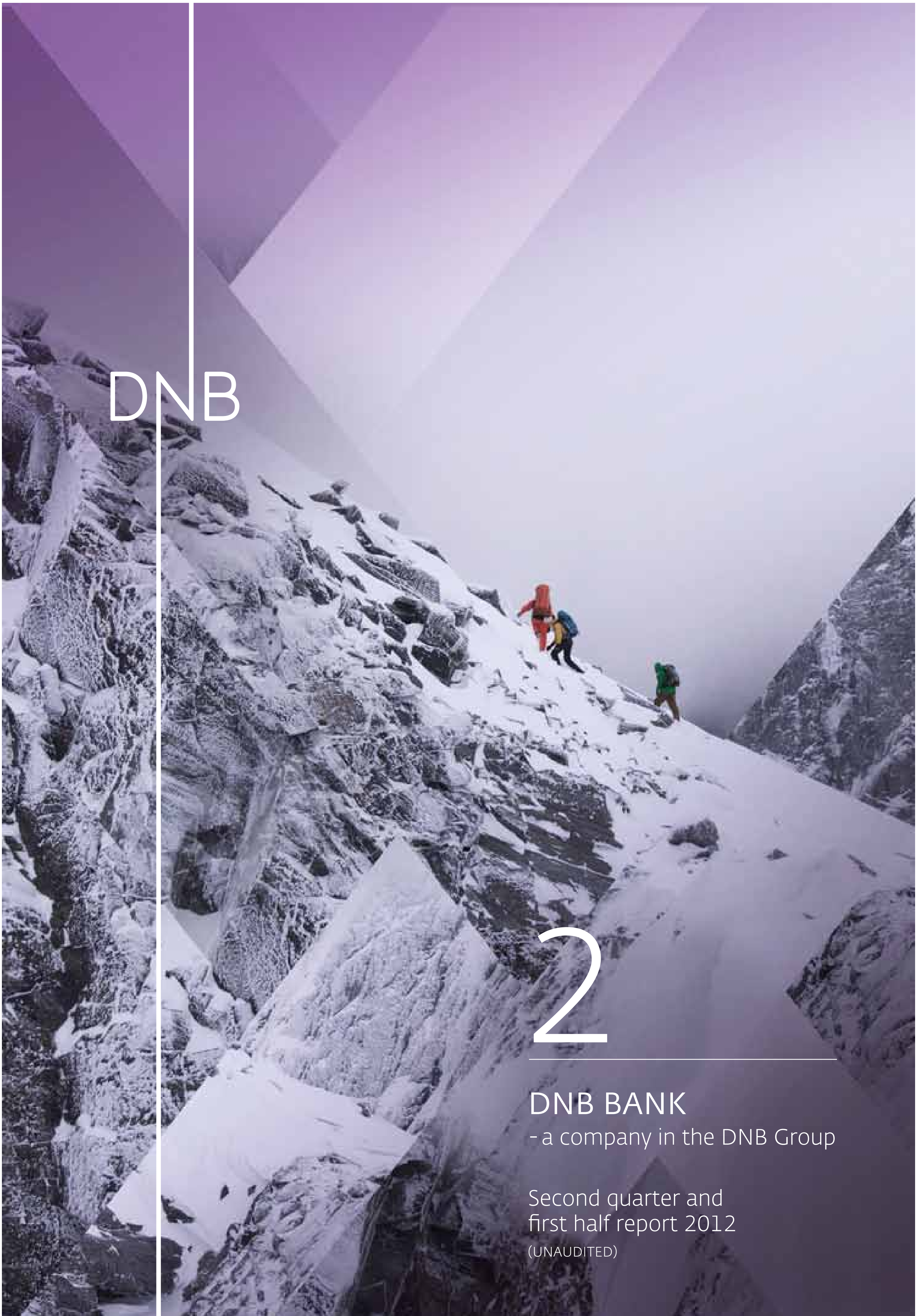

2

DNB BANK

- a company in the DNB Group

Second quarter and
first half report 2012

(UNAUDITED)

