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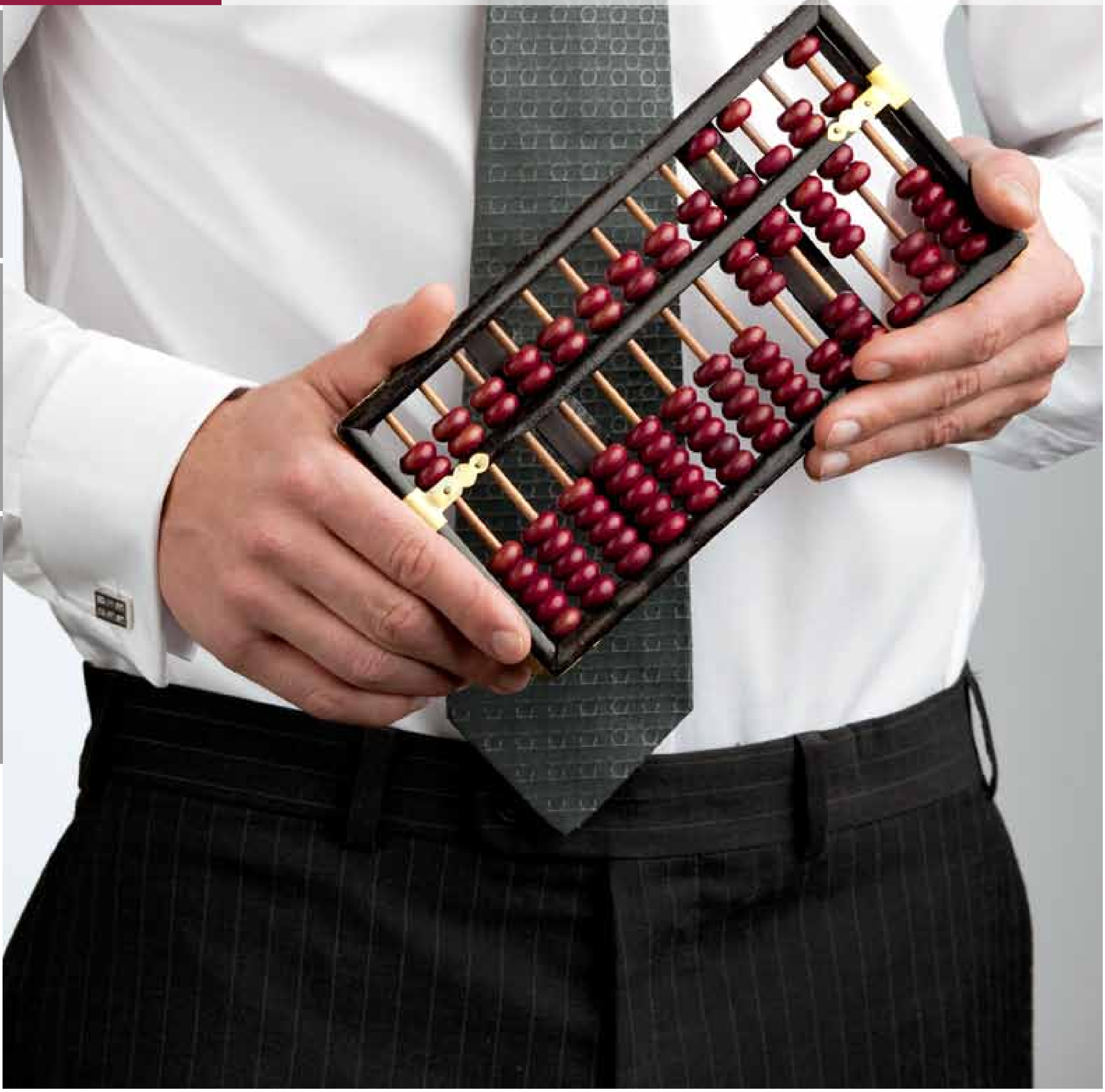
DnB NOR BANK ASA QUARTERLY REPORT 2009

(preliminary and unaudited)



DnB NOR

Financial highlights

Fourth quarter 2009

- Pre-tax operating profits before write-downs were NOK 3.9 billion (5.6)
- Profit for the period was NOK 0.9 billion (2.2)
- Profit after minority interests was NOK 1.3 billion (2.6)
- Return on equity was 6.6 per cent (16.1)
- The cost/income ratio, excluding impairment losses for goodwill, was 47.2 per cent (41.7)
- The core capital ratio was 8.4 per cent (6.9)

Full year 2009

- Pre-tax operating profits before write-downs were NOK 18.1 billion (16.2)
- Profit for the year was NOK 6.1 billion (9.2)
- Profit after minority interests was NOK 7.7 billion (9.5)
- Return on equity was 10.0 per cent (14.0)
- The cost/income ratio, excluding impairment losses for goodwill, was 46.1 per cent (48.8)

Comparable figures for 2008 in parentheses.

There has been no full or partial audit of the quarterly report and accounts, though the report has been reviewed by the banking group's Audit.

Fourth quarter and full year report 2009

Fourth quarter 2009

Introduction

The DnB NOR Bank Group [1)] recorded profits of NOK 886 million in the fourth quarter of 2009, down from NOK 2 174 million in the year-earlier period. Pre-tax operating profits before write-downs came to NOK 3 896 million, compared with NOK 5 620 million in the fourth quarter of 2008. The figures for 2008 were particularly influenced by the positive profit effects of mark-to-market assessments of liability items.

Write-downs totalled NOK 1 517 million in the fourth quarter of 2009, which was significantly lower than in the two preceding quarters. NOK 845 million of the write-downs related to operations in DnB NORD, and the banking group's financial performance is thus still materially affected by the recession in the Baltic States and Poland. Write-downs for the full year 2009 totalled NOK 7.7 billion, which was lower than previous write-down estimates of NOK 8-10 billion. DnB NORD accounted for 51 per cent of total write-downs in the DnB NOR Bank Group for the full year 2009.

Return on equity was 6.6 per cent, compared with 16.1 per cent in the October through December period in 2008.

Net interest income totalled NOK 5 675 million, compared with NOK 6 301 million for the previous year. The reduction reflected lower interest rate levels, which caused a NOK 635 million decline in interest income on equity and non-interest-bearing items, and negative effects of exchange rate movements. Due to the strengthening of the Norwegian krone and the economic downturn, there was a NOK 31 billion reduction in average lending volumes from the fourth quarter of 2008. Adjusted for exchange rate movements, lending volumes declined by NOK 9 billion.

Relative to the 3-month money market rate, average lending spreads increased by 27 basis points from the fourth quarter of 2008, while average deposit spreads contracted by 44 basis points. During 2009, the banking group adjusted lending spreads to absorb higher funding costs. The decline in income from the fourth quarter of 2008 also reflected a lag in price adjustments, but primarily effects of lower interest rate levels.

Other operating income declined by NOK 1 385 million from the fourth quarter of 2008, to NOK 2 352 million. Mark-to-market assessments of liability items were the main factor behind the fall in income. Such income was positive in 2008, but negative in 2009. Operating income from ordinary banking operations was higher than in the fourth quarter of 2008.

In consequence of the recessionary climate and changes in market conditions, impairment losses for goodwill of NOK 338 million were recorded on investments in Sweden and in DnB NORD.

Ordinary operating expenses, excluding impairment losses for goodwill, declined by NOK 392 million from the fourth quarter of 2008. The cost programme, other streamlining measures and adjustments to the prevailing market situation had pronounced effects for the banking group which more than compensated for wage and price inflation during this period.

The banking group's funding operations were largely normalised during the second half of 2009, though funding costs were higher than before the onset of the financial crisis. Covered bonds issued by DnB NOR Boligkreditt remained an important funding source in the fourth quarter.

Like a number of other financial services groups, DnB NOR experienced a ratings downgrade by Moody's and Standard & Poor's during the fourth quarter of 2009. At year-end 2009, the ratings were Aa3 from Moody's and A+ from Standard and Poor's, both with a stable outlook. This has had a minimal effect on funding prices and volumes.

Towards the end of 2009, DnB NOR's equity was strengthened by a net NOK 13.9 billion through an issue of ordinary shares with pre-emptive subscription rights for existing shareholders. The capital increase will make the Group better positioned for stricter capital adequacy requirements, while the transaction will enhance the Group's ability to meet customers' future financing needs and to pursue profitable business opportunities as part of its future growth strategy.

As a result of the financial turmoil, the market and the authorities presented stricter capitalisation requirements for the financial services industry. The capital increase helped raise the core capital ratio from 6.9 per cent at year-end 2008 to 8.4 per cent at end-December 2009, based on new capital adequacy regulations. The Board of Directors considers the banking group to be adequately capitalised in relation to regulatory requirements and its Nordic competitors.

At the end of 2009, the Board of Directors of DnB NOR decided to initiate an evaluation of the shareholder agreement with NORD/LB with respect to a possible acquisition of NORD/LB's 49 per cent ownership interest in DnB NORD.

DnB NOR is strongly committed to offering customers good products and services at competitive terms. Towards the end of 2009, Postbanken and DnB NOR were ranked as the best and the fourth best bank, respectively, by the magazine Norsk Familieøkonomi. In addition, DnB NOR was named Norwegian champion in the category 'housing loans above NOK 2 million' by the magazine Dine Penger. Efforts to increase customer satisfaction levels will be further strengthened in 2010. DnB NOR's vision is to create value through the art of serving the customer, and new core values have been defined to support the vision.

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

Income statement

Net interest income

Amounts in NOK million	4th quarter 2009	Change	4th quarter 2008
Net interest income	5 675	(626)	6 301
Lending and deposit spreads		107	
Lending and deposit volumes		78	
Equity and non-interest-bearing items		(635)	
Long-term funding and interbank operations		(187)	
Guarantee fund levy		(107)	
Amortisation effects in the liquidity portfolio		16	
Other net interest income		102	

Net interest income declined by 9.9 per cent from the fourth quarter of 2008, reflecting a reduction in lending volume through 2009 and low interest rate levels. The average lending volume was down NOK 31 billion from the year-earlier period. Due to the strengthening of the Norwegian krone, the value of loans and deposits was reduced when converted to Norwegian kroner. The decline in lending volumes was also a consequence of more sluggish credit demand in the corporate market due to the recession. However, there was continued lending growth in the retail market.

Relative to the 3-month money market rate, average lending spreads increased by 27 basis points from the fourth quarter of 2008. Spreads levelled off from the third to the fourth quarter of 2009 due to fierce competition and stable interest rate levels.

There was continued intense competition for deposits, and deposit spreads narrowed by 44 basis points compared with the fourth quarter of 2008.

The low interest rate levels caused a NOK 635 million reduction in interest income on equity and non-interest-bearing balance sheet items compared with the year-earlier period.

Net other operating income

Amounts in NOK million	4th quarter 2009	Change	4th quarter 2008
Net other operating income	2 352	(1 385)	3 737
Stock market-related income including financial instruments		821	
Income from real estate broking		77	
Net other commissions and fees		68	
Other operating income		(110)	
Net gains on foreign exchange and interest rate instruments [1]		(992)	
Profits from associated companies [2]		(1 250)	

1) *Excluding guarantees.*
2) *Wider credit margins caused sizeable unrealised gains on funding in Eksportfinans in the fourth quarter of 2008.*

Net other operating income declined by 37.1 per cent from the fourth quarter of 2008. There was an extraordinarily high level of income related to mark-to-market assessments of financial instruments and great financial market volatility in the fourth quarter of 2008. The situation at year-end 2009 was much more normalised. In addition, there were significant reversals on previous mark-to-market adjustments in the fourth quarter of 2009.

There were also large unrealised gains on funding in Eksportfinans in the fourth quarter of 2008 and no such income in the corresponding period in 2009.

Stock market related income from banking operations increased compared with the fourth quarter of 2008.

Operating expenses

The banking group's total expenses were reduced by NOK 287 million from the fourth quarter of 2008. However, total expenses include impairment losses for goodwill. See the description of the full year results for a review of total impairment losses for goodwill.

The table below shows expenses for the DnB NOR Bank Group's ordinary operations.

Amounts in NOK million	4th quarter 2009	Change	4th quarter 2008
Total ordinary operating expenses	3 792	(392)	4 184
Cost programme		(112)	
Restructuring expenses, cost programme		21	
IT expenses		(187)	
Marketing expenses		(58)	
Fees		(53)	
Wage and price inflation		98	
Operational leasing		49	
Other operating expenses		(151)	

Ordinary operating expenses were reduced by 9.4 per cent from the fourth quarter of 2008. The banking group's cost programme was a major contributory factor behind the positive cost trend. The most significant effects during this period can be ascribed to the stream-lining of the branch network and production processes, IT rationalisation, coordination of key group functions and reduced procurement costs.

The transition from financial to operational leasing gave an increase in costs compared with the fourth quarter of 2008, as did the transfer of financial consultants from Norway Post, representing a total of 163 full-time positions. IT expenses decreased during the fourth quarter as a result of reduced system development activity relative to original plans.

Write-downs on commitments

Excluding DnB NORD, individual write-downs totalled NOK 534 million in the fourth quarter of 2009, down NOK 258 million from the fourth quarter of 2008. Individual write-downs in DnB NORD came to NOK 768 million in the September through December period in 2009, a NOK 139 milllion reduction from 2008. The effect of collective write-downs on the income statement was NOK 216 million in the fourth quarter of 2009, down from NOK 615 million in the year-earlier period. Write-downs were reduced by a total of NOK 797 million from the fourth quarter of 2008.

Business areas

With effect from 1 July 2009, activities in the DnB NOR Bank Group have been organised in the business areas Retail Banking, Large Corporates and International and DnB NOR Markets. The business areas operate as independent profit centres and have responsibility for serving all of the banking group's customers and for the total range of products. DnB NORD is regarded as a separate profit centre.

Retail Banking

Retail Banking is responsible for serving private individuals and small and medium-sized corporate customers in the regional network in Norway. Coordinated services in local markets will strengthen the bank's customer relationships and increase customer satisfaction.

Income statement in NOK million	4th quarter 2009	4th quarter 2008	Change
Net interest income	3 615	3 674	(59)
Other operating income	963	806	157
Total income	4 578	4 480	98
Operating expenses	2 496	2 557	(61)
Pre-tax operating profit before write-downs	2 082	1 923	158
Net gains on fixed assets	0	(1)	2
Net write-downs on loans	344	643	(298)
Pre-tax operating profit	1 738	1 279	458
Average balance sheet items in NOK billion			
Net lending to customers	723.8	682.9	40.9
Deposits from customers	370.6	360.6	9.9
Key figures in per cent			
Return on allocated capital [1]	25.3	18.3	
Cost/income ratio [2]	52.3	54.8	
Ratio of deposits to lending	51.2	52.8	

1) *Calculated on the basis of allocated risk-adjusted capital.*
2) *Cost/income ratio adjusted for impairment losses for goodwill.*

Retail Banking delivered a sound financial performance in the fourth quarter of 2009, with stable income and expenses and reduced write-downs on loans compared with the year-earlier period. Net write-downs on loans represented 0.19 per cent of average lending, down from 0.37 per cent in the fourth quarter of 2008. Net lending to customers rose by 6.0 per cent, and the increase was primarily in loans to private individuals. The quality of the loan portfolio was sound.

Large Corporates and International

Large Corporates and International is responsible for serving large Norwegian companies and for the banking group's entire international banking operations. Relationship management based on long experience and a broad range of expertise will build strong, long-term and profitable customer relationships both in the domestic market and internationally within the banking group's strategic priority areas.

Income statement in NOK million	4th quarter 2009	4th quarter 2008	Change
Net interest income	1 425	1 866	(441)
Other operating income	586	687	(100)
Total income	2 011	2 553	(542)
Operating expenses	405	534	(129)
Pre-tax operating profit before write-downs	1 606	2 018	(413)
Net gains on fixed assets	0	0	0
Net write-downs on loans	189	127	62
Pre-tax operating profit	1 417	1 892	(475)
Average balance sheet items in NOK billion			
Net lending to customers	341.3	388.0	(46.6)
Deposits from customers	219.5	222.1	(2.6)
Key figures in per cent			
Return on allocated capital [1]	13.3	17.4	
Cost/income ratio	20.2	20.9	
Ratio of deposits to lending	64.3	57.2	

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

Reduced activity, lower money market rates and a stronger Norwegian krone relative to key currencies entailed lower income than in the year-earlier period. Average net lending to customers declined by 12.0 per cent from the fourth quarter of 2008, with the effects of exchange rate movements accounting for 3.7 percentage points. Net write-downs on loans showed a moderate increase, but were at a relatively low level in the fourth quarter of 2009. Relative to average lending, write-downs amounted to 0.22 per cent, compared with 0.13 per cent in 2008.

DnB NOR Markets

DnB NOR Markets is Norway's largest investment bank and serves customers from DnB NOR's head office in Oslo, 13 regional sales desks in Norway, six international offices and through electronic channels.

