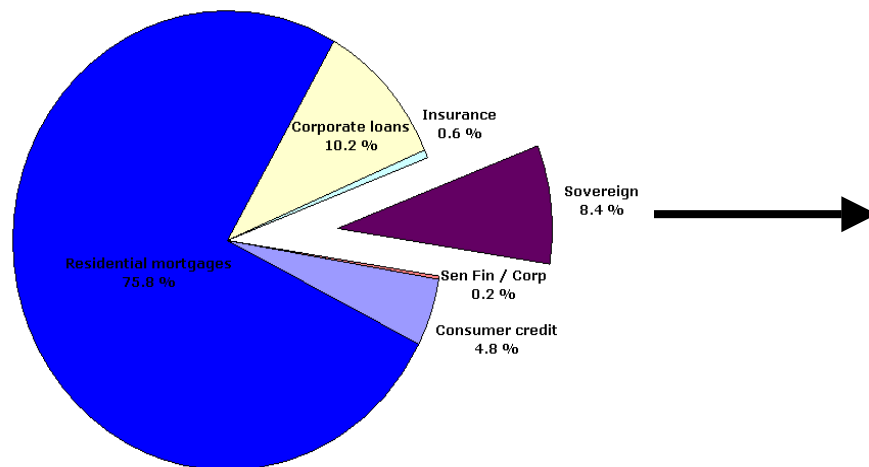
Underlying assets	Loans to individuals, financing autos, durable goods, consumption and education
Categories	Auto, Card, Consumer Loan, Private Student Loan
Volume	€ 524 Million
Share of Total	4.8 %
Rating	100 % AAA. No downgrades. In Q3, EUR 65 million of consumer credit ABS bonds were placed on watch negative by Moody's only (Spanish consumer loans). In addition. Total on watch negative (by Moody's only) as at 30/9: EUR 82.7 million (with the balance representing US private student loan ABS).
DnB NOR Credit Assessment	Zero principal risk and EUR 82.7 million worth of bonds (15.8%) at risk for a limited downgrade.



Sovereign

€ 912 Million – 8.4 %

Underlying assets	Sovereign risk, exclusively US Federal Family Education Loan Program (FFELP)-guaranteed student loans
Category	FFELP Student Loan ABS
Volume	€ 912 Million
Share of Total	8.4 %
Rating	100 % AAA. No downgrades. No bonds on watch negative.
DnB NOR Credit Assessment	Zero principal risk and no observations of deterioration in underlying implying any risk of rating downgrade

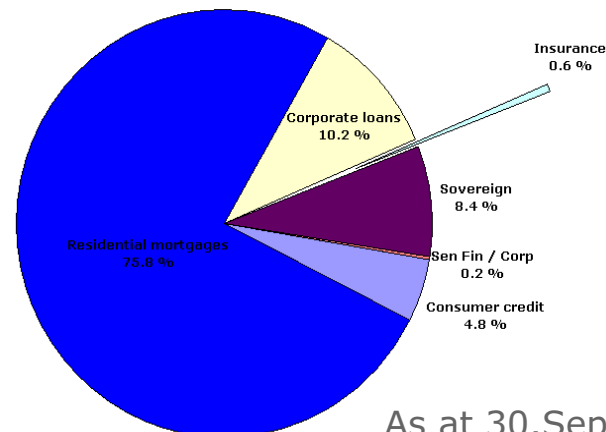
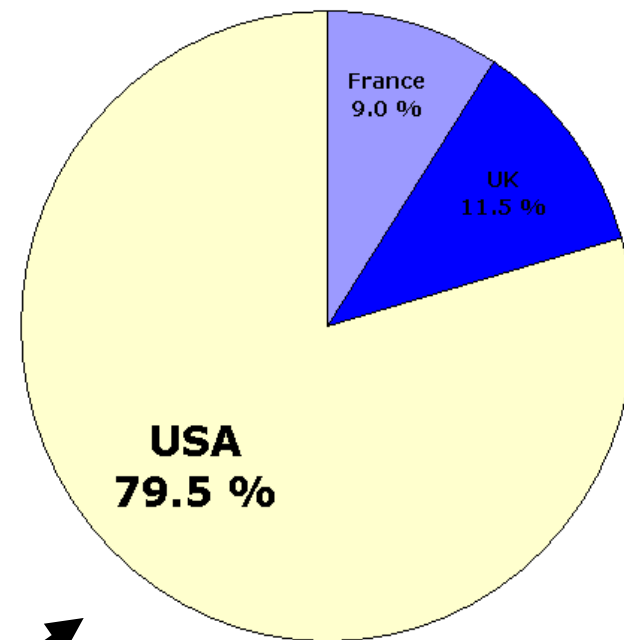