Key figures

DNB Bank Group

Income statement *Amounts in NOK million*	2nd quarter 2012	2nd quarter 2011	1st half 2012	1st half 2011	Full year 2011
Net interest income	6 736	6 039	13 456	12 054	25 232
Net commissions and fees, core business [1)]	*1 336*	*1 290*	*2 406*	*2 454*	*4 776*
Net financial items	*3 272*	*1 860*	*3 060*	*3 128*	*9 937*
Net other operating income, total	4 608	3 150	5 466	5 582	14 713
Ordinary operating expenses	4 808	4 568	9 478	8 953	18 328
Other expenses	0	0	0	0	380
Pre-tax operating profit before write-downs	6 536	4 622	9 444	8 684	21 237
Net gains on fixed and intangible assets	37	8	43	13	19
Write-downs on loans and guarantees	685	457	1 469	1 349	3 445
Pre-tax operating profit	5 888	4 173	8 019	7 348	17 811
Taxes	1 571	1 168	2 147	2 057	5 308
Profit from operations held for sale, after taxes	92	11	92	(30)	(5)
Profit for the period	**4 409**	**3 015**	**5 965**	**5 261**	**12 498**

Balance sheet *Amounts in NOK million*	30 June 2012	31 Dec. 2011	30 June 2011
Total assets	2 124 094	1 884 948	1 614 379
Lending to customers	1 320 587	1 291 660	1 215 365
Deposits from customers	861 104	750 102	668 506
Total equity	110 229	104 304	88 892
Average total assets	2 086 133	1 910 290	1 892 641

Key figures *Per cent*	2nd quarter 2012	2nd quarter 2011	1st half 2012	1st half 2011	Full year 2011
Combined weighted total average spread for lending and deposits	1.17	1.08	1.16	1.09	1.10
Cost/income ratio	42.4	49.7	50.1	50.8	45.9
Write-downs relative to average net lending to customers, annualised	0.21	0.15	0.23	0.22	0.28
Return on equity, annualised	16.4	13.4	11.3	11.7	13.5
Equity Tier 1 capital ratio at end of period [2)]	9.7	8.2	9.7	8.2	9.3
Core (Tier 1) capital ratio at end of period [2)]	10.3	8.8	10.3	8.8	9.9
Capital ratio at end of period [2)]	11.9	10.9	11.9	10.9	11.5

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

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

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

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Directors' report

Introduction

Second quarter 2012

The DNB Bank Group[1)] recorded profits of NOK 4 409 million in the second quarter of 2012, up from NOK 3 015 million in the second quarter of 2011 and NOK 1 556 million in the first quarter of 2012. The banking group thus recorded a healthy level of profits, stronger capital adequacy and a further widening of lending spreads. Lending growth declined somewhat compared with the preceding quarters. Parallel to this, there was a significant increase in deposits, while strong competition resulted in narrowing deposit spreads. There was a rise in long-term funding costs during the quarter. Total net interest income was on a level with the first quarter of 2012, but rose 10.3 per cent over a trailing 12-month period. Profits for the quarter were influenced by basis swaps[2)], which had a positive effect of NOK 1 078 million, while there was a positive effect of NOK 149 million in the second quarter of 2011 and a negative effect of NOK 2 432 million in the first quarter of 2012. Such income varies considerably depending on financial market developments and will be reversed over the instruments' term to maturity. The common equity Tier 1 capital ratio calculated according to the Basel II transitional rules, increased to 9.4 per cent at end-June. Based on full implementation of Basel II excluding the effects of the limitations ensuring from the transitional rules, the common equity Tier 1 capital ratio would have been 11.4 per cent.

Average lending volumes increased by 8.9 per cent from the second quarter of 2011, while lending spreads widened by 0.4 percentage points during the same period, relative to the 3-month money market rate. Deposit spreads narrowed by 0.4 percentage points and were negative at 0.1 per cent. This implies that average interest rates on customer deposits were approximately 10 basis points higher than the 3-month money market rate. Customer deposits represent a key source of funding for the banking group as an alternative to higher-priced capital market funding. The bank thus continued its initiatives to increase deposits. During the quarter, new deposit products were launched in order to increase long-term deposits. Average deposit volumes rose 15.1 per cent from the second quarter of 2011, and the ratio of deposits to lending was increased by 10.2 percentage points from end-June 2011, to 65.2 per cent.

Other operating income, adjusted for changes in the value of basis swaps, increased by 17.6 per cent from the second quarter of 2011. There was a rise in income from commissions and fees and associated companies, while there was a reduction in stock market-related income and income from investment properties.