Income statement in NOK million	4th quarter 2009	4th quarter 2008	Change
FX, interest rate and commodity derivatives	311	724	(412)
Investment products	135	176	(41)
Corporate finance	130	142	(12)
Securities services	58	73	(16)
Total customer revenues	634	1 115	(481)
Net income liquidity portfolio incl. changes in credit spreads	230	259	(29)
Other market making/trading revenues	367	1 042	(675)
Total trading revenues	597	1 301	(704)
Interest income on allocated capital	28	109	(81)
Total income	1 259	2 525	(1 266)
Operating expenses	459	527	(68)
Pre-tax operating profit before write-downs	800	1 998	(1 198)
Net gains on fixed assets	0	0	0
Net write-downs on loans	0	1	0
Pre-tax operating profit	800	1 997	(1 197)
Key figures in per cent			
Return on allocated capital [1]	41.5	80.3	
Cost/income ratio	36.5	20.9	

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

DnB NOR Markets' financial performance in the fourth quarter of 2009 was characterised by lower activity levels in the economy, which resulted in reduced income from customer and proprietary trading. The cyclical downturn resulted in a reduction in investment, financing, export and import activity among customers and a downturn in demand for hedging products. Compared with the fourth quarter of 2008, a normalisation of the financial markets, with less volatility, led to reduced margins.

DnB NORD

DnB NOR has a 51 per cent ownership interest in DnB NORD. The majority of DnB NORD's operations are in the Baltic States and Poland. The operations in the Baltic States have been particularly hard hit by the cyclical downturn.

Income statement in NOK million	4th quarter 2009	4th quarter 2008	Change
Net interest income	369	479	(111)
Other operating income	182	276	(94)
Total income	551	755	(204)
Operating expenses	768	543	225
Pre-tax operating profit before write-downs	(217)	213	(430)
Net gains on fixed assets	(15)	3	(18)
Net write-downs on loans	845	1 053	(208)
Pre-tax operating profit	(1 078)	(837)	(241)
Average balance sheet items in NOK billion			
Net lending to customers	75.9	87.8	(11.8)
Deposits from customers	20.0	23.1	(3.1)
Key figures in per cent			
Return on allocated capital [1]	(28.9)	(28.4)	
Cost/income ratio [2]	72.6	54.2	
Ratio of deposits to lending	26.4	26.4	

1) *Calculated on the basis of allocated risk-adjusted capital.*
2) *Cost/income ratio adjusted for impairment losses for goodwill.*

A net operating loss before write-downs was recorded in the fourth quarter of 2009 due to impairment losses for goodwill totalling NOK 368 million. Net lending was down 13.5 per cent from the year-earlier period. Net write-downs relative to average lending declined from 4.77 per cent in the fourth quarter of 2008 to 4.44 per cent in the fourth quarter of 2009. DnB NORD is in the process of winding down its activities in Denmark and Finland, and will centre its operations on the subsidiary banks in the Baltic States and Poland. As part of this process, the entire Finnish portfolio and approximately 50 per cent of the Danish portfolio were sold to DnB NOR late in 2009. DnB NORD expects the level of write-downs on loans to remain relatively high in 2010. The company will seek to consolidate its operations, reduce write-downs and improve cost-effectiveness.

Full year results 2009

Income statement

2009 was a turbulent and demanding year for the DnB NOR Bank Group, characterised by financial turmoil and a period of contraction both in Norway and internationally. However, the economic situation gradually improved during the second half of the year. In spite of the challenging situation, the banking group recorded net profits during all four quarters in 2009.

Pre-tax operating profits before write-downs rose by 11.4 per cent from 2008, to NOK 18 094 million. Profits for the year came to NOK 6 139 million, compared with NOK 9 215 million in 2008. Profits after minority interests were NOK 7 698 million and NOK 9 508 million, respectively, for the two years. The large differential was due to the net loss in DnB NORD, where the minority shareholders were charged with their respective shares.

Net interest income

Amounts in NOK million	2009	Change	2008
Net interest income	23 112	777	22 335
Lending and deposit spreads		1 823	
Lending and deposit volumes		976	
Exchange rate movements		581	
Equity and non-interest-bearing items		(1 998)	
Long-term funding costs		(753)	
Guarantee fund levy		(430)	
Interbank funding and interest rate instruments		(254)	
Amortisation effects in the liquidity portfolio		397	
Other net interest income		435	

Net interest income rose by 3.5 per cent compared with 2008. There was a significant increase in lending volumes through 2008, which boosted interest income in 2009. Lending volumes declined quarter by quarter through 2009 due to exchange rate movements and lower credit demand. Adjusted for exchange rate movements, the average lending volume increased by 5.3 per cent from 2008 to 2009.

Relative to the 3-month money market rate, average lending spreads widened from 1.00 per cent in 2008 to 1.59 per cent in 2009. However, the actual costs for new long-term funding in 2009 were significantly higher than money market rates. The lending spread should cover both rising funding costs, higher guarantee fund levies and higher credit risk. During 2009, there was a repricing of corporate loans to compensate for the rise in such costs. The portfolio of housing loans to personal customers was less affected by the rising funding costs. These loans were largely financed through covered bonds issued by DnB NOR Boligkreditt, which thus far have generated lower costs than other funding sources.

Deposit growth averaged NOK 46.6 billion or 8.2 per cent. The competition for deposits remained strong during 2009, contributing to a decline in the average deposit spread from 1.07 per cent in 2008 to 0.29 per cent in 2009. The low interest rate level also led to increased pressure on deposit spreads.

Net other operating income

Amounts in NOK million	2009	Change	2008
Net other operating income	11 824	1 977	9 847
Stock market-related income including financial instruments		1 444	
Changes in credit spreads, liquidity portfolio		1 333	
Net other commissions and fees		6	
Other operating income		(84)	
Net gains on FX and interest rate instruments [1]		(182)	
Profits from associated companies		(539)	

1) *Excluding guarantees and unrealised losses in the liquidity portfolio.*

Net other operating income increased by 20.1 per cent from 2008. The great uncertainty in financial markets gave a considerable boost in demand for hedging products from DnB NOR Markets, especially in the first half of 2009. The financial turmoil also caused greater differences between ask and bid prices, resulting in increased income from foreign exchange and interest rate products. The rise in income can be viewed in light of other negative profit effects arising from the financial turmoil. The rise in income reflects the DnB NOR Bank Group's broad income base, which enables the banking group to maintain a sound level of profits even when the financial markets are weak.

During the first half of 2008, NOK 1 333 million in unrealised losses in the liquidity portfolio in DnB NOR Markets was recorded. With effect from the second half of 2008, these bonds were reclassified to the held-to-maturity category, and the banking group thus recorded no such mark-to-market losses in 2009.

Recorded changes in the value of special balance sheet items carried at fair value represented a net cost of NOK 230 million in 2009 and net income of NOK 489 million in 2008. Such items reflect mark-to-market adjustments of credit margins on the banking group's liabilities, mainly in Eksportfinans, and value assessments of currency swap agreements for the exchange of the banking group liabilities.

In the second half of 2009, there was a rise in income from, among other things, payment services and real estate broking due to the introduction of new products and a stronger economy.

Operating expenses

Operating expenses increased by NOK 899 million from 2008 to 2009, to NOK 16 841 million. However, total expenses include impairment losses for goodwill. The table below shows expenses for the DnB NOR Bank Group's ordinary operations.

Amounts in NOK million	2009	Change	2008
Total ordinary operating expenses	16 111	403	15 708
Cost programme		(410)	
Restructuring expenses, cost programme		75	
Marketing expenses		(140)	
Wage and price inflation		475	
Operational leasing		230	
IT expenses		116	
Other operating expenses		58	

Ordinary operating expenses rose by 2.6 per cent from 2008 to 2009. The increase primarily reflected the acquisition and establishment of new operations in Norway and internationally during 2008, which was fully reflected in the income statement in 2009. A number of the specific measures which caused a rise in costs had a direct corresponding effect on income. This applies, among other things, to the take-over of financial advisers from Norway Post and the increase in operational leasing. In addition, there was considerable investment in IT.

The banking group's cost programme counteracted the effects of both expansionary measures and ordinary wage and price inflation. The measures implemented up till the end of 2009 reduced recorded costs by NOK 410 million compared with 2008. Restructuring costs totalled NOK 192 million in 2009, up NOK 75 million compared with 2008.

The cost programme was ahead of schedule, and considerable efforts were made to achieve cost savings. Cost reductions recorded since the programme started up until year-end 2009 had a full-year effect corresponding to NOK 817 million. The most extensive measures relate to the streamlining of the branch network, reduced procurement costs, the shift to electronic customer communication and streamlining measures in connection with restructuring processes to achieve greater coordination within the banking group. In spring 2009, the cost programme target was adjusted upwards to annual cost savings of NOK 1.7 billion by the end of 2012.

The number of full-time positions in the banking group was reduced by 585 from year-end 2008 to end-December 2009.

Impairment losses for goodwill

Each quarter, recorded goodwill and intangible assets in the banking group's balance sheet are reviewed with respect to a possible decline in value. Total impairment losses for goodwill of NOK 730 million were recorded in 2009.

As a result of macroeconomic developments and weak profits in DnB NORD, impairment losses for goodwill of NOK 941 million were recorded in DnB NORD. The DnB NOR Bank Group recorded total impairment losses of NOK 529 million related to DnB NORD. Impairment losses for goodwill of NOK 99 million relating to Svensk Fastighetsförmedling in Sweden were recorded in consequence of a new strategic direction for these operations. Due to changes in the market outlook, impairment losses for goodwill of NOK 102 million relating to SalusAnsvar in Sweden were recorded.

Write-downs on commitments

Excluding DnB NORD, individual write-downs totalled NOK 2 719 million in 2009, up NOK 1 218 million from 2008. The level of write-downs was relatively stable through 2009.

Individual write-downs in DnB NORD came to NOK 3 346 million in 2009, an increase of NOK 2 168 million from 2008. The write-downs can be ascribed to the difficult economic situation in DnB NORD's markets, most particularly in Latvia and Lithuania.

Due to the serious international economic downturn, there was a rise in collective write-downs in 2009. The effect of collective write-downs on the income statement was NOK 1 645 million in 2009, up from NOK 830 million in 2008. The primary factor behind the increase was reduced shipping freight rates.

Total write-downs in DnB NORD represented 4.7 per cent of DnB NORD's average loan portfolio in 2009, compared with 1.9 per cent in 2008. The corresponding figures for the rest of the banking group were 0.33 per cent and 0.22 per cent, respectively.

Commitments which are subject to individual write-downs, net impaired commitments, totalled NOK 12.1 billion in 2009, up NOK 3.3 billion from 2008. Net impaired commitments represented 1.08 per cent of lending volume as at 31 December 2009, an increase from 0.73 per cent at year-end 2008. Non-performing commitments not subject to write-downs represented NOK 7.0 billion as at 31 December 2009, up NOK 3.9 billion from a year earlier. Non-performing commitments not subject to write-downs represented 0.63 per cent of lending volume at year-end 2009, compared with 0.26 per cent a year earlier.

Taxes

The DnB NOR Bank Group's total tax charge for 2009 was NOK 4 351 million, a rise of NOK 783 million from 2008. Relative to pre-tax operating profits, the tax charge increased from 27.9 to 41.8 per cent from 2008 to 2009. Impairment losses for goodwill, which give no tax deduction, have resulted in a higher relative tax charge. Adjusted for this factor, the tax charge was 27.4 per cent and 39.1 per cent in 2008 and 2009, respectively. The tax charge in 2009 was particularly high due to developments in DnB NORD, exchange rates and interest rate levels.

Balance sheet and liquidity

Total assets in the banking group's balance sheet were NOK 1 616 billion at year-end 2009 and NOK 1 638 billion a year earlier.

Measured in Norwegian kroner, net lending to customers declined by NOK 78 billion or 6.47 per cent from year-end 2008 to end-December 2009. The reduction was mainly due to exchange rate movements. Adjusted for these effects, there was a 5.3 per cent increase in lending. More sluggish credit demand in the corporate sector affected lending figures. Customer deposits increased by NOK 7 billion or 1,1 per cent during the corresponding period. After adjusting for exchange rate movements, there was a 6.2 per cent increase in deposits. The banking group's ratio of customer deposits to net lending to customers increased somewhat, from 50.3 per cent at end-December 2008 to 54.4 per cent a year later. During the same period, the ratio of deposits to lending in the bank increased from 69.2 to 92.7 per cent, partly due to the transfer of loans from the bank to DnB NOR Boligkreditt to enable securities market funding. The banking group's future strategy is to increase the ratio of deposits to lending.

In order to keep the banking group's liquidity risk at a low level, the majority of loans are financed through customer deposits, long-term securities, subordinated loan capital and equity. The banking group has a self-imposed limit whereby such long-term or stable funding limit must represent 90 per cent of lending to the general public. This limit remained unchanged through 2009. With respect to short-term funding, conservative limits have been set for refunding requirements. The banking group stayed well within the established liquidity limits through 2009.

Following extensive market turmoil in 2008, the market for short-term liquidity showed a clearly improved trend at the start of 2009. However, at times, large international banks reported new, sizeable and unexpected losses, followed by measures initiated by the authorities to curb the resulting effects. The turmoil led to occasional setbacks where the markets functioned less satisfactorily and the maturities of available liquid funds again became shorter. Later in the year, the markets gradually improved, and the situation was stable and sound in the second half of 2009. Volumes and maturities practically returned to normalised levels, and the pricing of very short-term funding virtually corresponded to the levels before the financial turmoil. Nevertheless, investors still showed little risk willingness, and strong emphasis continued to be placed on borrowers' credit ratings.

In the fourth quarter of 2008, the Norwegian authorities introduced a scheme to ensure long-term funding for the banks through the exchange of Treasury bills for covered bonds backed by mortgage loans issued by the banks. The scheme was instrumental in stabilising the liquidity situation during a turbulent period. It was phased out during the autumn of 2009.

Following a substantial reduction in the banking group's long-term funding costs during the summer of 2009, the situation was more stable towards the end of the year. However, funding costs remained at a markedly higher level than before the financial crisis.

Risk and capital adequacy

The DnB NOR bank Group quantifies risk by measuring risk-adjusted capital, which is a guiding factor for the banking group's capital requirement. Net risk-adjusted capital declined by NOK 8.6 billion to NOK 55.5 billion from year-end 2008 to end-December 2009. The figures were somewhat affected by the upgrading and improvement of internal risk models, but nevertheless reflected the general trend. Due to a marked strengthening of the Norwegian krone, there was a reduction in credit volumes in the corporate market in 2009, which explains the decline in risk-adjusted capital for credit.

Amounts in NOK billion	31 Dec. 2009	30 Sept. 2009	30 June 2009	31 Dec. 2008
Credit risk	50.9	55.7	57.6	59.2
Market risk	3.7	3.5	4.4	4.2
Operational risk	5.4	5.4	4.9	4.9
Business risk	3.4	3.4	3.3	2.8
Gross risk-adjusted capital requirement	63.3	68.0	70.2	71.1
Diversification effect [1)]	(7.8)	(8.0)	(6.6)	(6.9)
Net risk-adjusted capital requirement	55.5	60.0	63.6	64.1
Diversification effect in per cent of gross risk-adjusted capital requirement [1)]	12.4	11.8	9.4	9.8

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

Credit growth in the corporate market in 2009 reflected weak demand and a decline in lending volumes. In the retail market, lending volumes expanded due to the improved situation in the housing market, with an estimated increase in housing prices in Norway of 2.9 per cent from 2008 to 2009 and brisk sales activity.

There was stable credit quality and a relatively low level of non-performing loans in the part of the portfolio which depends on developments in the Norwegian economy, primarily loans to private individuals and small and medium-sized businesses in Norway.

There was a negative trend within shipping in 2009, though freight rates remained at a higher level than expected within key segments such as dry bulk and oil tankers. The container segment showed the poorest performance. In spite of a large number of cancellations of newbuilding orders, the fleet is still expected to increase within most segments, which will contribute to keeping rates low for a long period in the future. On the positive side, the large, leading shipping companies strengthened their equity through capital market issues.

The Baltic States experienced a stronger recession than most other countries in 2009. Consequently, extensive write-downs on loans were recorded, and future developments remain highly uncertain. This is reinforced by the countries' short history of market economy, newly established institutions and legislative framework. Towards the end of the year, however, there were indications that the situation was stabilising somewhat, and the increase in non-performing loans abated.

In the Nordic portfolio, credit risk increased primarily within acquisition finance in 2009. There are mixed experiences with private equity funds, though the funds generally seem to follow up their investments in a responsible manner.

Market risk varied during the year due to changes in the banking group's equity positions. The exposure to Eksportfinans changed after the banking group issued a guarantee for parts of the company's bond investments in 2008. The unutilised part of the guarantee is recorded as an equity investment. DnB NOR Boligkreditt increased its business volume considerably in 2009, which required an increase in interest risk limits. Due to large fluctuations in money market rates and in the relative margins between various currencies, there have been significant changes in the value of derivative positions relative to the banking group's funding when one currency is used to fund another currency. However, these changes in value are generally of a temporary nature and will be reversed over time.