Only US FFELP-Guaranteed Student Loan ABS

Insurance

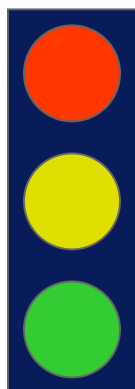
€ 66 Million – 0.6%

Underlying assets	Securities where a significant portion of the credit risk is linked to an insurance co's claims paying ability
Categories	GIC – Guaranteed Investment Contract Miscellaneous securities with guarantee/wrap from Monoline insurance company
Volume	€ 66 Million
Share of Total	0.6 %
Rating	44.3 % AAA, 50.6 % AA and 5.1% A. In Q308, EUR 8.6 million worth of bonds were downgraded (by S&P only), and € 18.4 million were placed on Aa3 Watch Negative (by Moody's only) due to monoline exposure
DnB NOR Credit Assessment	Limited principal risk linked to MBIA and downgrade risk on all monoline exposure. Short remaining life.



**Underlying assets/exposure:
all insurance companies are
domiciled in the USA**

Monoline Exposure



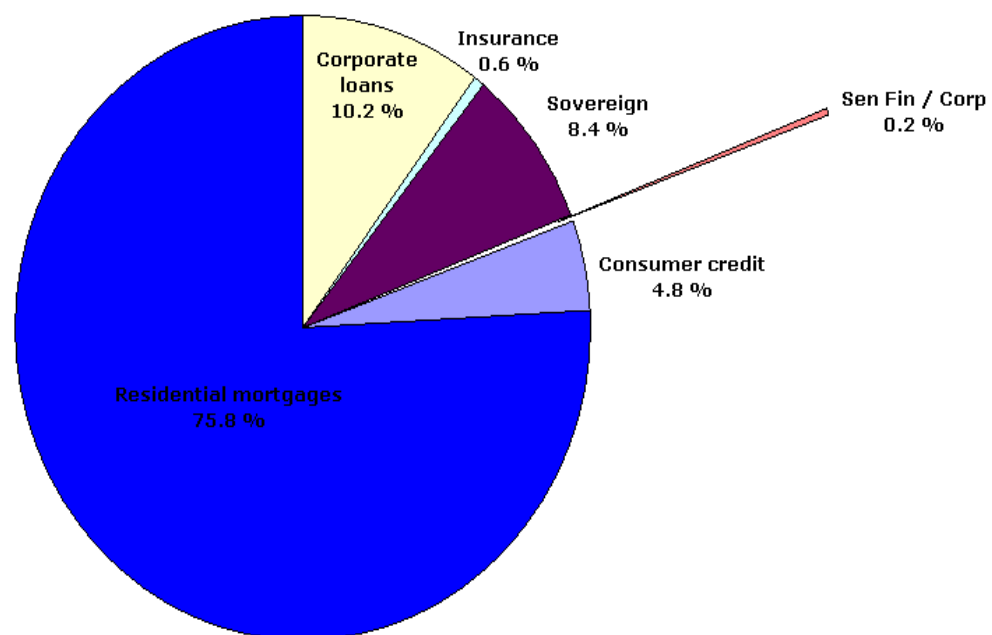
Extremely low overall exposure.

The largest risk is associated with a EUR 3.4 million MBIA-wrapped position without investment grade stand alone rating (0.03% of total portfolio). Total monoline exposure without investment grade stand alone rating is EUR 4.8 million.

DnB NOR Monoline Exposure					
Monoline	Description	EURO million	Stand Alone / Shadow Rating	Weighted Average Life	Comment
Ambac	UK Life Insurance Policy Backed	2.6	A3/A-	0.5	Short maturity
Ambac	European Mortgage Backed	6.0	A2/A	3.9	Lease back with major European Telco
Ambac	European Mortgage Backed	0.7	A category	0.4	Short maturity. LTV 69.2%
Ambac	European Mortgage Backed	4.3	A category	0.4	Short maturity. LTV 72.4%
Monoline	Description	EURO million	Stand Alone Rating	Weighted Average Life	Comment
MBIA	High Yield Bonds Backed	3.4	Reliant on MBIA	0.1	Small position, extension risk
Monoline	Description	EURO million	Stand Alone Rating	Weighted Average Life	Comment
FSA	High Yield Bonds Backed	1.4	Reliant on FSA	0.3	Small position.
DnB NOR Monoline Exposure (EURO Million)		18.4	Weighted Average Life (Yrs)	1.5	

Senior Financial / Corporate Bonds

€ 21.5 Million – 0.2%



Underlying assets	One bond: Telenor (A2/BBB+)
Volume	€ 21.5 Million
Share of Total	0.2 %
DnB NOR Credit Assessment	Insignificant risk, given short maturity. Telenor bond matures in Dec-08.

3. Pull to Par and Writebacks

Reversal of MtM loss linearly to maturity

- DnB NOR expects zero principal losses in the Liquidity Portfolio.
- Due to the Hold-to Maturity reclassification, absent any significant impairments, the accumulated MtM losses will be reversed linearly to the maturity of the portfolio.
- These writebacks have the potential to substantially boost portfolio income in future periods.