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

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

Operating expenses rose by 5.3 per cent from the second quarter of 2011, reflecting greater market initiatives in the largest Norwegian cities and a higher level of activity at certain international offices. During the quarter, a number of measures were approved which will contribute to reducing costs, including the concentration of the banking group's service functions to fewer geographical locations and a pilot project in the Baltics for the production of services to the banking group's operations in Norway.

Write-downs on loans and guarantees increased by NOK 227 million from the second quarter of 2011, but were lower than in the previous three quarters. There was a rise in write-downs within Large Corporates and International, whereas write-downs were reduced in the Baltics. There was a stable and relatively low level of write-downs within shipping in spite of challenging market conditions in parts of this segment.

Return on equity was 16.4 per cent, up from 13.4 per cent in the April through June period in 2011. Adjusted for changes in the value of basis swaps, return on equity was 12.4 per cent.

The banking group continued its adaptations to the new liquidity and capital requirements which are expected to be introduced over the next few years, partly by raising more funding with long maturities. In spite of continued market turmoil, the banking group had good access to funding during the quarter. Still, price levels were considerably higher than a year earlier.

Socialbakers, a large international social media analytics company, has named DNB the best bank in the world with respect to response rates on Facebook. DNB's response rate was approximately 95 per cent, compared with an industry average of 46.4 per cent. The survey confirms that DNB's focus on social media is at a high international level and supports wider DNB`s efforts to improve its customer offering.

In a survey carried out by 'Studenttorget' and the consultancy firm Evidente, DNB was ranked as the most attractive employer for business students in Norway.

The DNB Group has been granted a concession from the Ministry of Finance to merge DNB and Nordlandsbanken. The merger is scheduled to take place on 1 October and will contribute towards a better customer offering and lower costs through greater coordination of central functions.

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

On 12 June 2012, the Supervisory Board re-elected Anne Carine Tanum as chairman and Jarle Bergo as vice-chairman of the Board of Directors of DNB Bank ASA. Vigdis Mathisen was elected as a new board member to represent the employees.

First half 2012

The banking group recorded profits of NOK 5 965 million in the first half of 2012, an increase from NOK 5 261 million in the first half of 2011. Adjusted for the effects of basis swaps, profits for the first half of 2012 were NOK 7 320 million, up 28.5 per cent from the year-earlier period.

There was a healthy trend in net interest income, which increased by 11.6 per cent from the first half of 2011. Average lending volumes rose by 8.8 per cent, while lending spreads widened by 0.3 percentage points measured against the 3-month money market rate during the same period. Rising long-term funding costs and narrower deposit spreads caused greater pressure on income from lending activities. Average deposit volumes rose 13.4 per cent, while deposit spreads contracted by 0.3 percentage points, primarily due to lower interest rate levels and stronger competition for deposits. Nevertheless, deposits represent a favourable funding source compared with the alternative, which is long-term capital market funding at significantly higher interest rates.

Following Norges Bank's cut in its short-term key policy rate in March the banking group chose to reduce interest rates on both home mortgages and deposits for personal customers. The central bank also revised downwards its projections for future interest rate increases.

Other operating income, adjusted for mark-to-market adjustments of basis swaps, was up 13.4 per cent from the first half of 2011, which mainly reflected increased gains on foreign exchange and interest rate instruments and a rise in profits from associated companies.

Operating expenses rose by 5.9 per cent from the first half of 2011, reflecting an increase in pension expenses due to lower interest rate levels, planned growth in the largest Norwegian cities and a higher level of activity at certain international offices.

At NOK 1 469 million, write-downs on loans and guarantees were NOK 119 million higher than in the first half of 2011. There was a rise in write-downs in both Retail Banking and Large Corporates and International, while there was a reduction in write-downs in the Baltics.

Return on equity was 11.3 per cent, down from 11.7 per cent in the January through June period in 2011. Adjusted for changes in the value of basis swaps, return on equity was 13.7 per cent.