A total of 108 operational loss events were registered during 2009, causing an overall net loss of NOK 94 million. In addition, there were operational errors in connection with credit losses. The operational stability of the banking group's Internet banks and other IT systems improved in 2009. The average operational time in the banking group's Internet banks was 99.7 per cent.

Liquidity risk is not quantified when calculating risk-adjusted capital. The banking group tightened its liquidity risk limits at the beginning of 2009 and was well within these limits through the year. The exchange scheme in Norges Bank continued to function well in 2009. The scheme gave the DnB NOR Bank Group access to Norwegian Treasury bills in exchange for covered bonds issued by DnB NOR Boligkreditt and backed by well-secured housing loans. At year-end 2009, a total of NOK 118 billion had been used in this scheme. The Treasury bills were used primarily as liquidity reserves and enabled the banking group to make use of ample short-term funding from private sources without increasing overall liquidity risk. Low lending growth, combined with a significant increase in customer deposits, gave a rise in the banking group's ratio of deposits to lending from 50.3 per cent at year-end 2008 to 54.4 per cent at end-December 2009. At the end of 2009, long-term stable funding of the banking group's lending volume represented 102 per cent, compared with 93 per cent the previous year.

Risk-weighted volume included in the calculation of the formal capital adequacy requirement was NOK 960 billion at end-December 2009, down 14.3 per cent from 2008. The reduction mainly reflected lower lending volumes in consequence of the stronger Norwegian krone, whereby currency loans had a lower value measured in Norwegian kroner. Calculations of risk-weighted volume according to Basel II gave a reduction in the capital requirement relative to Basel I of 11.9 per cent. The transitional rules which apply until year-end 2011 allow a maximum reduction of 20 per cent. In 2009, the banking Group applied to Finanstilsynet (the Financial Supervisory Authority of Norway) for permission to use the IRB approach to measure credit portfolios for large corporate clients, which could give a significant reduction in risk-weighted volume in 2010. The transitional floor is then expected to apply. The core capital ratio was 8.4 per cent at end-December 2009 and 6.9 per cent at year-end 2008, while the capital adequacy ratio was 11.4 per cent at year-end 2009.

In December 2009, the Basel Committee and the EU presented a number of proposals to tighten capital adequacy regulations, along with new requirements for liquidity buffers and the funding structure of financial institutions. The measures are scheduled to be implemented once the ongoing financial crisis is over and will make the financial sector more robust. The most important proposals have yet to be approved, and changes must be expected following the 2010 consultation round. Following the net NOK 13.9 billion increase in the Group's equity in December 2009, DnB NOR is well positioned to meet the anticipated new capitalisation requirements. Due to the ample access to Treasury bills through the exchange scheme with Norges Bank, the Group also has more than adequate liquidity reserves. The main challenge lies in the funding structure requirements, as the Basel Committee's proposal requires a considerably higher share of long-term funding than the share held by DnB NOR at year-end 2009.

Macroeconomic developments

In 2009, the international economy was strongly influenced by the crisis in the financial markets and its spill-over effects. The financial crisis had an unusually sudden effect on the real economy and led to the most dramatic downturn in the international economy since the Second World War. In many countries, manufacturing output fell by 20-30 per cent over a few quarters. There was also a sharp fall in total GDP growth, and unemployment rose steeply. Governments launched a number of measures to stimulate economic activity. The central banks lowered their key interest rates to historically low levels and injected liquidity to help the money markets function as normally as possible. Authorities across the world also initiated various measures to make the banking system function in an optimal manner. Fiscal policy was used actively to curb the economic downturn, and the fall in manufacturing production gradually levelled off. In the second half of 2009, there were increasing signs of a hesitant economic recovery.

The Baltic States have been among those countries most severely affected by the financial crisis. GDP in Estonia and Lithuania fell by approximately 15 per cent in 2009, whereas GDP in Latvia fell by 17-18 per cent. In spite of more hopeful prospects worldwide, there continue to be only modest signs of new growth in the Baltic States. According to Consensus Forecasts, the Baltic economies will experience a further downturn in 2010, with a fall in GDP of approximately 1-3 per cent. The International Monetary Fund, which operates with more long-term prognoses, estimates a moderate growth in GDP of 1.5-3.5 per cent for 2011 and 2012, respectively.

The Norwegian economy was influenced by the global economic downturn, both through its international trade and through the international financial markets. Parts of the export industry and the building and construction industry were particularly affected.

In spite of a pronounced economic contraction, there was only a slight rise in unemployment levels in Norway. One reason is that counter-cyclical policy was stronger in Norway than in most other countries. The oil industry also helped stabilise the Norwegian economy as investment within the sector remained at a high level. Many labour immigrants on short-term contracts returned home when the downturn reached the Norwegian economy. Higher education became more attractive, reducing the pool of workers and hence also unemployment figures.

The financial crisis rapidly resulted in a weakening of the Norwegian krone against both the euro and the US dollar, which eased the pressure on Norway's export industries. The weakening of the krone was partially reversed during 2009 as Norwegian interest rates were raised at a faster rate than in most other countries.

At the end of 2009, the Norwegian economy was still in a recession, but showed clear signs of improvement. In particular, private and public sector consumption and public investments made a positive contribution, though exports of traditional goods also started to increase. Housing investments and investments in the business sector remained low in 2009, but escalating housing prices will probably cause a rise in housebuilding activity.

DnB NOR's company survey conducted in December 2009, where 2 100 business managers were interviewed on their expectations for 2010, showed that approximately fifty per cent believed in higher turnover in 2010, which could indicate that Norwegian companies are starting to emerge from the financial crisis. There were considerable sectoral variations in the survey, but only 12 per cent of the business mangers feared a fall in profits in 2010.

Household debt, in per cent of disposable income, reached a high level at the end of 2009, partly on account of low interest rates and rising housing prices. Nevertheless, the general financial situation for Norwegian households was positive.

Future prospects

At the end of 2009, the global economy showed several signs of recovery, but it remains uncertain whether the positive trend will continue. The Norwegian economy has weathered the crisis better than many other economies, yet due to its open economy, Norway is strongly influenced by international developments. The same is true for the DnB NOR Bank Group through DnB NORD's commitments in the Baltic States and in Poland, the banking group's shipping commitments, Norwegian customers who operate internationally and local commitments at the banking group's international offices. Another important factor for the DnB NOR Bank Group is the performance of Norway's export industry.

Nevertheless, about 80 per cent of the banking group's operations are based in Norway, and developments in Norway will thus be of key importance. The DnB NOR Bank Group expects that Norway will slowly recover from the cyclical downturn of the last two years.

To ensure long-term growth and profitability, the banking group will further increase its customer focus. The aim is that all customers will feel that their needs are met when they are in contact with the DnB NOR Bank Group. To strengthen the banking group's strategy, a new vision has been defined focusing on long-term value creation and customer orientation: "creating value through the art of serving the customer", supported by the following core values: helpful, professional and show initiative. The vision and core values should distinguish the banking group as a whole and be reflected in the conduct of its employees.

The capital increase gives the Group a greater capacity for growth based on profitability and acceptable risk. Combined with even stronger customer orientation, the capital increase is expected to further strengthen DnB NOR's position in the Norwegian and international markets over the next few years. DnB NOR will, as Norway's leading banking group, have a strong presence in all financial markets in Norway and ensure customers a competitive total product offering.

In 2009, write-downs in the Baltic States were considerably higher than normal, whereas write-downs in Norwegian-related operations remained lower than expected. The future development of write-downs in both Norwegian-related and international operations is uncertain. However, write-downs in 2010 are expected to be roughly on a level with 2009.

Funding costs are anticipated to remain high compared with pre-crisis levels. As the Group has a sound position and enjoys confidence in the capital markets, it is expected to have continued access to short and long-term funding at competitive prices.

The financial turmoil in 2008 and 2009 resulted in a higher level of other operating income due to extensive hedging activity in the markets. A stabilisation of the markets will entail a reduction in such sources of income.

The Group will retain its tight control on expenditure, including following up its cost programme. DnB NOR has not departed from its goal to implement cost-cutting measures which will result in annual cost reductions of minimum NOK 2 billion in the period 2008 through 2012. The cost-cutting measures include streamlining the bank's branch network and IT systems, reducing procurement costs and centralising staff and support functions. The measures contribute to counteracting inflationary effects and other cost increases and will be followed up closely.

The DnB NOR Bank Group's tax charge in 2009 was particularly high due to developments in DnB NORD, share prices and exchange rates. A lower tax level is expected in 2010.

The Board of Directors of DnB NOR decided at the end of 2009 to initiate an evaluation of the shareholder agreement with NORD/LB regarding a possible purchase of their 49 per cent ownership interest in DnB NORD. The process is expected to be finalised in the course of 2010.

It is likely that proposals from the Basel Committee and the EU to tighten capital adequacy regulations and implement new liquidity buffer and funding structure requirements will increase the Group's long-term funding requirements. In addition, it is probable that there will be changes in the requirements relating to capital structure, with greater emphasis on pure equity and less emphasis on various forms of hybrid capital and subordinated loans. A parallel process is looking at how to change the accounting rules governing financial instruments, including write-downs on loans. The changes will be discussed in consultative processes in 2010. The financial industry and the real economy could be materially affected by these regulatory changes. DnB NOR has a relatively sound platform, enabling it to adapt to the changes. The Group wishes to participate in analysing the impact of the changes and promote the implementation of a balanced regulatory framework.

DnB NOR's economic forecast for 2010 is greater competition and moderate growth in the first part of the year, with a gradual recovery in activity during the year.

The Group is not departing from its goal to achieve pre-tax operating profits before write-downs of NOK 20 billion in 2010. However, macroeconomic developments have made this target more challenging to reach. Write-downs on loans in 2010 are expected to be on a level with 2009. Other updated financial targets will be presented at the Capital Markets Day on 18 March 2010.

Oslo, 10 February 2010
The Board of Directors of DnB NOR BankASA

Anne Carine Tanum
(chairman)

Bent Pedersen
(vice-chairman)

Per Hoffmann

Kari Lotsberg

Kai Nyland

Torill Rambjør

Ingjerd Skjeldrum

Rune Bjerke
(group chief executive)

Contents –quarterly accounts

Income statement

Amounts in NOK million	Note	4th quarter 2009	4th quarter 2008	Full year 2009	Full year 2008
		DnB NOR Bank ASA			
Total interest income	5	9 227	19 038	44 581	70 478
Total interest expenses	5	5 501	14 515	29 183	53 373
Net interest income	5	**3 726**	**4 523**	**15 398**	**17 105**
Commissions and fees receivable etc.	6	1 211	1 199	4 980	5 274
Commissions and fees payable etc.	6	429	471	1 752	1 878
Net gains on financial instruments at fair value	7	975	368	7 509	1 626
Other income	6	1 100	907	2 226	1 695
Net other operating income	6	**2 856**	**2 003**	**12 963**	**6 716**
Total income		**6 582**	**6 526**	**28 361**	**23 821**
Salaries and other personnel expenses	8, 9	1 678	1 657	6 586	6 306
Other expenses	8	932	1 292	4 703	5 013
Depreciation and write-downs of fixed and intangible assets	8	1 934	219	2 624	465
Total operating expenses	8	**4 544**	**3 168**	**13 913**	**11 784**
Net gains on fixed and intangible assets		(4)	3	(1)	47
Write-downs on loans and guarantees	11	467	910	3 135	1 586
Pre-tax operating profit		**1 566**	**2 450**	**11 312**	**10 499**
Taxes	10	504	762	3 849	2 889
Profit from operations and non-current assets held for sale, after taxes		0	0	0	0
Profit for the period		**1 063**	**1 688**	**7 463**	**7 610**

Comprehensive income statement according to IAS 1

Amounts in NOK million	4th quarter 2009	4th quarter 2008	Full year 2009	Full year 2008
	DnB NOR Bank ASA			
Profit for the period	1 063	1 688	7 463	7 610
Exchange differences arising from the translation of foreign operations	1	293	(468)	434
Comprehensive income for the period	1 064	1 981	6 995	8 044

Balance sheet

Amounts in NOK million	Note	DnB NOR Bank ASA 31 Dec. 2009	31 Dec. 2008
Assets			
Cash and deposits with central banks		29 023	47 705
Lending to and deposits with credit institutions		276 084	245 652
Lending to customers	12, 13	626 806	824 223
Commercial paper and bonds	14	304 948	82 058
Shareholdings	15	13 041	9 317
Financial derivatives		71 002	137 751
Commercial paper and bonds, held to maturity	14	113 302	100 278
Investments in associated companies		1 023	1 069
Investments in subsidiaries		26 174	19 192
Intangible assets	16	2 562	2 173
Deferred tax assets		1 153	10
Fixed assets		817	844
Operations and non-current assets held for sale		0	0
Other assets		6 146	5 941
Total assets		**1 472 079**	**1 476 214**
Liabilities and equity			
Loans and deposits from credit institutions		294 190	147 371
Deposits from customers		580 913	570 312
Financial derivatives		64 338	119 168
Debt securities issued	17	398 231	507 680
Payable taxes		7 142	215
Deferred taxes		7	3 734
Other liabilities		12 863	10 608
Provisions		4 247	4 299
Subordinated loan capital	17	37 686	43 612
Total liabilities		**1 399 617**	**1 406 998**
Minority interests		0	0
Share capital		17 514	17 514
Share premium reserve		12 695	12 695
Other equity		42 253	39 007
Total equity		**72 462**	**69 217**
Total liabilities and equity		**1 472 079**	**1 476 214**
Off-balance sheet transactions and contingencies	21		

Income statement

Amounts in NOK million	Note	4th quarter 2009	4th quarter 2008	Full year 2009	Full year 2008
		DnB NOR Bank Group			
Total interest income	5	12 818	22 916	59 047	82 741
Total interest expenses	5	7 143	16 615	35 935	60 406
Net interest income	5	**5 675**	**6 301**	**23 112**	**22 335**
Commissions and fees receivable etc.	6	1 448	1 458	5 956	6 236
Commissions and fees payable etc.	6	467	509	1 890	2 021
Net gains on financial instruments at fair value	7	1 051	1 186	6 180	3 430
Profit from companies accounted for by the equity method	6	(49)	1 201	93	632
Other income	6	369	402	1 485	1 569
Net other operating income	6	**2 352**	**3 737**	**11 824**	**9 847**
Total income		**8 027**	**10 038**	**34 935**	**32 182**
Salaries and other personnel expenses	8, 9	2 164	2 139	8 681	8 299
Other expenses	8	1 289	1 691	6 067	6 348
Depreciation and write-downs of fixed and intangible assets	8	678	588	2 094	1 296
Total operating expenses	8	**4 130**	**4 418**	**16 841**	**15 942**
Net gains on fixed and intangible assets		19	6	26	52
Write-downs on loans and guarantees	11	1 517	2 314	7 710	3 509
Pre-tax operating profit		**2 398**	**3 312**	**10 410**	**12 784**
Taxes	10	1 591	1 138	4 351	3 568
Profit from operations and non-current assets held for sale, after taxes		80	0	80	0
Profit for the period		**886**	**2 174**	**6 139**	**9 215**
Profit attributable to shareholders		1 320	2 576	7 698	9 508
Profit attributable to minority interests		(433)	(402)	(1 559)	(293)

Comprehensive income statement according to IAS 1

Amounts in NOK million	4th quarter 2009	4th quarter 2008	Full year 2009	Full year 2008
	DnB NOR Bank Group			
Profit for the period	886	2 174	6 139	9 215
Exchange differences arising from the translation of foreign operations	18	652	(998)	909
Comprehensive income for the period	904	2 826	5 141	10 124
Comprehensive income attributable to shareholders	1 389	2 801	7 288	9 865
Comprehensive income attributable to minority interests	(485)	25	(2 147)	259

Balance sheet

Amounts in NOK million	Note	DnB NOR Bank Group 31 Dec. 2009	31 Dec. 2008
Assets			
Cash and deposits with central banks		31 859	51 147
Lending to and deposits with credit institutions		58 751	54 187
Lending to customers	12, 13	1 128 791	1 206 842
Commercial paper and bonds	14	177 613	58 219
Shareholdings	15	13 396	9 642
Financial derivatives		69 173	136 567
Commercial paper and bonds, held to maturity	14	113 302	100 278
Investment property		614	167
Investments in associated companies		2 502	2 499
Intangible assets	16	5 554	6 105
Deferred tax assets		241	253
Fixed assets		5 434	5 271
Operations and non-current assets held for sale		1 255	246
Other assets		7 513	6 781
Total assets		**1 615 999**	**1 638 205**
Liabilities and equity			
Loans and deposits from credit institutions		302 694	178 834
Deposits from customers		613 627	606 915
Financial derivatives		52 359	93 207
Debt securities issued	17	500 907	614 183
Payable taxes		8 715	317
Deferred taxes		575	5 054
Other liabilities		9 839	12 380
Operations held for sale		366	0
Provisions		4 553	4 607
Subordinated loan capital	17	39 051	45 225
Total liabilities		**1 532 685**	**1 560 721**
Minority interests		2 755	4 211
Share capital		17 514	17 514
Share premium reserve		13 411	13 411
Other equity		49 633	42 346
Total equity		**83 314**	**77 483**
Total liabilities and equity		**1 615 999**	**1 638 205**
Off-balance sheet transactions and contingencies	21		