Income statement for the second quarter of 2012

Net interest income

Amounts in NOK million	2nd quarter 2012	Change	2nd quarter 2011
Net interest income	6 736	697	6 039
Lending and deposit volumes		431	
Lending and deposit spreads		565	
Exchange rate movements		92	
Amortisation effects in the international bond portfolio		(52)	
Long-term funding costs		(371)	
Other net interest income		32	

Net interest income showed a healthy trend, rising by NOK 697 million or 11.5 per cent from the second quarter of 2011. Both spreads and volumes generated a rise in income during the period. The effect of widening lending spreads was partly offset by narrower deposit spreads. Parallel to this, there was a significant rise in long-term funding costs in the markets for both senior bond debt and covered bonds. Together, this contributed to a rise in the cost of funding lending operations. Average lending volumes increased by 8.9 per cent from the year-earlier period, though the growth in lending was waning. Due to the anticipated new capital adequacy requirements, future growth must be less capital-intensive than what has been the case over the past few years.

Net other operating income

Amounts in NOK million	2nd quarter 2012	Change	2nd quarter 2011
Net other operating income	4 608	1 458	3 150
Basis swaps		929	
Net other gains on foreign exchange and interest rate instruments [1)]		404	
Profits from associated companies		168	
Net other commissions and fees		109	
Real estate broking		15	
Net stock market-related income		(123)	
Net unrealised gains on investment property		(182)	
Other operating income		139	

1) Excluding guarantees and basis swaps.

Net other operating income increased by NOK 1 458 million from the second quarter of 2011. The main reason for the increase was a NOK 929 million rise in the market value of basis swaps and a NOK 404 million rise in the market value of other financial instruments carried at fair value.

Ordinary commissions and fees receivable and real estate broking showed a positive trend, as did income from associated companies.

The market situation caused a reduction in other stock market-related income.

There was a decline in unrealised gains on investment properties, mainly relating to repossessed property commitments, of NOK 182 million compared with the second quarter of 2011.

Operating expenses

Amounts in NOK million	2nd quarter 2012	Change	2nd quarter 2011
Operating expenses	4 808	241	4 568
Costs for non-core operations		**37**	
Non-recurring costs			
Early termination of leases in connection with the move to new headquarters		54	
Write-downs on balance sheet assets in the second quarter of 2011		(22)	
Income-related items			
Increase in full-time positions		71	
Operational leasing		24	
Marketing		(13)	
Performance-based pay		(15)	
Expenses related to operations			
Cost programme		(61)	
Wage and price inflation		121	
Rise in pension expenses		65	
Other cost reductions		(20)	

The banking group's operating expenses were up NOK 241 million or 5.3 per cent from the second quarter of 2011. The banking group expanded its operations both in Norway and internationally during 2011, and the average number of full-time positions rose by 516 from the second quarter of 2011. This figure includes temporary staff and consultants who were given permanent employment.

The cost programme generated cost reductions according to plan and was on schedule for reaching the programme targets. The banking group recorded non-recurring costs of NOK 54 million for the second quarter related to the early termination of leases in connection with the move to new headquarters in Bjørvika in Oslo.

Pension expenses rose by NOK 65 million compared with the year-earlier period, mainly due to the low interest rate level.

Write-downs on loans and guarantees

Write-downs on loans and guarantees totalled NOK 685 million for the April through June period, an increase of NOK 227 million from the second quarter of 2011, but a reduction of NOK 99 million from the first quarter of 2012.

Individual write-downs in Retail Banking came to NOK 210 million, an increase of NOK 100 million from the second quarter of 2011, but a reduction of NOK 99 million from the first quarter of 2012. At NOK 268 million, individual write-downs in Large Corporates and International were NOK 155 million higher than in the second quarter of 2011 and virtually unchanged from the first quarter of 2012. Write-downs in the Baltics and Poland were reduced from 1.31 per cent of lending in the second quarter of 2011 to 0.74 per cent in the second quarter of 2012.

Collective write-downs totalled NOK 76 million, up NOK 26 million from the second quarter of 2011, which mainly reflected the weak economic conditions in parts of the shipping market.

Net non-performing and doubtful commitments totalled NOK 19.3 billion at end-June 2012, an increase from NOK 16.1 billion at end-June 2011, but a reduction from NOK 20.3 billion at end-March 2012. Net non-performing and doubtful commitments represented 1.45 per cent of lending volume, an increase of 0.14 percentage points from end-June 2011.