Statement of changes in equity

DnB NOR Bank ASA

Amounts in NOK million	Share capital	Share premium reserve	Other equity	Total equity
Balance sheet as at 31 December 2007	**17 514**	**12 695**	**30 964**	**61 173**
Comprehensive income for the period			8 044	8 044
Balance sheet as at 31 December 2008	**17 514**	**12 695**	**39 007**	**69 217**
Comprehensive income for the period			6 995	6 995
Group contribution to DnB NOR ASA			(3 750)	(3 750)
Balance sheet as at 31 December 2009	**17 514**	**12 695**	**42 253**	**72 462**
Of which currency translation reserve :				
Balance sheet as at 31 December 2007			*(248)*	*(248)*
Comprehensive income for the period			*434*	*434*
Balance sheet as at 31 December 2008			*185*	*185*
Comprehensive income for the period			*(468)*	*(468)*
Balance sheet as at 31 December 2009			*(283)*	*(283)*

DnB NOR Bank Group

Amounts in NOK million	Minority interests	Share capital	Share premium reserve	Other equity	Total equity
Balance sheet as at 31 December 2007 1)	**2 662**	**17 514**	**13 411**	**32 480**	**66 068**
Comprehensive income for the period 1)	259			9 865	10 124
Net dividends/group contribution paid for 2007					0
Minority interests DnB NORD 2)	1 305				1 305
Other minority interests	(15)				(15)
Balance sheet as at 31 December 2008 1)	**4 211**	**17 514**	**13 411**	**42 346**	**77 483**
Comprehensive income for the period 1)	(2 147)			7 288	5 141
Minority interests DnB NORD 2)	693				693
Other minority interests	(2)				(2)
Balance sheet as at 31 December 2009 1)	**2 755**	**17 514**	**13 411**	**49 633**	**83 314**

1) *Of which currency translation reserve :*

Balance sheet as at 31 December 2007	*(28)*			*(206)*	*(234)*
Adjustment to currency translation reserve DnB NORD				*20*	*20*
Comprehensive income for the period	*552*			*357*	*909*
Balance sheet as at 31 December 2008	*524*			*170*	*695*
Comprehensive income for the period	*(587)*			*(410)*	*(998)*
Balance sheet as at 31 December 2009	*(63)*			*(240)*	*(303)*

2) *Minority interests DnB NORD :*

NORD/LB's share of capital increase in DnB NORD Denmark	*1 199*
Other movements	*106*
Movements 2008	*1 305*
NORD/LB's share of capital increase in DnB NORD Denmark	*814*
Purchase of minority shares in Lithuania	*(121)*
Movements 2009	*693*

Cash flow statement

DnB NOR Bank ASA			DnB NOR Bank Group	
Full year 2008	Full year 2009	*Amounts in NOK million*	Full year 2009	Full year 2008
		Operations		
(7 482)	143 999	Net receipts/payments on loans to customers	8 510	(152 300)
38 198	29 734	Net receipts on deposits from customers	29 199	42 427
51 882	28 491	Interest received from customers	48 013	71 823
(24 112)	(11 583)	Interest paid to customers	(12 502)	(25 220)
(49 460)	(160 632)	Net receipts/payments on the sale/aquisition of financial assets for investment or trading	(112 104)	(28 759)
3 398	3 227	Net receipts on commissions and fees	4 007	4 217
(8 821)	(12 700)	Payments to operations	(15 855)	(12 148)
(386)	(1 794)	Taxes paid	(596)	(927)
1 692	2 218	Other receipts	1 490	1 566
4 909	**20 960**	**Net cash flow relating to operations**	**(49 838)**	**(99 322)**
		Investment activity		
(462)	(755)	Net payments on the acquisition of fixed assets	(977)	(3 351)
50	578	Receipts on the sale of long-term investments in shares	478	133
(6 993)	(10 045)	Payments on the acquisition of long-term investments in shares	0	(2 721)
144	206	Dividends received on long-term investments in shares	136	147
(7 261)	**(10 015)**	**Net cash flow relating to investment activity**	**(363)**	**(5 792)**
		Funding activity		
(46 802)	57 105	Net receipts/payments on loans to/from credit institutions	122 316	12 969
(1 822)	1 713	Net receipts/payments on other short-term liabilities	(2 250)	9 140
0	0	Receipts on issued bonds and commercial paper	218 352	547 423
104 901	206 147	Payments on the redeemed bonds and commercial paper	(286 174)	(395 791)
8 030	(284 179)	Issue of subordinated loan capital	0	8 747
(3 196)	0	Redemptions of subordinated loan capital	0	(3 196)
(379)	647	Dividend/group contribution payments/ receipts	0	(1 807)
11 628	9 862	Interest receipts on funding activity	2 890	3 617
(30 682)	(17 615)	Interest payments on funding activity	(21 879)	(36 607)
41 678	**(26 320)**	**Net cash flow from funding activity**	**33 255**	**144 496**
1 671	**(3 357)**	**Effects of exchange rate changes on cash and cash equivalents**	**(3 771)**	**1 895**
40 997	**(18 732)**	**Net cash flow**	**(20 718)**	**41 277**
23 819	64 769	Cash as at 1 January	56 796	15 520
40 950	(18 732)	Net receipts/payments of cash	(20 718)	41 277
64 769	46 037	Cash at end of period *)	36 078	56 796
		*) *Of which:*		
47 705	*29 023*	*Cash and deposits with central banks*	*31 859*	*51 147*
17 064	*17 014*	*Deposits with credit institutions with no agreed period of notice* 1)	*4 219*	*5 648*

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

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

Note 1 Accounting principles

The fourth quarter accounts 2009 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 2008. The annual and interim accounts are prepared according to IFRS principles as approved by the EU. The banking group's accounting principles and calculation methods are essentially the same as those used in the annual report for 2008. New or amended standards which have an impact on the accounts of the DnB NOR Bank Group as from 1 January 2009 are described below.

IFRS 7 – Financial Instruments: Disclosures
Financial instruments recorded at fair value should be grouped in three levels according to the type of information used in the valuation: quoted prices, observable market data from active markets and factors other than observable market data. If financial instruments are measured using a valuation method based on factors other than observable market data, extended disclosure requirements apply. In line with the transitional rules, no corresponding data has been given for the comparison period. Amendments to IFRS 7 also require additional disclosures about liquidity risk. The new requirements apply with effect from the 2009 annual accounts.

IAS 1 – Presentation of Financial Statements (revised)
The banking group has applied the revised IAS 1 with effect from 1 January 2009. According to the revised standard, the statement of changes in equity shall only show details on transactions with owners. Other transactions which were previously recognised in equity should be included in comprehensive income for the period.

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 and liabilities, income and expenses. A more detailed account of important estimates and assumptions is presented in note 2 Important accounting estimates and discretionary assessments in the annual report for 2008.

Fair value of margin-based loans
When calculating the fair value of margin-based loans in Norwegian kroner, the registered portfolio margin is measured against an estimated margin requirement at the end of the period. The difference between the estimated margin requirement and the registered margin represents a change in fair value, which is calculated by discounting the estimated margin loss. The discount period represents the expected time to the repricing of the portfolio. With effect from the first quarter of 2009, the margin requirement is calculated based on the bank's product profitability system. The margin requirement represents the bank's actual marginal funding costs, estimated operating expenses and risk costs (normalised losses and the cost of capital) based on the banking group's total risk model.

Estimated impairment of goodwill
Goodwill is subject to impairment testing on an annual basis or if there are indications of impairment. Assessments are based on the value in use of the cash-generating units. The value in use represents the sum total of the estimated present value of anticipated cash flows for the plan period and projected cash flows after the plan period. Cash flows are estimated during the plan period, which in most cases is three years, and are based on budgets and plans approved by management. Budgets and plans must be realistic in view of historical results in the unit. Beyond the plan period, projections are based on the general expected economic growth rate, provided that there are no strong arguments for a different growth rate. In the medium term, up until 2019, the annual growth rate has been stipulated at 5 per cent, which corresponds to the expected long-term nominal GDP growth rate. For reasons of prudence, an annual growth rate of 2.5 per cent has been estimated after 2019, which corresponds to the expected long-term inflation rate.

The results of the impairment tests depend on estimated required rates of return. The discount rate is based on an assessment of the market's required rate of return for the type of activity performed in the cash-generating unit. This required rate of return reflects the risk of operations. Se note 16 Intangible assets for more information regarding goodwill.

Norwegian government's stimulus package
The interest rate paid by the banks in the swap scheme with Norges Bank is determined through auctions. In the opinion of DnB NOR Bank, the market price of Treasury bills in the latest auctions have been influenced by factors and limitations which are specific to the various auction participants. In order to assess the fair value of the banking group's existing funding through the swap scheme with Norges Bank, it is necessary to calculate the anticipated long-term yield on Treasury bills. The banking group has thus made an assessment of the normal spread between the Treasury bill yield and NIBOR, based on developments in the interest rate market, which has been used when estimating the value of the funding as at 31 December 2009.

DnB NORD – evaluation of shareholder agreement
The shareholder agreement in DnB NORD entitles the parties to require an evaluation of the joint venture. In December 2009, the Board of Directors of DnB NOR decided to initiate the evaluation period of the shareholder agreement with effect from 31 January 2010. During the evaluation period, DnB NOR will consider the ownership structure, including the option to acquire NORD/LB's ownership interest in DnB NORD. In accordance with the shareholder agreement, the evaluation period will end on 31 July 2010. If DnB NOR does not avail itself of the right to acquire NORD/LB's ownership interest in DnB NORD, NORD/LB will be entitled to transfer its ownership interest in DnB NORD to DnB NOR or to take over the ownership interest of DnB NOR. The initiation of the evaluation period is not considered to be an absolute signal of an ultimate take-over of DnB NORD, as various outcomes of the process are possible. The accounting treatment of DnB NORD will be subject to ongoing assessment throughout the evaluation period.

Note 3 Changes in group structure

Svensk Fastighetsförmedling

The acquisition of Svensk Fastighetsförmedling was made with accounting effect from 30 June 2007. The agreement included a proviso regarding increased payment for the company if 40 per cent or more of negotiated sales result in loan applications to DnB NOR during the first two years after the agreement was entered into. At the time of acquisition, this was not considered to be a likely outcome based on experience from similar operations in Norway. However, the target was reached one year after the agreement date, resulting in an additional payment of SEK 43 million in July 2008. A corresponding assessment in July 2009 resulted in additional payments to former shareholders of SEK 29 million.

Nordisk Tekstil Holding Group

On 26 August 2009, DnB NOR Bank ASA took over the shares in Nordisk Tekstil Holding AS as part of the restructuring of the bank's commitment with the company. Nordisk Tekstil Holding AS owns 100 per cent of Kid Interiør AS and Kid Logistikk AS and 50 per cent of Kid Skeidar AS. Kid Interiør has a dominant position in the Norwegian home textile market and had a total turnover of just over NOK 860 million in 2008. The Nordisk Tekstil Holding Group was taken over at the price of NOK 1.

According to the DnB NOR Bank Group's strategy, ownership resulting from non-performing loans should as a rule have a short-term perspective, normally no longer than one year. Plans for the sale of the Nordisk Tekstil Holding Group have been worked out, and the sales process has been initiated. The Nordisk Tekstil Holding Group is classified under operations held for sale in the accounts.

Operations in the Nordisk Tekstil Holding Group, after the elimination of internal items with other units in the DnB NOR Bank Group, are presented under "Profits from operations and non-current assets held for sale" in the income statement, and under "Operations and non-current assets held for sale" and "Operations held for sale" in the balance sheet. Profits from operations in the Nordisk Tekstil Holding Group after tax were NOK 58 million for the September through December period in 2009. In the segment reporting, these operations are included under "Group Centre".

DnB NOR Næringskreditt

DnB NOR Næringskreditt is 100 per cent owned by DnB NOR Bank ASA. The mortgage institution was established to issue covered bonds secured by a cover pool comprising commercial property and is instrumental in the bank's asset and liability management as a source of short and long-term funding. The bonds will be used in swap schemes with the Norwegian government, as collateral for central banks loans or sold in the market.

The company started operations in the third quarter of 2009, and in 2009 loans with a total value of NOK 11.5 billion were transferred from DnB NOR Bank ASA to the company. The transfers are made in agreement with the customers. The portfolio is diversified with respect to property types, sizes and locations. Like DnB NOR Boligkreditt, DnB NOR Næringskreditt will purchase management and administrative services from DnB NOR Bank ASA.

Note 4 Segments

Business areas

The operational structure of the DnB NOR Bank Group includes three business areas and four staff and support units. In addition, DnB NORD is reported as a separate profit centre. DnB NOR's Group business areas are independent profit centres carrying responsibility for customer segments served by the Bank Group and the product offered. DnB NOR Bank Group's business areas comprised Retail Banking, Large Corporates and International and DnB NOR Markets. As of 1 July 2009, operations were reorganised, whereby private individuals and small and medium-sized companies in Norway will be served by the same business area, Retail Banking, while the largest corporate clients in Norway and international clients will be served by the business area Large Corporates and International. Figures for previous periods have been restated. The other business areas were not directly affected by the change. In addition, DnB NORD, in which the DnB NOR Bank Group has a 51 per cent ownership interest, is regarded as a separate profit centre.

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

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

Income statement, fourth quarter

DnB NOR Bank Group

	Retail Banking		Large Corporates and International		DnB NOR Markets		DnB NORD		Other operations/ eliminations 1)		DnB NOR Bank Group	
	4th quarter		4th quarter		4th quarter		4th quarter		4th quarter		4th quarter	
Amounts in NOK million	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
Net interest income - ordinary operations	3 515	3 371	1 271	1 394	288	289	354	394	247	853	5 675	6 301
Interest on allocated capital 2)	100	303	153	472	28	109	14	86	(296)	(970)		
Net interest income	3 615	3 674	1 425	1 866	315	398	369	480	(49)	(117)	5 675	6 301
Net other operating income	963	806	586	687	943	2 127	182	276	(323)	(159)	2 352	3 737
Total income	4 578	4 480	2 011	2 553	1 259	2 525	551	755	(372)	(275)	8 027	10 038
Operating expenses	2 496	2 557	405	534	459	527	768	543	2	257	4 130	4 418
Pre-tax operating profit before write-downs	2 082	1 923	1 606	2 018	800	1 998	(217)	213	(374)	(533)	3 896	5 620
Net gains on fixed and intangible assets	0	(1)	0	0	0	0	(15)	3	34	4	19	6
Write-downs on loans and guarantees 3)	344	643	189	127	0	1	845	1 053	139	491	1 517	2 314
Pre-tax operating profit	1 738	1 279	1 417	1 892	800	1 997	(1 078)	(837)	(479)	(1 019)	2 398	3 312

1) Of which elimination of double entries:

	4th quarter	
Amounts in NOK million	*2009*	*2008*
Net interest income - ordinary operations	*0*	*0*
Interest on allocated capital		
Net interest income	*0*	*0*
Net other operating income	*(292)*	*(625)*
Total income	*(292)*	*(625)*
Operating expenses	*0*	*0*
Pre-tax operating profit before write-downs	*(292)*	*(625)*
Net gains on fixed and intangible assets	*0*	*0*
Write-downs on loans and guarantees	*0*	*0*
Pre-tax operating profit	*(292)*	*(625)*

Note 4 Segments (continued)

The elimination of double entries primarily concerns net profits on customer business carried out in cooperation between DnB NOR Markets and other business areas and taken to income in both areas.

2) *The interest is calculated on the basis of internal measurement of risk-adjusted capital. Figures for previous periods have been restated.*
3) *See note 11 Write-downs on loans and guarantees.*

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

	Retail Banking		Large Corporates and International		DnB NOR Markets		DnB NORD		Other operations/ eliminations [1]		DnB NOR Bank Group	
	4th quarter		4th quarter		4th quarter		4th quarter		4th quarter		4th quarter	
Amounts in NOK billion	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
Net lending to customers [1]	723.8	682.9	341.3	388.0	6.4	7.2	75.9	87.8	(3.2)	10.1	1 144.3	1 176.0
Deposits from customers [1]	370.6	360.6	219.5	222.1	28.0	21.3	20.0	23.1	(6.9)	(9.2)	631.2	618.0
Assets under management	0.1								(0.1)			

Key figures — **DnB NOR Bank Group**

	Retail Banking		Large Corporates and International		DnB NOR Markets		DnB NORD		Other operations		DnB NOR Bank Group	
	4th quarter		4th quarter		4th quarter		4th quarter		4th quarter		4th quarter	
Per cent	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
Cost/income ratio [2]	52.3	54.8	20.2	20.9	36.5	20.9	72.6	54.2			47.2	33.5
Ratio of deposits to lending [1] [3]	51.2	52.8	64.3	57.2			26.4	26.4			55.2	52.5
Return on allocated capital, annualised [4]	25.3	18.3	13.3	17.4	41.5	80.3	(28.9)	(28.4)				
Number of full-time positions as at 31 December [5]	5 090	5 241	1 061	1 115	647	655	3 174	3 597	2 291	2 240	12 263	12 848

1) *Based on nominal values and includes lending to and deposits from credit institutions.*
2) *Total operating expenses relative to total income. Expenses exclude impairment losses for goodwill.*
3) *Deposits from customers relative to net lending to customers.*
4) *The return is calculated on the basis of internal measurement of risk-adjusted capital.*
5) *Due to changes in the agreement with Norway Post, 162.6 full-time positions were transferred from Norway Post on 1 May 2009. Costs and corresponding head-count figures were included with effect from the first quarter of 2009. In 2009, some 100 full-time positions were transferred to the IT unit from other units in the Bank Group in connection with the centralisation of IT functions.*

Comments to the income statement for the fourth quarter

Retail Banking

Retail Banking delivered a sound financial performance in the fourth quarter of 2009, with stable income and expenses and reduced write-downs on loans compared with the year-earlier period. Net write-downs on loans represented 0.19 per cent of average lending, down from 0.37 per cent in the fourth quarter of 2008. Net lending to customers rose by 6.0 per cent, and the increase was primarily in loans to private individuals. The quality of the loan portfolio was sound.

Large Corporates and International

Reduced activity, lower money market rates and a stronger Norwegian krone relative to key currencies entailed lower income than in the year-earlier period. Average net lending to customers declined by 12.0 per cent from the fourth quarter of 2008, with the effects of exchange rate movements accounting for 3.7 percentage points. Net write-downs on loans showed a moderate increase, but were at a relatively low level in the fourth quarter of 2009. Relative to average lending, write-downs amounted to 0.22 per cent, compared with 0.13 per cent in 2008.

DnB NOR Markets

DnB NOR Markets' financial performance in the fourth quarter of 2009 was characterised by lower activity levels in the economy, which resulted in reduced income from customer and proprietary trading. The cyclical downturn resulted in a reduction in investment, financing, export and import activity among customers and a downturn in demand for hedging products. Compared with the fourth quarter of 2008, a normalisation of the financial markets, with less volatility, led to reduced margins.

DnB NORD

A net operating loss before write-downs was recorded in the fourth quarter of 2009 due to impairment losses for goodwill totalling NOK 368 million. Net lending was down 13.5 per cent from the year-earlier period. Net write-downs relative to average lending declined from 4.77 per cent in the fourth quarter of 2008 to 4.41 per cent in the fourth quarter of 2009. DnB NORD is in the process of winding down its activities in Denmark and Finland, and will centre its operations on the subsidiary banks in the Baltic States and Poland. As part of this process, the entire Finnish portfolio and approximately 50 per cent of the Danish portfolio were sold to DnB NOR late in 2009. DnB NORD expects the level of write-downs on loans to remain relatively high in 2010. The company will seek to consolidate its operations, reduce write-downs and improve cost-effectiveness.

Note 4 Segments (continued)

Income statement, full year

	Retail Banking		Large Corporates and International		DnB NOR Markets		DnB NORD		Other operations/ eliminations		DnB NOR Bank Group	
	Full Year		Full Year		Full Year		Full Year		Full Year		Full Year	
Amounts in NOK million	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
Net interest income - ordinary operations	14 495	12 347	5 273	4 492	1 100	708	1 462	1 411	782	3 377	23 112	22 335
Interest on allocated capital [1]	503	1 224	793	1 606	144	305	96	303	(1 536)	(3 438)		
Net interest income	14 998	13 571	6 066	6 097	1 244	1 014	1 559	1 714	(754)	(61)	23 112	22 335
Net other operating income	3 756	3 717	2 525	2 334	5 999	4 671	684	754	(1 140)	(1 630)	11 824	9 847
Total income	18 753	17 288	8 591	8 431	7 243	5 685	2 242	2 468	(1 894)	(1 690)	34 935	32 182
Operating expenses	10 185	9 620	1 806	2 021	1 913	1 749	2 589	1 704	349	848	16 841	15 942
Pre-tax operating profit before write-downs	8 569	7 669	6 785	6 410	5 331	3 936	(347)	764	(2 243)	(2 538)	18 094	16 240
Net gains on fixed and intangible assets	1	0	0	17	0	0	(13)	19	38	16	26	52
Write-downs on loans and guarantees [2]	1 586	1 267	1 128	212	0	1	3 929	1 388	1 067	641	7 710	3 509
Pre-tax operating profit	6 984	6 402	5 657	6 216	5 331	3 935	(4 289)	(605)	(3 273)	(3 163)	10 410	12 784

1) *The interest is calculated on the basis of internal measurement of risk-adjusted capital. Figures for previous periods have been restated.*
2) *See note 11 Write-downs on loans and guarantees.*

Comments to the full year income statement

Pre-tax operating profits Pre-tax before write-downs rose by 11.4 per cent from 2008, to NOK 18 094 million. Profits for the year came to NOK 6 139 million, compared with NOK 9 215 million in 2008. Profits after minority interests were NOK 7 698 million and NOK 9 508 million, respectively, for the two years. The large differential was due to the net loss in DnB NORD, where the minority shareholders were charged with their respective shares

Net interest rose by 3.5 per cent compared with 2008. There was a significant increase in lending volumes through 2008, which boosted interest income in 2009. Lending volumes declined quarter by quarter through 2009 due to exchange rate movements and lower credit demand. Adjusted for exchange rate movements, the average lending volume increased by 5.3 per cent from 2008 to 2009. Relative to the 3-month money market rate, average lending spreads widened from 1.00 per cent in 2008 to 1.59 per cent in 2009. However, the actual costs for new long-term funding in 2009 were significantly higher than money market rates. The lending spread should cover both rising funding costs, higher guarantee fund levies and higher credit risk. During 2009, there was a repricing of corporate loans to compensate for the rise in such costs. The portfolio of housing loans to personal customers was less affected by the rising funding costs. These loans were largely financed through covered bonds issued by DnB NOR Boligkreditt, which thus far have generated lower costs than other funding sources.
Deposit growth averaged NOK 46.6 billion or 8.2 per cent. The competition for deposits remained strong during 2009, contributing to a decline in the average deposit spread from 1.07 per cent in 2008 to 0.29 per cent in 2009. The low interest rate level also led to increased pressure on deposit spreads.

Net other operating income increased by 20.1 per cent from 2008. The great uncertainty in financial markets gave a considerable boost in demand for hedging products from DnB NOR Markets, especially in the first half of 2009. The financial turmoil also caused greater differences between ask and bid prices, resulting in increased income from foreign exchange and interest rate products. The rise in income can be viewed in light of other negative profit effects arising from the financial turmoil. The rise in income reflects the DnB NOR Bank Group's broad income base, which enables the banking group to maintain a sound level of profits even when the financial markets are weak. During the first half of 2008, NOK 1 333 million in unrealised losses in the liquidity portfolio in DnB NOR Markets was recorded. With effect from the second half of 2008, these bonds were reclassified to the held-to-maturity category, and the banking group thus recorded no such mark-to-market losses in 2009. Recorded changes in the value of special balance sheet items carried at fair value represented a net cost of NOK 230 million in 2009 and net income of NOK 489 million in 2008. Such items reflect mark-to-market adjustments of credit margins on the banking group's liabilities, mainly in Eksportfinans, and value assessments of currency swap agreements for the exchange of the banking group liabilities. In the second half of 2009, there was a rise in income from, among other things, payment services and real estate broking due to the introduction of new products and a stronger economy.

Ordinary operating expenses rose by 2.6 per cent from 2008 to 2009. The increase primarily reflected the acquisition and establishment of new operations in Norway and internationally during 2008, which was fully reflected in the income statement in 2009. A number of the specific measures which caused a rise in costs had a direct corresponding effect on income. This applies, among other things, to the take-over of financial advisers from Norway Post and the increase in operational leasing. In addition, there was considerable investment in IT. The banking group's cost programme counteracted the effects of both expansionary measures and ordinary wage and price inflation. The measures implemented up till the end of 2009 reduced recorded costs by NOK 410 million compared with 2008. Restructuring costs totalled NOK 192 million in 2009, up NOK 75 million compared with 2008. The cost programme was ahead of schedule, and considerable efforts were made to achieve cost savings. Cost reductions recorded since the programme started up until year-end 2009 had a full-year effect corresponding to NOK 817 million. The most extensive measures relate to the streamlining of the branch network, reduced procurement costs, the shift to electronic customer communication and streamlining measures in connection with restructuring processes to achieve greater coordination within the banking group. In spring 2009, the cost programme target was adjusted upwards to annual cost savings of NOK 1.7 billion by the end of 2012. The number of full-time positions in the banking group was reduced by 585 from year-end 2008 to end-December 2009.

Note 4 Segments (continued)

Each quarter, recorded goodwill and intangible assets in the banking group's balance sheet are reviewed with respect to a possible decline in value. Total impairment losses for goodwill of NOK 730 million were recorded in 2009. As a result of macroeconomic developments and weak profits in DnB NORD, impairment losses for goodwill of NOK 941 million were recorded in DnB NORD. The DnB NOR Bank Group recorded total impairment losses of NOK 529 million related to DnB NORD. Impairment losses for goodwill of NOK 99 million relating to Svensk Fastighetsförmedling in Sweden were recorded in consequence of a new strategic direction for these operations. Due to changes in the market outlook, impairment losses for goodwill of NOK 102 million relating to SalusAnsvar in Sweden were recorded.

Note 5 Net interest income

	DnB NOR Bank ASA			
Amounts in NOK million	4th quarter 2009	4th quarter 2008	Full year 2009	Full year 2008
Interest on loans to and deposits with credit institutions	1 569	3 405	7 203	12 045
Interest on loans to customers	5 388	13 782	28 390	51 814
Interest on impaired commitments	28	21	97	61
Interest on commercial paper and bonds	1 967	2 249	7 853	6 975
Front-end fees etc.	69	98	332	431
Other interest income	206	(517)	705	(848)
Total interest income	**9 227**	**19 038**	**44 581**	**70 478**
Interest on loans and deposits from credit institutions	1 056	1 598	4 206	6 099
Interest on demand deposits from customers	2 181	6 483	11 568	24 100
Interest on debt securities issued	1 122	4 719	7 743	16 912
Interest on subordinated loan capital	166	600	1 031	2 084
Other interest expenses [1)]	977	1 116	4 634	4 179
Total interest expenses	**5 501**	**14 515**	**29 183**	**53 373**
Net interest income	**3 726**	**4 523**	**15 398**	**17 105**

	DnB NOR Bank Group			
Amounts in NOK million	4th quarter 2009	4th quarter 2008	Full year 2009	Full year 2008
Interest on loans to and deposits with credit institutions	264	846	1 690	3 991
Interest on loans to customers	10 033	20 085	47 924	71 734
Interest on impaired commitments	37	13	118	82
Interest on commercial paper and bonds	2 019	2 363	8 115	7 308
Front-end fees etc.	85	97	374	440
Other interest income	380	(489)	826	(815)
Total interest income	**12 818**	**22 916**	**59 047**	**82 741**
Interest on loans and deposits from credit institutions	1 087	1 815	4 824	7 256
Interest on demand deposits from customers	2 375	6 801	12 487	25 208
Interest on debt securities issued	2 580	6 383	13 768	21 583
Interest on subordinated loan capital	175	607	1 066	2 125
Other interest expenses [1)]	926	1 010	3 790	4 234
Total interest expenses	**7 143**	**16 615**	**35 935**	**60 406**
Net interest income	**5 675**	**6 301**	**23 112**	**22 335**

1) *Other interest expenses include interest rate adjustments resulting from interest swap entered into. Derivatives are recorded at fair value.*

Note 6 Net other operating income

	DnB NOR Bank ASA			
	4th quarter	4th quarter	Full year	Full year
Amounts in NOK million	2009	2008	2009	2008
Money transfer fees receivable	696	659	2 781	2 678
Fees on asset management services	64	39	209	252
Fees on custodial services	72	84	268	372
Fees on securities broking	72	76	277	333
Corporate finance	55	39	259	295
Interbank fees	28	27	102	112
Credit broking commissions	67	119	363	402
Sales commissions on insurance products	66	62	266	287
Sundry commissions and fees receivable on banking services	91	94	455	543
Total commissions and fees receivable etc.	**1 211**	**1 199**	**4 980**	**5 274**
Money transfer fees payable	228	230	947	888
Commissions payable on fund management services	0	(25)	(16)	22
Fees on custodial services payable	23	30	105	135
Interbank fees	37	43	147	174
Credit broking commissions	9	37	64	119
Commissions payable on the sale of insurance products	0	1	0	4
Sundry commissions and fees payable on banking services	132	155	505	537
Total commissions and fees payable etc.	**429**	**471**	**1 752**	**1 878**
Net gains on financial instruments at fair value	**975**	**368**	**7 509**	**1 626**
Income from owned/leased premises	27	27	114	101
Miscellaneous operating income	1 072	880	2 112	1 594
Total other income	**1 100**	**907**	**2 226**	**1 695**
Net other operating income	**2 856**	**2 003**	**12 963**	**6 716**

Note 6 Net other operating income (continued)

	DnB NOR Bank Group			
	4th quarter	4th quarter	Full year	Full year
Amounts in NOK million	2009	2008	2009	2008
Money transfer fees receivable	762	725	3 034	2 899
Fees on asset management services	77	52	263	293
Fees on custodial services	75	86	275	382
Fees on securities broking	73	76	279	334
Corporate finance	72	78	335	378
Interbank fees	29	28	106	117
Credit broking commissions	68	120	367	406
Sales commissions on insurance products	103	92	411	443
Sundry commissions and fees receivable on banking services	190	200	886	985
Total commissions and fees receivable etc.	**1 448**	**1 458**	**5 956**	**6 236**
Money transfer fees payable	245	242	1 015	942
Commissions payable on fund management services	0	(25)	(16)	22
Fees on custodial services payable	23	30	107	135
Interbank fees	38	45	153	180
Credit broking commissions	16	33	52	119
Commissions payable on the sale of insurance products	0	16	12	27
Sundry commissions and fees payable on banking services	144	167	568	597
Total commissions and fees payable etc.	**467**	**509**	**1 890**	**2 021**
Net gains on financial instruments at fair value	**1 051**	**1 186**	**6 180**	**3 430**
Profit from companies accounted for by the equity method 1)	**(49)**	**1 201**	**93**	**632**
Income from owned/leased premises	(29)	11	29	45
Fees on real estate broking	198	122	774	658
Net unrealised gains on investment property	1	0	(109)	0
Miscellaneous operating income	198	268	792	866
Total other income	**369**	**402**	**1 485**	**1 569**
Net other operating income	**2 352**	**3 737**	**11 824**	**9 847**

1) *Widening credit spreads have had a negative effect on Eksportfinans' liquidity portfolio of bonds. The company has entered into an agreement with a syndicate comprising most of Eksportfinans' owners. With effect from 1 March 2008, the agreement will protect Eksportfinans from further value reductions in the portfolio. Taking the guarantee into account, there was a negative profit contribution of NOK 113 million from the company in the fourth quarter of 2009. Liabilities in Eksportfinans are largely recorded at fair value, and narrowing credit margins have a negative effect on the company's profits. At end-December 2009, the accumulated effect of widening credit margins raised DnB NOR Bank Group's share of profits in the company by approximately NOK 503 million.*

Note 7 Net gains on financial instruments at fair value

	DnB NOR Bank ASA			
	4th quarter	4th quarter	Full year	Full year
Amounts in NOK million	2009	2008	2009	2008
Dividends	64	41	195	177
Net gains on commercial paper and bonds	115	497	1 015	(969)
Net gains on shareholdings	266	(537)	341	(1 161)
Net gains on other financial instruments	530	367	5 959	3 579
Net gains on financial instruments at fair value	**975**	**368**	**7 509**	**1 626**

	DnB NOR Bank Group			
	4th quarter	4th quarter	Full year	Full year
Amounts in NOK million	2009	2008	2009	2008
Dividends	33	45	157	162
Net gains on commercial paper and bonds	141	753	646	(763)
Net gains on shareholdings	278	(576)	339	(1 298)
Net gains on other financial instruments	599	964	5 038	5 331
Net gains on financial instruments at fair value	**1 051**	**1 186**	**6 180**	**3 430**

Note 8 Operating expenses

	DnB NOR Bank ASA			
	4th quarter	4th quarter	Full year	Full year
Amounts in NOK million	2009	2008	2009	2008
Ordinary salaries	1 182	1 214	4 734	4 480
Employer's national insurance contributions	179	186	672	678
Pension expenses	119	174	652	796
Restructuring expenses	1	25	62	70
Other personnel expenses	198	58	466	283
Total salaries and other personnel expenses	**1 678**	**1 657**	**6 586**	**6 306**
Fees [1)]	(11)	352	757	945
EDP expenses [1)]	308	219	1 218	1 241
Postage and telecommunications	68	93	297	299
Office supplies	13	15	53	62
Marketing and public relations	124	136	435	502
Travel expenses	47	57	145	168
Reimbursement to Norway Post for transactions executed	49	46	203	207
Training expenses	12	14	45	53
Operating expenses on properties and premises	271	252	1 064	988
Operating expenses on machinery, vehicles and office equipment	21	23	88	87
Other operating expenses	30	84	398	460
Other expenses	**932**	**1 292**	**4 703**	**5 013**
Impairment losses for goodwill [2)]	0	0	0	0
Other depreciation and write-downs of fixed and intangible assets	1 934	219	2 624	465
Depreciation and write-downs of fixed and intangible assets	**1 934**	**219**	**2 624**	**465**
Total operating expenses	**4 544**	**3 168**	**13 913**	**11 784**