Taxes

The DNB Bank Group's tax charge for the second quarter of 2012 was NOK 1 571 million, up from NOK 1 168 million in the year-earlier period. Relative to pre-tax operating profits, the estimated tax charge decreased to approximately 27 per cent in the second quarter of 2012, from approximately 28 per cent in the year-earlier period.

Business areas

Activities in the banking group are organised in the business areas Retail Banking, Large Corporates and International and DNB 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. In addition, operations in DNB Baltics and Poland are reported separately.

Retail Banking

Retail Banking is responsible for serving the banking group's 2.1 million personal customers and some 221 000 corporate customers through the branch network in Norway. DNB aspires to be a local bank for the whole of Norway, while offering the expertise of a large bank. The aim is that coordinated service to these customer segments will make the services more accessible and give customers good personal financial advice.

Pre-tax operating profits totalled NOK 2 255 million in the second quarter of 2012, an increase of NOK 499 million from the year-earlier period. There was strong growth in both lending and deposits during the period, parallel to a satisfactory trend in non-performing commitments and write-downs.

	2nd quarter		Change	
Income statement in NOK million	2012	2011	NOK mill	%
Net interest income	3 910	3 455	455	13.2
Other operating income	1 089	906	183	20.2
Income attributable to product suppliers	297	319	(22)	(6.9)
Net other operating income	1 386	1 225	161	13.1
Total income	5 296	4 680	616	13.2
Other operating expenses	2 699	2 672	26	1.0
Costs attributable to product suppliers	142	151	(10)	(6.4)
Total operating expenses	2 841	2 824	17	0.6
Pre-tax operating profit before write-downs	2 455	1 856	599	32.3
Net gains on fixed assets	(1)	0	(1)	
Net write-downs on loans	196	100	96	95.6
Profit from repossessed operations	(3)	0	(3)	
Pre-tax operating profit	2 255	1 756	499	28.4
Average balance sheet items in NOK billion				
Net lending to customers	840.3	772.7	67.6	8.8
Deposits from customers	439.5	394.0	45.5	11.5
Key figures in per cent				
Lending spread [1)]	2.03	1.51		
Deposit spread [1)]	(0.12)	0.45		
Return on risk-adjusted capital [2)]	32.1	23.1		
Cost/income ratio	53.6	60.3		
Ratio of deposits to lending	52.3	51.0		
Number of full-time positions, end of period	4 971	4 928	427	0.9

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

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

There was relatively brisk growth in both home mortgages and lending to small and medium-sized businesses compared with the year-earlier period. Moreover, there was a strong rise in deposits during the period, and the average ratio of deposits to lending increased to 52.3 per cent in the second quarter of 2012. Along with customer deposits, covered bonds based on home mortgages in DNB Boligkreditt were key sources of funding. At end-June 2012, 95 per cent of lending volume in Retail Banking was funded by deposits and covered bonds.

Rising volumes and widening lending spreads relative to the 3-month money market rate contributed to the rise in net interest income from the second quarter of 2011. Deposit spreads narrowed due to lower interest rate levels and strong competition in the market. The volume-weighted interest rate spread was 1.29 per cent in the second quarter of 2012, an increase from 1.15 per cent in the year-earlier period.

Other operating income was NOK 183 million higher than in the second quarter of 2011. Income from payment services and real estate broking showed a positive trend during the period. In spite of a rise in staff numbers due to higher activity levels, costs were roughly on a level with the figure for the second quarter of 2011. The number of full-time positions was 4 971 at end-June 2012, with 4 631 in the business area's units in Norway.

The quality of the loan portfolio was sound, with relatively low write-downs in both the retail and corporate markets. Net write-downs on loans represented 0.09 per cent of net lending, up from 0.05 per cent in the second quarter of 2011. Net non-performing and doubtful commitments amounted to NOK 5 968 million at end-June 2012, down NOK 448 million from end-June 2011.

DNB’s new mobile bank, specially designed for smart phones and available on all major operating platforms, was launched in June 2012. In addition, DNB launched several new products for children and young adults, including the flagship product Supersave, which is a savings account with a very competitive interest rate.

Turmoil in the financial markets and the uncertain prospects for the global economy have a dampening effect on those parts of the Norwegian economy which are not directly related to the petroleum industry, especially within manufacturing and commodity trade. On the other hand, low interest rates combined with a marked increase in real income and a stable unemployment rate could provide the basis for strong consumption growth.