Note 8 Operating expenses (continued)

Amounts in NOK million	4th quarter 2009	4th quarter 2008	Full year 2009	Full year 2008
	DnB NOR Bank Group			
Ordinary salaries	1 523	1 580	6 323	6 033
Employer's national insurance contributions	247	251	949	920
Pension expenses	182	200	812	906
Restructuring expenses	132	25	63	70
Other personnel expenses	80	83	534	370
Total salaries and other personnel expenses	**2 164**	**2 139**	**8 681**	**8 299**
Fees [1]	35	401	913	1 092
EDP expenses [1]	372	288	1 489	1 478
Postage and telecommunications	84	114	379	389
Office supplies	22	28	91	100
Marketing and public relations	121	176	529	670
Travel expenses	61	76	198	227
Reimbursement to Norway Post for transactions executed	49	46	203	207
Training expenses	17	20	67	80
Operating expenses on properties and premises	318	315	1 272	1 188
Operating expenses on machinery, vehicles and office equipment	30	39	140	141
Other operating expenses	179	188	786	775
Other expenses	**1 289**	**1 691**	**6 067**	**6 348**
Impairment losses for goodwill [2]	338	234	730	234
Other depreciation and write-downs of fixed and intangible assets	339	354	1 364	1 062
Depreciation and write-downs of fixed and intangible assets	**678**	**588**	**2 094**	**1 296**
Total operating expenses	**4 130**	**4 418**	**16 841**	**15 942**

1) *Fees include system development fees and must be viewed relative to EDP expenses.*
2) *In consequence of the recession and weaker profit performance, impairment losses for goodwill of NOK 102 million relating to SalusAnsvar in Sweden were recorded in the fourth quarter of 2009, while DnB NOR's share of impairment losses for goodwill in DnB NORD was NOK 236 million. For the full year 2009, DnB NOR recorded impairment losses for goodwill of NOK 201 million relating to operations in Sweden, Svensk Fastighetsförmedling AB and SalusAnsvar, and NOK 529 million relating to DnB NORD.*

Note 9 Number of employees/full-time positions

	4th quarter 2009 [1]	4th quarter 2008	Full year 2009 [1]	Full year 2008
	DnB NOR Bank ASA			
Number of employees at end of period	7 375	7 376	7 375	7 376
of which number of employees abroad	477	429	477	429
Number of employees calculated on a full-time basis at end of period	7 146	7 140	7 146	7 140
of which number of employees calculated on a full-time basis abroad	471	422	471	422
Average number of employees	7 345	7 393	7 407	7 414
Average number of employees calculated on a full-time basis	7 113	7 154	7 167	7 145

	4th quarter 2009 [1]	4th quarter 2008	Full year 2009 [1]	Full year 2008
	DnB NOR Bank Group			
Number of employees at end of period	12 607	13 207	12 607	13 207
of which number of employees abroad	4 415	4 806	4 415	4 806
Number of employees calculated on a full-time basis at end of period	12 263	12 848	12 263	12 848
of which number of employees calculated on a full-time basis abroad	4 329	4 713	4 329	4 713
Average number of employees	12 702	13 209	12 943	12 965
Average number of employees calculated on a full-time basis	12 346	12 872	12 588	12 638

1) *Due to changes in the agreement with Norway Post, 162.6 full-time positions were transferred from Norway Post on 1 May 2009. Costs and corresponding head-count figures were included with effect from the first quarter of 2009.*

Note 10 Taxes

DnB NOR Bank ASA		Balancing tax charges against pre-tax operating profit	DnB NOR Group	
Full year 2008	Full year 2009	*Amounts in NOK million*	Full year 2009	Full year 2008
10 499	11 312	Operating profit before taxes	10 410	12 784
2 940	3 167	Estimated income tax - nominal tax rate (28 per cent)	2 915	3 580
(129)	(17)	Tax effect of income taxable abroad	1 165	(21)
312	(36)	Tax effect of debt interest distribution with international branches	(36)	312
(124)	659	Tax effect of tax-excempt income and non-deductible expenses	394	(277)
263	59	Taxes payable abroad	(104)	348
(373)	17	Excess tax provision previous year	17	(373)
2 889	**3 849**	**Total taxes**	**4 351**	**3 568**
28%	34%	Effective tax rate	42%	28%

The DnB NOR Group's total tax charge for 2009 was NOK 4 351 million, a rise of NOK 783 million from 2008. Relative to pre-tax operating profits, the tax charge increased from 27.9 to 41.8 per cent from 2008 to 2009. The main factor behind the rise in taxes was impairment losses for goodwill in DnB NORD, with resulting write-downs on the owners' shareholdings. The above-mentioned impairment losses give no tax deduction. In addition, DnB NOR has chosen not to record deferred tax assets relating to the increase in losses carried forward in DnB NORD due to uncertainty regarding the economic value of the tax deductions arising when using the right to carry such losses forward. Developments in share prices and exchange rates are other key factors with a negative impact on the 2009 tax charge.

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

Note 11 Write-downs on loans and guarantees

	DnB NOR Bank ASA			
Amounts in NOK million	4th quarter 2009	4th quarter 2008	Full year 2009	Full year 2008
Write-offs	282	88	419	196
New individual write-downs	206	576	2 295	1 331
Total new individual write-downs	887	664	2 714	1 527
Reassessed individual write-downs	101	37	304	127
Total individual write-downs	387	627	293	1 400
Recoveries on commitments previously written off	68	90	293	303
Change in collective write-downs on loans	148	373	1 018	489
Write-downs on loans and guarantees [1)]	**467**	**910**	**3 135**	**1 586**
Write-offs covered by individual write-downs made in previous years	86	244	641	617
1) Of which indvidual write-downs on guarantees	*1*	*(11)*	*2*	*(15)*

	DnB NOR Bank Group			
Amounts in NOK million	4th quarter 2009	4th quarter 2008	Full year 2009	Full year 2008
Write-offs	311	206	554	335
New individual write-downs	1 220	1 657	6 521	2 925
Total new individual write-downs	1 531	1 863	7 075	3 260
Reassessed individual write-downs	155	65	693	246
Total individual write-downs	1 376	1 798	6 382	3 014
Recoveries on commitments previously written off	75	99	317	335
Change in collective write-downs on loans	216	615	1 645	830
Write-downs on loans and guarantees [1)]	**1 517**	**2 314**	**7 710**	**3 509**
Write-offs covered by individual write-downs made in previous years	98	240	1 627	678
1) Of which indvidual write-downs on guarantees	*(2)*	*(4)*	*14*	*5*

Note 11 Write-downs on loans and guarantees (continued)

The weak trend in the international economy resulted in impaired credit quality and thus rising write-downs on loans in 2009. The most pronounced increase in write-downs took place in the Baltic States, where the banking group is exposed through DnB NORD. There was also a rise in write-downs within shipping and port terminals. The portfolio of Norwegian-related loans appears to be robust and was subject to moderate write-downs. Write-downs remained very low in the Norwegian retail market due to low interest rate levels, rising housing prices and continuing low unemployment levels. This can be partly explained by the extensive stimulus measures implemented by the Norwegian authorities.

Credit quality declined in the shipping portfolio. In spite of an increase in freight rates in some segments, the shipping industry is expected to have a potential high loss exposure for some time due to the slow recovery of the global economy. The downward revision in market values due to lower rental prices resulted in higher credit risk for commercial property, though prices now seem to have stabilised. The banking group's commercial property loans are primarily granted based on cash flow analyses. In the Nordic portfolio, credit risk increased primarily within acquisition finance in 2009. There are mixed experiences with private equity funds, though the funds generally seem to follow up their investments in a responsible manner. This portfolio is fairly limited, and the banking group is exposed to the acquired companies, not the owners.

The effect of write-downs on loans in the income statement was NOK 1 517 million, a slight decline from the third quarter of 2009. Write-downs in DnB NORD were reduced compared with the third quarter. Write-downs for the full year 2009 are somewhat lower than expected.

Over the past year, the banking group has stepped up its efforts considerably to ensure the value of problem commitments. The uncertainty relating to DnB NORD will continue, and economic developments in the Baltic States will be vital to the level of write-downs. There is also uncertainty about macroeconomic developments in some industries in the banking group's Norwegian and Norwegian-related credit operations.

Note 12 Lending to customers

DnB NOR Bank ASA			DnB NOR Bank Group	
31 Dec. 2008	31 Dec. 2009	*Amounts in NOK million*	31 Dec. 2009	31 Dec. 2008
645 492	496 993	Lending to customers, nominal amount	976 842	1 022 108
1 758	3 061	Individual write-downs	7 673	4 256
643 734	493 932	Lending to customers, after individual write-downs	969 169	1 017 852
2 653	876	+ Accrued interest and amortisation	1 746	3 762
439	515	- Individual write-downs of accrued interest and amortisation	607	478
994	1 878	- Collective write-downs	2 969	1 625
644 954	492 414	Lending to customers, at amortised cost	967 340	1 019 511
176 928	133 567	Lending to customers, nominal amount	160 233	184 639
1 882	701	+ Accrued interest	802	1 907
460	124	+ Adjustment to fair value	416	785
179 269	134 392	Lending to customers, at fair value [1)]	161 452	187 331
824 223	**626 806**	**Lending to customers**	**1 128 791**	**1 206 842**

1) *The fair value of loans in Norwegian kroner increased by NOK 220 million from 31 December 2008 due to widening credit margins.*

Note 13 Net non-performing and impaired commitments for principal sectors [1)]

DnB NOR Bank ASA 31 Dec. 2009	DnB NOR Bank ASA 31 Dec. 2008	*Amounts in NOK million*	DnB NOR Bank Group 31 Dec. 2009	DnB NOR Bank Group 31 Dec. 2008
1 929	1 739	Private individuals	3 070	2 893
0	1 065	International shipping	1 095	37
896	996	Real estate	2 095	1 938
1 491	2 361	Manufacturing	3 188	1 965
446	157	Services	693	677
75	817	Trade	545	156
171	0	Oil and gas	0	172
74	173	Transportation and communication	397	131
94	293	Building and construction	536	174
1	0	Power and water supply	5	26
364	6	Seafood	10	367
59	80	Hotels and restaurants	205	65
97	106	Agriculture and forestry	137	141
0	0	Central and local government	0	0
1	113	Other sectors	122	63
5 698	7 905	Total customers	12 098	8 807
0	0	Credit institutions	0	0
5 698	7 905	Total impaired loans and guarantees	12 098	8 807
		Non-performing loans and guarantees		
853	1 501	not subject to write-downs	7 029	3 115
6 551	9 406	Total non-performing and impaired commitments	19 127	11 922

1) *Includes loans and guarantees subject to individual write-downs for principal sectors, and non-performing loans and guarantees not subject to write-downs. The breakdown into principal sectors is based on standardised sector and industry categories set up by Statistics Norway. With effect from the second quarter of 2009, a new standard for industry codes has been introduced which corresponds to the new EU standard, NACE Rev. 2. Customers are classified according to their main line of business.*

Note 14 Investments in bonds

Information about the portfolios

The DnB NOR Bank Group has investments in bonds through several of the banking group's entities. DnB NOR Bank, DnB NORD and the associated company Eksportfinans all have their own bond portfolios for a variety of purposes.

DnB NOR Bank

As part of ongoing liquidity management, DnB NOR Bank needs to maintain a holding of securities that can be used in different ways to regulate the liquidity requirement and as a basis for furnishing collateral for operations in various countries. Among other things, the securities serve as collateral for short and long-term borrowing in a number of central banks and as a basis for liquidity buffers to meet regulatory requirements.

The bank has chosen to cover its need for liquid securities by investing in high-quality international bonds. As at 31 December 2009, the liquidity portfolio in DnB NOR Markets represented the equivalent of NOK 113.0 billion. 97.2 per cent of the securities had an AAA rating, while 2.5 per cent are rated AA. There were no synthetic securities in the portfolio and no investments in US sub-prime bonds or Collateralised Debt Obligations, CDOs.

Liquidity portfolio DnB NOR Markets

		DnB NOR Bank Group	
		Per cent	NOK million
	Rating	31 Dec. 2009	31 Dec. 2009
Asset class			
Consumer credit	AAA	3	3 316
Residential mortgages	AAA/AA	58	66 872
Corporate loans	AAA/AA/A	6	7 221
Government-related	AAA	33	37 596
Insurance	AAA/AA/A/BB	0	66
Total liquidity portfolio DnB NOR Markets, nominal values		100	115 070
Accrued interest, including amortisation effects			(2 101)
Total liquidity portfolio DnB NOR Markets			112 969

In addition, DnB NOR Bank had Norwegian bonds and fixed-income securities equivalent to a balance sheet value of NOK 172.5 billion, mainly used for customer trading and position taking in Norwegian interest rate instruments. The bank had a holding of Treasury bills used in swap agreements with Norges Bank of NOK 118.1 billion at end-December 2009. See further information on swap agreements in note 20 Information on related parties.

DnB NORD and Eksportfinans

Like DnB NOR Bank, DnB NORD and Eksportfinans use investments in bonds and fixed-income securities for liquidity purposes and as a basis for furnishing collateral to central banks. At end-December 2009, the value of the DnB NORD portfolio was equivalent to NOK 5.4 billion. Eksportfinans had a liquidity portfolio of NOK 51.6 billion. The Eksportfinans portfolio was structured largely in line with DnB NOR Bank's portfolio, though it contained a larger share of financial sector investments. Through its ownership interest and the issue of guarantees, DnB NOR Bank is exposed to 40.4 per cent of value changes in the portfolio. In addition, a guarantee of up to NOK 142 million has been issued to one of the other owners of Eksportfinans. Eksportfinans had a short-term liquidity portfolio of NOK 23.9 billion.

Effects of the reclassification of the liquidity portfolio

In the third quarter accounts 2008, the banking group chose to reclassify the liquidity portfolio in DnB NOR Markets from the "fair value through profit or loss" category to the "held to maturity" category. This resulted in an accumulated rise in profits of NOK 931 million at end December 2009 compared with the result if the previous valuation principle had been retained. The rise in profits in the fourth quarter represented NOK 77 million. On the reclassification date, the book value of the portfolio was NOK 88.0 billion, compared with NOK 113.0 billion at end-December 2009.

Note 14 Investments in bonds (continued)

Effects of the reclassification of the liquidity portfolio — **DnB NOR Bank Group**

Amounts in NOK million	4th quarter 2009	4th quarter 2008	Full year 2009	Full year 2008
Amortisation effect	222	205	883	487
Net interest income	222	205	883	487
Value adjustment [1]	(73)		(73)	(1 827)
Maturity effects				494
Net gains on financial instruments at fair value	(73)	0	(73)	(1 333)
Effects of reclassification on profits				
Recorded amortisation effect / value adjustment	149	205	810	487
Net gain if valued at fair value	72	(1 315)	2 881	(2 514)
Effects of reclassification on profits	77	1 520	(2 071)	3 001
Effects of reclassification on the balance sheet				
Recorded, unrealised losses at end of period	1 288	2 099	1 288	2 099
Unrealised losses, if valued at fair value	2 219	5 100	2 219	5 100
Effects of reclassification on the balance sheet	931	3 001	931	3 001

Development in the liquidity portfolio after the reclassification — **DnB NOR Bank Group**

Amounts in NOK million	31 Dec. 2009	30 Sept. 2009	30 June 2009	31 March 2009	31 Dec. 2008
Liquidity portfolio, recorded value	112 969	105 467	102 892	91 146	99 106
Liquidity portfolio, if valued at fair value	112 038	104 613	101 352	88 369	96 105
Effects of reclassification on the balance sheet	931	854	1 539	2 777	3 001

1) *The reduction in value represents the estimated effect of an increase in the maturity of the portfolio during 2009, which reduced the amortised value of cash flows from the portfolio. No credit losses are expected in the portfolio.*

Measurement

With effect from 1 July 2008, the liquidity portfolio in DnB NOR Markets is reclassified as held-to-maturity investments. In addition, the bank had a commercial paper portfolio valued at NOK 0.3 billion. Portfolios in this category are recorded at amortised cost and written down if there is objective evidence of a decrease in value.

Other bond portfolios in the banking group are classified as securities carried at fair value with changes in value recognised in profit or loss. If there are no observable prices in the market, the value is set by using models which incorporate relevant market information**.**

The reclassification in accordance with the amendments to IAS 39, as described above, requires that the value of the liquidity portfolio based on the principles applied before the reclassification must be reported. In a normal market situation, the liquidity portfolio would have been recorded at external observable prices before the reclassification. Due to the financial turmoil, such prices have been virtually non-existent. In order to meet the disclosure requirement at end-December 2009, the liquidity portfolio has been measured at fair value according to models used for financial instruments not traded in an active market. The model applied is based on a regression analysis whereby historical market data (explanatory variables) which have been observable even during the financial turmoil are used to explain historical changes in value in the liquidity portfolio. During the period from the fourth quarter of 2006 up to and including the second quarter of 2008, the model shows a high level of correlation between changes in given market data and changes in value in the liquidity portfolio, which at the time was priced in an active market or through broker quotes which were believed to be fairly reliable. If the model had been applied to the liquidity portfolio in 2009, profits would have risen by NOK 2 071 million. A corresponding model has also been used for valuing part of the bond portfolio in Eksportfinans.

The remaining term to maturity of DnB NOR Markets' liquidity portfolio is estimated at approximately three years and three months, and the value of one basis point was NOK 25 million at end-December 2009.

Note 15 Investments in shares

Investments in shares are carried at fair value. Measurement at fair value is described in note 1 Accounting principles in the annual report for 2008.

The banking group's investments in Private Equity, PE, and Management Buyout Funds totalled NOK 396 million at end-December 2009. At end-December 2008, the portfolio totalled NOK 325 million. When determining the fair value of Private Equity investments, the "International Private Equity and Venture Capital Valuation Guidelines" and similar guidelines are used. The method used is one of several instruments to determine the best estimate of fair values for investments in not very liquid equity instruments and is based on reports on returns from portfolio companies, with a time lag of approximately three months. This could represent a challenge during periods of considerable stock market volatility. On each reporting date, the need to adapt valuations due to lags in information will be considered.

Note 16 Intangible assets

DnB NOR Bank ASA			DnB NOR Bank Group	
31 Dec. 2008	31 Dec. 2009	*Amounts in NOK million*	31 Dec. 2009	31 Dec. 2008
1 657	1 650	Goodwill	3 605	4 548
51	51	Postbanken brand name	51	51
448	629	Systems development	1 199	860
18	232	Other intangible assets	699	645
2 173	**2 562**	**Total intangible assets**	**5 554**	**6 105**

The comments below relates to the fourth quarter of 2009:

Goodwill relating to SalusAnsvar totalled SEK 266 million, the equivalent of NOK 215 million, at year-end 2009. DnB NOR Bank Group has changed its strategy for these operations, whereby SalusAnsvar has now been given more independent responsibility for its strategic direction, and the investment is regarded more as a financial investment. Profit performance in SalusAnsvar reflects the current recessionary climate, and the company's plan figures were adjusted significantly downwards in relation to the estimates on which the valuation in 2008 was based. Cash flows include no income from the distribution of DnB NOR products. The test identified an impairment loss of SEK 124 million, which is the equivalent of NOK 102 million.

At year-end 2009, recorded goodwill in DnB NORD relating to operations in Lithuania, Latvia and Estonia was impaired to nil. New tests carried out at year-end 2009 identified impairment losses for the remaining goodwill in the Baltic States of EUR 7.2 million, the equivalent of NOK 62 million, of which DnB NOR Bank Group's share was NOK 40 million. DnB NORD's recorded goodwill relating to operations in Poland represented EUR 52.7 million or NOK 445 million at end-December 2009. DnB NORD's operations in Poland have shown low profitability, but Poland has a relatively strong economy, and the situation with respect to impairment losses for goodwill is better than in the Baltic States. The test identified an impairment loss of EUR 35.3 million, the equivalent of NOK 306 million, relating to operations in Poland, of which DnB NOR Bank Group's share was NOK 156 million. At year-end 2008, recorded goodwill in DnB NOR Bank Group's accounts relating to the acquisition of DnB NORD represented EUR 4.5 million. Based on the fact that impairment losses for goodwill were recorded for all DnB NORD units in 2009, it has been decided that this goodwill item will be impaired to nil, with an effect of NOK 40 million in the 2009 income statement. The write-down of acquisition costs and DnB NOR Bank Group's share of impairment losses for goodwill in DnB NORD gave an overall cost of NOK 236 million in banking group's accounts for the fourth quarter of 2009.

Developments in the banking group's other cash-generating units are in line with expectations, and there have been no events indicating a major reduction in earnings relative to previous plans.

Note 17 Debt securities issued and subordinated loan capital

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

Debt securities issued	DnB NOR Bank ASA	
Amounts in NOK million	31 Dec. 2009	31 Dec. 2008
Commercial paper issued, nominal amount	167 989	194 700
Bond debt, nominal amount	224 418	305 356
Adjustments	5 824	7 623
Total debt securities issued	**398 231**	**507 680**

Changes in debt securities issued						DnB NOR Bank ASA
Amounts in NOK million	Balance sheet 31 Dec. 2009	Issued 2009	Matured/ redeemed 2009	Exchange rate movements 2009	Other adjustments 2009	Balance sheet 31 Dec. 2008
Commercial paper issued, nominal amount	167 989	167 989	194 700	0		194 700
Bond debt, nominal amount	224 418	38 157	89 569	(29 526)		305 356
Adjustments	5 824				(1 799)	7 623
Total debt securities issued	**398 231**	**206 147**	**284 270**	**(29 526)**	**(1 799)**	**507 680**

Subordinated loan capital and perpetual subordinated loan capital securities						DnB NOR Bank ASA
Amounts in NOK million	Balance sheet 31 Dec. 2009	Issued 2009	Matured/ redeemed 2009	Exchange rate movements 2009	Other adjustments 2009	Balance sheet 31 Dec. 2008
Term subordinated loan capital, nominal amount	21 111			(2 732)		23 843
Perpetual subordinated loan capital, nominal amount	6 830			(1 177)		8 007
Perpetual subordinated loan capital securities, nominal amount [1)]	8 468			(1 274)		9 742
Adjustments	1 277				(743)	2 019
Total subordinated loan capital and perpetual subordinated loan capital securities	**37 686**	**0**	**0**	**(5 183)**	**(743)**	**43 612**

Debt securities issued	DnB NOR Bank Group	
Amounts in NOK million	31 Dec. 2009	31 Dec. 2008
Commercial paper issued, nominal amount	168 028	194 852
Bond debt, nominal amount [2)]	319 917	405 040
Adjustments	12 962	14 291
Total debt securities issued	**500 907**	**614 183**

Changes in debt securities issued						DnB NOR Bank Group
Amounts in NOK million	Balance sheet 31 Dec. 2009	Issued 2009	Matured/ redeemed 2009	Exchange rate movements 2009	Other adjustments 2009	Balance sheet 31 Dec. 2008
Commercial paper issued, nominal amount	168 028	168 028	194 852	0		194 852
Bond debt, nominal amount [2)]	319 917	50 373	91 343	(44 152)		405 040
Adjustments	12 962				(1 328)	14 291
Total debt securities issued	**500 907**	**218 400**	**286 195**	**(44 152)**	**(1 328)**	**614 183**

Subordinated loan capital and perpetual subordinated loan capital securities						DnB NOR Bank Group
Amounts in NOK million	Balance sheet 31 Dec. 2009	Issued 2009	Matured/ redeemed 2009	Exchange rate movements 2009	Other adjustments 2009	Balance sheet 31 Dec. 2008
Term subordinated loan capital, nominal amount	22 455			(2 978)		25 432
Perpetual subordinated loan capital, nominal amount	6 830			(1 177)		8 007
Perpetual subordinated loan capital securities, nominal amount [1)]	8 468			(1 274)		9 742
Adjustments	1 297				(747)	2 044
Total subordinated loan capital and perpetual subordinated loan capital securities	**39 051**	**0**	**0**	**(5 428)**	**(747)**	**45 225**

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

2) *Minus own bonds. Outstanding covered bonds in DnB NOR Boligkreditt totalled NOK 230.6 billion as at 31 December 2009. The cover pool represented NOK 322.8 billion.*

Note 18 Capital adequacy

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

DnB NOR Bank ASA		Primary capital	DnB NOR Bank Group	
31 Dec. 2008	31 Dec. 2009	*Amounts in NOK million*	31 Dec. 2009	31 Dec. 2008
17 514	17 514	Share capital	17 514	17 514
51 702	54 948	Other equity	65 800	59 969
69 217	72 462	Total equity	83 314	77 483
		Deductions		
0	0	Pension funds above pension commitments	(3)	(1)
(1 657)	(1 650)	Goodwill	(3 853)	(4 737)
(10)	(1 153)	Deferred tax assets	(295)	(306)
(516)	(912)	Other intangible assets	(1 980)	(1 584)
0	0	Group contribution, payable	(3 750)	0
0	0	Unrealised gains on fixed assets	(30)	(30)
(1 070)	(1 033)	50 per cent of investments in other financial institutions	(1 033)	(1 070)
(288)	(101)	50 per cent of expected losses exceeding actual losses, IRB portfolios	(222)	(339)
(323)	182	Adjustments for unrealised losses/(gains) on liabilites recorded at fair value	(404)	(2 284)
		Additions		
555	-	Portion of unrecognised actuarial gains/losses, pension costs [1)]	-	594
65 908	67 796	Equity Tier 1 capital	71 745	67 726
9 742	8 468	Perpetual subordinated loan capital securities [2) 3)]	8 655	9 945
75 649	76 264	Tier 1 capital	80 400	77 671
8 007	6 830	Perpetual subordinated loan capital	6 830	8 007
23 843	21 111	Term subordinated loan capital [3)]	23 003	26 083
		Deductions		
(1 070)	(1 033)	50 per cent of investments in other financial institutions	(1 033)	(1 070)
(288)	(101)	50 per cent of expected losses exceeding actual losses, IRB portfolios	(222)	(339)
		Additions		
0	0	45 per cent of unrealised gains on fixed assets	18	18
30 492	26 807	Tier 2 capital	28 597	32 700
106 141	103 071	Total eligible primary capital [4)]	108 997	110 371
965 059	831 885	Risk-weighted volume	960 208	1 120 428
77 205	66 551	Minimum capital requirement	76 817	89 634
6.8	8.1	Equity Tier 1 capital ratio (%)	7.5	6.0
7.8	9.2	Tier 1 capital ratio (%)	8.4	6.9
11.0	12.4	Capital ratio (%)	11.4	9.9

1) *Upon implementation of NRS 6A (IAS 19) in 2005, unrecognised actuarial gains/losses for pension commitments were charged to equity in the accounts. The Ministry of Finance established a transitional rule for the years 2005 to 2008 meant to reduce the negative effect when calculating capital adequacy.*

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

3) *As at 31 December 2009, calculations of capital adequacy included a total of NOK 735 million in subordinated loan capital in associated companies, in addition to subordinated loan capital in the banking group's balance sheet.*

4) *Primary capital and nominal amounts used in calculating risk-weighted volume deviate from figures in the DnB NOR Bank Group's accounts since a different consolidation method is used. Associated companies are consolidated gross in the capital adequacy calculations while the equity method is used in the accounts.*

Due to transitional rules, the minimum capital adequacy requirements for 2008 and 2009 cannot be reduced below 90 and 80 per cent respectively relative to the Basel I requirements. Risk-weighted volume for the DnB NOR Bank Group at the end of 2009 represented 88.1 per cent of the corresponding volume based on the Basel I rules.

Note 18 Capital adequacy (continued)

Basel II implementation

Further progress

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

	Reporting methods for capital adequacy		
Portfolios	31 Dec. 2009	31 Dec. 2010	31 Dec. 2011
Retail:			
- mortgage loans, DnB NOR Bank and DnB NOR Boligkreditt	IRB 1)	IRB 1)	IRB 1)
- qualifying revolving retail exposure, DnB NOR Kort	Standardised	IRB 1)	IRB 1)
- mortgage loans, Nordlandsbanken	Standardised	IRB 1)	IRB 1)
- loans in Norway, DnB NOR Finans excluding the portfolio from SkandiaBanken Bilfinans	Standardised	IRB 1)	IRB 1)
- remaining portfolios, DnB NOR Finans	Standardised	Standardised	IRB 1)
Corporates:			
- small and medium-sized corporates, DnB NOR Bank	Advanced IRB	Advanced IRB	Advanced IRB
- large corporate clients, DnB NOR Bank	Standardised	Advanced IRB	Advanced IRB
- corporate clients, Nordlandsbanken	Standardised	Advanced IRB	Advanced IRB
- leasing and loans in Norway, DnB NOR Finans excluding the portfolio from SkandiaBanken Bilfinans	Standardised	Advanced IRB	Advanced IRB
- remaining portfolios, DnB NOR Finans	Standardised	Standardised	Advanced IRB
- corporate clients, DnB NOR Næringskreditt	Standardised	Advanced IRB	Advanced IRB
Institutions:			
- banks and financial institutions	Standardised	Standardised	Advanced IRB
Exceptions:			
- approved exceptions: government and municipalities, equity positions, commercial paper	Standardised	Standardised	Standardised
- temporary exceptions: DnB NORD, DnB NOR Luxembourg, Monchebank and various other portfolios	Standardised	Standardised	Standardised

1) *For mortgage loans, no distinction is made between the foundation and the advanced IRB approach.*

Note 19 Liquidity risk

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

The Board of Directors has established internal limits which restrict the short-term net maturity of the bank's liabilities during various time periods. In addition, limits have been approved for structural liquidity risk, which implies that lending to the general public should largely be financed through customer deposits, subordinated capital and long-term funding. The banking group's ratio of deposits to lending was 54.4 per cent at end-December 2009, up from 52.6 per cent at end-September. The ratio of deposits to lending in DnB NOR Bank ASA was 92.7 per cent at end-December 2009.

During 2009, there was a gradual improvement in the financial markets, and during the second half of the year, the situation was sound and stable. Volumes and maturities practically returned to normalised levels, and the pricing of very short-term funding at end-December virtually corresponded to the levels before the financial turmoil. Nevertheless, investors showed little risk willingness in general, and strong emphasis continued to be placed on borrowers' credit ratings.

Following a substantial reduction in long-term funding costs during the summer of 2009, the situation was more stable towards the end of the year, and margins were significantly wider than before the financial crisis.

DnB NOR Bank Group's liquidity situation at end-December 2009 can be characterised as sound. In consequence of wider credit margins in financial markets, however, costs relating to capital market funding have increased. At end-December 2009, the average remaining term to maturity for the portfolio of senior bond debt was 3.0 years, compared with 2.75 years a year earlier. The banking group aims to achieve a sound and stable maturity structure for funding over the next five years.

Note 20 Information on related parties

Major transactions and agreements with related parties:

Eksportfinans

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

- A share issue of NOK 1.2 billion aimed at the company's owners was implemented, and all owners participated based on their proportional shares.
- A portfolio hedge agreement was entered into, and the owners were invited to participate. DnB NOR Bank ASA's share of the agreement corresponded to 40.43 per cent. The agreement secures Eksportfinans against further decreases in portfolio values of up to NOK 5 billion effective from 29 February 2008. Any recovery of values relative to nominal values will accrue to the participants in the portfolio hedge agreement as payment for their hedging commitment.
- During the first quarter of 2008, Eksportfinans' largest owner banks, DnB NOR Bank ASA, Nordea Bank AB and Danske Bank A/S approved a committed credit line giving the company access to a liquidity reserve of up to USD 4 billion. The agreement was renewed in June 2009. DnB NOR Bank ASA's share of this agreement represents approximately USD 2.2 billion. At end-December 2009, Eksportfinans had not availed itself of this credit line.

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

DnB NOR Boligkreditt

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

The transfer agreement regulates the transfer of loan portfolios qualifying as collateral for the issue of covered bonds. In 2008, portfolios representing NOK 93.6 billion were transferred from the bank to Boligkreditt. In the first and second quarter of 2009, portfolios representing NOK 21.4 billion and NOK 31.1 billion, respectively, were transferred. In the third and fourth quarter, additional transfers of NOK 21.7 billion and NOK 14.3 billion, respectively, were made. Portfolios transferred in 2009 represented a total of NOK 88.5 billion. The transfers are based on market terms.

Pursuant to the management agreement, Boligkreditt purchases services from the bank, including administration, bank production, distribution, customer contact, IT operations, financial and liquidity management. Boligkreditt pays an annual management fee for these services based on the lending volume under management. For new loans approved through the bank's channels, a sales commission for each loan is also paid. The fee paid for the period January through December 2009 totalled NOK 761 million.

In the first and second quarter of 2009, DnB NOR Bank ASA, invested NOK 54.1 and NOK 10.1 billion, respectively, in covered bonds issued by Boligkreditt. Additional investments of NOK 35 billion were made during the third quarter. As at 31 December 2009, the total invested amount was NOK 130.3 billion. The bank uses bonds issued by Boligkreditt as security for Treasury bills purchased from Norges Bank as part of the stimulus package for the Norwegian financial services industry.

DnB NOR Næringskreditt

DnB NOR Næringskreditt (Næringskreditt) is 100 per cent owned by DnB NOR Bank ASA. The mortgage institution was established to issue covered bonds secured by a cover pool comprising commercial property and is instrumental in the bank's asset and liability management as a source of short and long-term funding. In its stimulus packages, the Norwegian Ministry of Finance has opened up for the use of such bonds in the swap scheme with Treasury bills on a par with covered bonds issued by Boligkreditt. The bonds will be used in swap schemes with the Norwegian government, as collateral for central banks loans or sold in the market.