Large Corporates and International

Large Corporates and International serves the bank's largest Norwegian corporate customers and is responsible for DNB Bank Group's international banking activities. Operations are based on broad industry expertise and long-term customer relationships.

Pre-tax operating profits came to NOK 2 097 million in the second quarter of 2012, up NOK 362 million from the second quarter of 2011.

	2nd quarter		Change	
Income statement in NOK million	2012	2011	NOK mill	%
Net interest income	2 306	1 929	376	19.5
Other operating income	322	315	6	2.0
Income attributable to product suppliers	622	494	128	26.0
Net other operating income	944	809	135	16.6
Total income	3 250	2 739	511	18.7
Other operating expenses	589	582	7	1.2
Costs attributable to product suppliers	242	201	41	20.5
Total operating expenses	831	783	48	6.1
Pre-tax operating profit before write-downs	2 418	1 956	463	23.7
Net gains on fixed assets	0	0	0	
Net write-downs on loans	357	220	137	62.2
Profit from repossessed operations	36	0	36	
Pre-tax operating profit	2 097	1 735	362	20.8
Average balance sheet items in NOK billion				
Net lending to customers	402.6	352.8	49.8	14.1
Deposits from customers	288.5	230.9	57.6	25.0
Key figures in per cent				
Lending spread [1)]	1.87	1.62		
Deposit spread [1)]	(0.17)	0.03		
Return on risk-adjusted capital [2)]	23.9	21.1		
Cost/income ratio	25.6	28.6		
Ratio of deposits to lending	71.7	65.4		
Number of full-time positions, end of period	1 150	1 117	33	3.0

1) *Calculated relative to the 3-month money market rate.*
2) *Calculated on the basis of internal measurement of risk-adjusted capital.*

Due to brisk growth in the second half of 2011, average lending increased by 14.1 per cent from the second quarter of 2011, while there was an increase of 1.2 per cent from the first quarter of 2012. There were large fluctuations in the US dollar rate during the quarter, and adjusted for exchange rate movements, there was a 10.1 per cent rise in lending from the second quarter of 2011. Average deposits rose by 25.0 per cent from the second quarter of 2011 and by 10.6 per cent from the first quarter of 2012. Adjusted for exchange rate movements, there was an increase of 21.8 per cent from the second quarter of 2011.

Relative to the 3-month money market rate, lending spreads widened by 0.25 percentage points from the year-earlier period and 0.06 percentage points from the first quarter of 2012. The widening spreads helped compensate for higher long-term funding costs. Competition for deposits caused pressure on deposit spreads, which declined by 0.20 percentage points from the second quarter of 2011 and by 0.10 percentage points from the first quarter of 2012.

The rise in other operating income was mainly attributable to a positive development in income from foreign exchange and interest rate instruments and an increase in guarantee commissions.

Personnel expenses were higher than in the second quarter of 2011, mainly due to a rise in staff numbers in strategic priority areas in 2011. In addition, there was an increase in costs related to product suppliers due to a higher level of income. The cost/income ratio was down 3.0 percentage points compared with the second quarter of 2011. At end-June 2012, staff in the business area represented 1 150 full-time positions, including 667 positions outside Norway.

Net write-downs on loans represented 0.36 per cent of net lending to customers on an annual basis, of which individual write-downs represented 0.27 per cent. In the second quarter of 2011, net individual write-downs came to 0.13 per cent of net lending. The increase was due to write-downs on a few large commitments.

Net non-performing and doubtful commitments amounted to NOK 7.8 billion at end-June 2012, down NOK 0.7 billion from end-March 2012. The increase was due to the fact that a few large commitments were no longer classified as non-performing and doubtful. At end-June 2011, net non-performing and doubtful commitments amounted to NOK 1.6 billion.

The quality of the loan portfolios remained sound, showing a positive trend from the preceding quarters. Close follow-up of customers and good preventive measures have proven to be successful.

The banking group will give priority to long-term profitability, sound customer relationships and a well-developed range of products. Average lending spreads are expected to increase somewhat, which is necessary to compensate for higher funding costs. It is anticipated that strong competition for stable customer deposits and pressure on deposits spreads will continue.

DNB Markets

DNB Markets, Norway's largest provider of securities and investment services, recorded a strong level of profits in the second quarter of 2012. Pre-tax operating profits totalled NOK 1 202 million, up NOK 133 million compared with the year-earlier period.

	2nd quarter		Change	
Income statement in NOK million	2012	2011	NOK mill	%
FX, interest rate and commodity derivatives	419	309	111	35.9
Investment products	107	82	25	29.9
Corporate finance	240	230	10	4.4
Securities services	60	62	(2)	(3.7)
Total customer revenues	826	683	143	21.0
Net income from international bond portfolio	274	262	12	4.4
Other market making/trading revenues	628	589	39	6.6
Total trading revenues	902	851	51	5.9
Interest income on allocated capital	45	35	10	27.0
Total income	1 773	1 569	203	13.0
Operating expenses	571	500	71	14.1
Pre-tax operating profit	1 202	1 069	133	12.4
Key figures in per cent				
Return on risk-adjusted capital [1)]	46.8	59.1		
Cost/income ratio	32.2	31.9		
Number of full-time positions, end of period	717	688	29	4.2

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

The turmoil in the Eurozone and uncertainty regarding international macroeconomic developments contributed to the decline in share and commodity prices. Investors thus adopted a waiting attitude, resulting in lower stock market activity and reduced income. However, the decline in stock market-related income was more than offset by a rise in income relating to foreign exchange and interest rate instruments in the second quarter of 2012. Customer-related revenues totalled NOK 826 million, up 21 per cent from the second quarter of 2011. The cost/income ratio was virtually unchanged compared with the year-earlier period.

The rise in customer-related income from foreign exchange, interest rate and commodity derivatives reflected a positive trend in income from both currency and interest rate hedging instruments compared with the second quarter of 2011. Falling oil prices resulted in greater demand for commodity hedging.

In spite of a weak stock market trend, customer-related income from the sale of securities and other investment products increased compared with the second quarter of 2011. There was a rising level of activity within property projects. DNB Markets retained its position as the largest brokerage house on Oslo Børs within bond and comercial paper brokerage, and income from these operations showed a positive trend.

Customer-related revenues from corporate finance services increased somewhat from the second quarter of 2011 in spite of demanding equity market conditions. Merger and acquisition activity increased, while equity issue activity decreased, and a number of transactions were postponed or cancelled due to the market situation. There was brisk activity in the debt capital market. Among other things, DNB Markets was joint bookrunner for a high-yield bond issue in the US and arranged the first bond issue in local currency in Singapore.

The slowdown in stock market activity had a negative impact on customer-related revenues from custodial and other securities services. There was a satisfactory level of activity within securities issues during the quarter.

A high level of income from trading in interest rate products helped boost income from market making and other proprietary trading compared with the second quarter of 2011.

Developments in the equity, credit, commodity, currency and interest rate markets will be decisive for the business area's future profits.

DNB Baltics and Poland

DNB Baltics and Poland offers financial services to corporate and personal customers in Estonia, Latvia and Lithuania. The strategy in Poland has been changed, whereby future operations will focus on the corporate market within the DNB Bank Group’s international priority areas.

DNB Baltics and Poland achieved pre-tax operating profits of NOK 55 million in the second quarter of 2012, representing an increase of NOK 33 million from the year-earlier period.

	2nd quarter		Change	
Income statement in NOK million	2012	2011	NOK mill	%
Net interest income	274	331	(58)	(17.4)
Other operating income	235	175	60	34.2
Total income	509	507	2	0.4
Operating expenses	357	316	41	13.0
Pre-tax operating profit before write-downs	152	191	(39)	(20.3)
Net gains on fixed assets	2	4	(2)	(53.1)
Net write-downs on loans	99	173	(74)	(42.7)
Pre-tax operating profit	55	22	33	150.8
Average balance sheet items in NOK billion				
Net lending to customers	53.7	53.4	0.3	0.5
Deposits from customers	28.8	25.0	3.8	15.3
Key figures in per cent				
Lending spread [1)]	2.11	1.72		
Deposit spread [1)]	0.32	0.79		
Return on risk-adjusted capital [2)]	4.5	2.0		
Cost/income ratio	70.1	62.3		
Ratio of deposits to lending	53.6	46.8		
Number of full-time positions, end of period	3 308	3 169	139	4.4

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

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

The macroeconomic situation in the Baltic region is improving, though credit demand remained sluggish in the second quarter. There was a 4.6 per cent decline in lending in the Baltics from the second quarter of 2011, which reflected general market conditions. In spite of a weak trend in lending, however, there was a rise in market share during the period.