The company stated operations in the third quarter of 2009, and loans with a total value of NOK 2.8 billion were thus transferred from DnB NOR Bank ASA to the company. At end-December 2009, commitments with a total value of NOK 11.5 billion had been transferred. The transfers are made in agreement with the customers. The portfolio will be diversified with respect to property types, sizes and locations. Like Boligkreditt, Næringskreditt will purchase management and administrative services from DnB NOR Bank ASA.

Note 20 Information on related parties (continued)

Vital Forsikring

As part of the company's ordinary investment activity, Vital Forsikring ASA (Vital) has subscribed for covered bonds issued by Boligkreditt. Vital's investments in Boligkreditt are limited to listed covered bonds. Vital's holding of Boligkreditt bonds was valued at NOK 7.2 billion at end-December 2009.

DnB NOR Bank ASA has sold foreign currency loans guaranteed by GIEK, the Norwegian Guarantee Institute for Export Credits, to Vital for an accumulated amount equivalent to NOK 2.8 billion. In connection with the sale, interest rate and currency swaps were entered into, protecting Vital against currency risk and providing a total return based on Norwegian interest rates. DnB NOR Bank ASA still carries interest rate, settlement and credit risk associated with the relevant loans. According to the IFRS regulations, the loans have therefore not been removed from the balance sheet. The set-offs to the loans are recorded as deposits from customers.

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

Stimulus packages

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

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

DnB NOR Bank ASA has purchased bonds from DnB NOR 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 will be treated as own bonds and netted against issued bonds in DnB NOR 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 2009, this funding represented NOK 118.1 billion. At end-December 2009, the bank's investments in Treasury bills used in the swap agreements represented a corresponding amount.

Note 21 Off-balance sheet transactions and contingencies

Off-balance sheet transactions and additional information

DnB NOR Bank ASA				DnB NOR Bank Group	
31 Dec. 2008	31 Dec. 2009	*Amounts in NOK million*		31 Dec. 2009	31 Dec. 2008
32 575	24 621	Performance guarantees		26 000	34 367
22 553	18 138	Payment guarantees		19 250	24 582
14 871	10 702	Loan guarantees [1)]		11 774	16 202
0	939	Guarantee to the Norwegian Banks' Guarantee Fund		939	0
4 759	4 617	Guarantees for taxes etc.		4 655	4 801
4 764	3 643	Other guarantee commitments		3 892	5 448
79 522	62 659	Total guarantee commitments		66 510	85 399
0	0	Support agreements		8 045	4 499
79 522	62 659	Total guarantee commitments etc. [*)]		74 555	89 899
322 651	369 299	Unutilised credit lines and loan offers		376 282	361 259
24 627	14 734	Documentary credit commitments		14 839	24 896
496	390	Other commitments		516	540
347 774	384 424	Total commitments		391 638	386 695
427 296	447 083	Total guarantee and off-balance commitments		466 193	476 594
202 611	151 067	Securities		151 067	202 611
202 464	150 934	- are pledged as security for:	Loans [2)]	150 934	202 464
147	133		Other activities	133	147
360	*206*	**) Of which counter-guaranteed by financial institutions*		*209*	*566*

1) DnB NOR Bank carries loans in its balance sheet that subject to legal agreement have been transferred to Eksportfinans and for which DnB NOR Bank has issued guarantees. According to the agreement, DnB NOR Bank still carries interest rate risk and credit risk for the transferred portfolio. Customer loans in the portfolio totalling NOK 9 215 million were recorded in the balance sheet as at 31 December 2009. These loans are not included under guarantees in the table.

2) As at 31 December 2009, NOK 60 780 million in securities has been pledged as collateral for credit facilities with Norges Bank (the Norwegian central bank). According to regulations, these loans must be fully collateralised by a mortgage on interest-bearing securities and/or the bank's deposits with Norges Bank.

Contingencies

Due to its extensive operations in Norway and abroad, the DnB NOR Banking Group will regularly be party to a number of legal actions. None of the current disputes are expected to have any material impact on the banking group's financial position.

Bovista ApS in Copenhagen, which is a wholly-owned subsidiary of RC Real Estate, has sued Bank DnB NORD for up to DKK 180 million plus interest, claiming that the bank has wrongfully used proceeds from the sale of properties as loan repayments without consulting the company. The bank contests the claim.

DnB NOR Markets Inc. in New York has been sued for up to USD 25 million plus interest and charges in connection with the underwriting of a bond issue (Lehman Brothers). The company contests the claim.

Ivar Petter Røeggen has instituted legal proceedings against DnB NOR Bank ASA, claiming that two investment agreements for structured products be declared null and void and that the bank be ordered to pay costs of NOK 266 000 plus interest on late payments. It is not the size of the amount disputed that is significant, rather whether this will serve as a test case for similar cases. The bank contests the claim.

In addition to the above-mentioned civil action brought against DnB NOR Bank ASA by Ivar Petter Røeggen, a group action with 19 plaintiffs has been brought against the bank, relating to the sale of the same structured products as the action brought by Rødeggen. The bank maintains that there is no legal basis for a group action and contests the claim. In the previously mentioned action brought by Hans Bjarne Voster relating to the sale of structured products, with a claim totalling NOK 500 000, an out-of-court settlement was reached.

DnB NOR Bank ASA has brought an action against seven Norwegian municipalities for the settlement of interest swaps on commercial terms. The municipalities have stopped their payments under the agreements citing that full settlement took place upon payment of the residual value of the investments made. The bank's total claim in the civil action is NOK 968 million plus interest on overdue payments.

Key figures

		DnB NOR Bank Group			
		4th quarter 2009	4th quarter 2008	Full year 2009	Full year 2008
Interest rate analyses					
1.	Combined weighted total average spread for lending and deposits (%)	1.11	1.10	1.14	1.02
2.	Spread for ordinary lending to customers (%)	1.59	1.32	1.59	1.00
3.	Spread for deposits from customers (%)	0.23	0.67	0.29	1.07
Rate of return / profitability					
4.	Net other operating income, per cent of total income	29.3	37.2	33.8	30.6
5.	Cost/income ratio (%)	47.2	41.7	46.1	48.8
6.	Return on equity, annualised (%)	6.6	14.3	10.0	14.0
Financial strength					
7.	Core (Tier 1) capital ratio at end of period (%)	8.4	6.9	8.4	6.9
9.	Capital adequacy ratio at end of period (%)	11.4	9.9	11.4	9.9
11.	Core capital at end of period (NOK million)	80 400	77 671	80 400	77 671
12.	Risk-weighted volume at end of period (NOK million)	960 208	1 120 428	960 208	1 120 428
Loan portfolio and write-downs					
13.	Individual write-downs relative to average net lending to customers, annualised	0.46	0.58	0.52	0.25
14.	Write-downs relative to average net lending to customers, annualised	0.53	0.79	0.66	0.33
15.	Net non-performing and impaired commitments, per cent of net lending	1.69	0.98	1.69	0.98
16.	Net non-performing and impaired commitments at end of period (NOK million)	19 127	11 922	19 127	11 922
Liquidity					
17.	Ratio of customer deposits to net lending to customers at end of period (%)	54.4	50.3	54.4	50.3
Staff					
18.	Number of full-time positions at end of period	12 263	12 848	12 263	12 848

Definitions

1, 2, 3 Based on nominal values excluding lending to and deposits with credit institutions and impaired loans, measured against the 3–month money market rate.

5 Total operating expenses relative to total income. Expenses exclude impairment losses for goodwill.

6 Profit for the period, excluding profit attributable to minority interests, adjusted for the period's change in fair value recognised in equity. Average equity is calculated on the basis of recorded equity excluding minority interests.

Profit and balance sheet trends

Income statement — **DnB NOR Bank ASA**

Amounts in NOK million	4th quarter 2009	3rd quarter 2009	2nd quarter 2009	1st quarter 2009	4th quarter 2008
Total interest income	9 227	10 084	11 208	14 062	19 038
Total interest expenses	5 501	6 108	7 316	10 258	14 515
Net interest income	**3 726**	**3 976**	**3 892**	**3 804**	**4 523**
Commissions and fees receivable etc.	1 211	1 329	1 290	1 150	1 199
Commissions and fees payable etc.	429	454	495	375	471
Net gains on financial instruments at fair value	975	1 892	1 749	2 894	368
Profit from companies accounted for by the equity method	0	0	0	0	0
Other income	1 100	393	368	366	907
Net other operating income	**2 856**	**3 159**	**2 913**	**4 035**	**2 003**
Total income	**6 582**	**7 135**	**6 805**	**7 839**	**6 526**
Salaries and other personnel expenses	1 678	1 593	1 602	1 714	1 657
Other expenses	932	1 177	1 287	1 307	1 292
Depreciation and write-downs of fixed and intangible assets	1 934	210	380	100	219
Total operating expenses	**4 544**	**2 979**	**3 269**	**3 121**	**3 168**
Net gains on fixed and intangible assets	(4)	0	1	2	3
Write-downs on loans and guarantees	467	1 145	682	840	910
Pre-tax operating profit	**1 566**	**3 011**	**2 855**	**3 880**	**2 450**
Taxes	504	1 027	1 039	1 280	762
Profit from operations and non-current assets held for sale, after taxes	0	0	0	0	0
Profit for the period	**1 063**	**1 985**	**1 816**	**2 599**	**1 688**

Profit and balance sheet trends (continued)

Balance sheet — **DnB NOR Bank ASA**

Amounts in NOK million	31 Dec. 2009	30 Sept. 2009	30 June 2009	31 March 2009	31 Dec. 2008
Assets					
Cash and deposits with central banks	29 023	26 819	55 038	55 292	47 705
Lending to and deposits with credit institutions	276 084	250 385	258 015	244 495	245 652
Lending to customers	626 806	666 560	726 382	777 094	824 223
Commercial paper and bonds	304 948	301 214	184 673	136 087	82 058
Shareholdings	13 041	9 994	8 635	9 034	9 317
Financial derivatives	71 002	85 999	87 839	112 441	137 751
Commercial paper and bonds, held to maturity	113 302	105 569	103 105	91 763	100 278
Investment property	0	0	0	0	0
Investments in associated companies	1 023	1 027	1 065	1 064	1 069
Investements in subsidiaries	26 174	28 254	20 942	18 631	19 192
Intangible assets	2 562	2 221	2 173	2 198	2 173
Deferred tax assets	1 153	9	9	9	10
Fixed assets	817	814	814	822	844
Operations and non-current assets held for sale	0	0	0	0	0
Other assets	6 146	23 061	6 199	6 466	5 941
Total assets	**1 472 079**	**1 501 925**	**1 454 890**	**1 455 395**	**1 476 214**
Liabilities and equity					
Loans and deposits from credit institutions	294 190	288 132	204 373	199 895	147 371
Deposits from customers	580 913	570 419	587 593	571 299	570 312
Financial derivatives	64 338	81 040	83 839	96 768	119 168
Debt securities issued	398 231	426 059	431 137	456 659	507 680
Payable taxes	7 142	3 109	2 225	1 363	215
Deferred taxes	7	3 822	3 805	3 778	3 734
Other liabilities	12 863	11 198	21 917	8 451	10 608
Operations held for sale	-	-	-	-	-
Provisions	4 247	4 454	4 357	4 327	4 299
Subordinated loan capital	37 686	38 544	42 158	41 164	43 612
Total liabilities	**1 399 617**	**1 426 778**	**1 381 402**	**1 383 705**	**1 406 998**
Minority interests	0	0	0	0	0
Share capital	17 514	17 514	17 514	17 514	17 514
Share premium reserve	12 695	12 695	12 695	12 695	12 695
Other equity	42 253	44 938	43 278	41 481	39 007
Total equity	**72 462**	**75 147**	**73 487**	**71 691**	**69 217**
Total liabilities and equity	**1 472 079**	**1 501 925**	**1 454 890**	**1 455 395**	**1 476 214**

Profit and balance sheet trends (continued)

Income statement

DnB NOR Bank Group

Amounts in NOK million	4th quarter 2009	3rd quarter 2009	2nd quarter 2009	1st quarter 2009	4th quarter 2008
Total interest income	12 818	13 427	14 881	17 921	22 916
Total interest expenses	7 143	7 573	9 088	12 131	16 615
Net interest income	**5 675**	**5 854**	**5 793**	**5 790**	**6 301**
Commissions and fees receivable etc.	1 448	1 591	1 533	1 384	1 458
Commissions and fees payable etc.	467	491	516	415	509
Net gains on financial instruments at fair value	1 051	1 957	1 032	2 140	1 186
Profit from companies accounted for by the equity method	(49)	(284)	(471)	897	1 201
Other income	369	400	299	417	402
Net other operating income	**2 352**	**3 172**	**1 876**	**4 424**	**3 737**
Total income	**8 027**	**9 026**	**7 669**	**10 214**	**10 038**
Salaries and other personnel expenses	2 164	2 137	2 121	2 258	2 139
Other expenses	1 289	1 516	1 610	1 652	1 691
Depreciation and write-downs of fixed and intangible assets	678	497	607	312	588
Total operating expenses	**4 130**	**4 151**	**4 338**	**4 223**	**4 418**
Net gains on fixed and intangible assets	19	(4)	7	4	6
Write-downs on loans and guarantees	1 517	2 277	2 318	1 598	2 314
Pre-tax operating profit	**2 398**	**2 595**	**1 021**	**4 396**	**3 312**
Taxes	1 591	1 047	393	1 319	1 138
Profit from operations and non-current assets held for sale, after taxes	80	0	0	0	0
Profit for the period	**886**	**1 548**	**627**	**3 078**	**2 174**
Profit attributable to shareholders	1 320	1 955	1 185	3 238	2 576
Profit attributable to minority interests	(433)	(408)	(558)	(161)	(402)

Profit and balance sheet trends (continued)

Balance sheet					DnB NOR Bank Group
	31 Dec.	30 Sept.	30 June	31 March	31 Dec.
Amounts in NOK million	2009	2009	2009	2009	2008
Assets					
Cash and deposits with central banks	31 859	29 899	58 524	58 185	51 147
Lending to and deposits with credit institutions	58 751	67 382	62 140	73 685	54 187
Lending to customers	1 128 791	1 146 949	1 178 785	1 188 648	1 206 842
Commercial paper and bonds	177 613	177 340	95 310	57 001	58 219
Shareholdings	13 396	10 361	9 061	9 483	9 642
Financial derivatives	69 173	84 662	86 414	111 456	136 567
Commercial paper and bonds, held to maturity	113 302	105 569	103 105	91 763	100 278
Investment property	614	584	583	663	167
Investments in associated companies	2 502	2 599	2 921	3 391	2 499
Investments in subsidiaries	-	-	-	-	-
Intangible assets	5 554	6 224	5 579	5 792	6 105
Deferred tax assets	241	239	382	236	253
Fixed assets	5 434	5 588	5 306	5 133	5 271
Operations and non-current assets held for sale	1 255	168	164	201	246
Other assets	7 513	7 113	9 172	8 335	6 781
Total assets	**1 615 999**	**1 644 677**	**1 617 447**	**1 613 973**	**1 638 205**
Liabilities and equity					
Loans and deposits from credit institutions	302 694	297 129	234 169	230 242	178 834
Deposits from customers	613 627	603 422	622 522	605 294	606 915
Financial derivatives	52 359	67 545	64 795	77 611	93 207
Debt securities issued	500 907	528 124	534 481	556 247	614 183
Payable taxes	8 715	2 515	1 786	1 470	317
Deferred taxes	575	5 175	5 099	5 059	5 054
Other liabilities	9 839	13 599	24 855	10 903	12 380
Operations held for sale	366	0	0	0	0
Provisions	4 553	4 801	4 690	4 638	4 607
Subordinated loan capital	39 051	39 940	43 629	42 624	45 225
Total liabilities	**1 532 685**	**1 562 249**	**1 536 026**	**1 534 089**	**1 560 721**
Minority interests	2 755	3 265	4 010	3 644	4 211
Share capital	17 514	17 514	17 514	17 514	17 514
Share premium reserve	13 411	13 411	13 411	13 411	13 411
Other equity	49 633	48 237	46 485	45 315	42 346
Total equity	**83 314**	**82 428**	**81 421**	**79 885**	**77 483**
Total liabilities and equity	**1 615 999**	**1 644 677**	**1 617 447**	**1 613 973**	**1 638 205**

Information about the DnB NOR Bank Group

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DnB NOR Bank ASA

Organisation number	Register of Business Enterprises NO 984 851 006 MVA

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Anne Carine Tanum, chairman
Bent Pedersen, vice-chairman
Per Hoffmann
Kari Lotsberg
Kai Nyland
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Other sources of information

Annual reports

Annual reports for the DnB NOR Bank Group and DnB NOR Group are available on dnbnor.com.

Quarterly publications

Quarterly reports are available on dnbnor.com. Separate quarterly reports are prepared for the DnB NOR Group and Vital.

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

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