DNB Poland experienced relatively brisk lending growth throughout 2011, and lending volumes increased by 24.8 per cent from end-June 2011 to end-June 2012. Lending growth was strongly reduced from year-end 2011.

For DNB Baltics and Poland together, average net customer lending was on a level with the second quarter of 2011. Average customer deposits showed a healthy trend and rose by 15.3 per cent from the year-earlier period. This demonstrates that customers in this region had faith in DNB Baltics and Poland as part of a sound Norwegian bank.

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

There was a reduction in net write-downs on loans compared with the second quarter of 2011, and write-downs represented 0.74 per cent of average lending on an annual basis, down from 1.31 per cent in the second quarter of 2011.

Efforts to improve portfolio quality and cost efficiency will remain high on the agenda. Write-downs on loans are expected to be significantly lower than in 2011. In the longer term, growth in the region is expected to surpass average European levels. DNB will work to improve operations and widen the product range. Operations in Poland will be adapted to the amended strategy, concentrating on the corporate segment. Improved operations combined with lower write-down levels are expected to ensure improved profitability.

Funding, liquidity and balance sheet

The banking group had ample access to the short-term funding markets throughout the second quarter. As part of Moody's extensive review of the credit ratings of 114 European banks, the rating of DNB Bank ASA was downgraded from Aa3 to A1 on 24 May 2012, with a stable outlook. At end-June, the Moody's downgrades had not yet affected the funding market. The short-term funding market remained selective, and only banks with strong credit ratings had good access to funding. DNB was one of these banks.

The long-term funding markets were also marked by uncertainty, and few transactions were completed in April and May. This was also due to the fact that programmes launched by the European Central Bank, ECB, ensured a number of European banks large amounts of long-term funding in the first quarter of 2012. Activity levels increased at the beginning of June, as several of the financially strongest Nordic banks took the opportunity to raise long-term funding. During this period, the banking group issued covered bonds for a total face value of EUR 1.5 billion. Towards the end of June, the level of uncertainty increased again, resulting in a slowdown in activity. The long-term funding markets remained selective, and financially strong banks had the best access to funding, though the price level remained high.

With respect to short-term funding, conservative limits have been set for the banking group`s refunding requirements. The banking group stayed well within the liquidity limits during the second quarter of 2012. In order to keep the banking group's liquidity risk at a low level, the majority of loans should be financed through stable sources, such as customer deposits, long-term securities, subordinated loan capital and equity. At end-June 2012, such financing represented 112.8 per cent of customer lending.

Total assets in the banking group's balance sheet were NOK 2 124 billion as at 30 June 2012 and NOK 1 614 billion a year earlier.

Measured in Norwegian kroner, net lending to customers increased by NOK 105 billion or 8.7 per cent from end-June 2011. Customer deposits increased by NOK 193 billion or 28.8 per cent during the same period.

The banking group's ratio of deposits to lending to customers increased from 55.0 per cent at end-June 2011 to 65.2 per cent. Excluding a few large, short-term deposits, the ratio of deposits to lending was 62.3 per cent. The ratio of deposits to lending in DNB Bank ASA rose from 94.1 per cent to 114.5 per cent during the same period.

The average remaining term to maturity for the portfolio of senior bond debt and covered bonds was 4.7 years at end-June 2012, compared with 4.5 years a year earlier.

Risk and capital adequacy

Following a positive start to 2012, the risk situation showed a somewhat more negative trend in the second quarter. There was slower growth in a number of emerging economies in Asia. Both international equity prices and the price of oil dropped, and international economic growth is expected to be slightly lower than previously estimated. The debt problems of some Eurozone countries continued to be challenging. Measures initiated within the EU to remedy the situation, including the agreements on new terms for bailouts entered into in late June, have had a stabilising effect on the financial markets, though the long-term effect of these measures remains uncertain.

The Norwegian economy showed continued strong growth, partly due to high activity levels in the oil and gas sector, while house prices continued to rise. In light of the international uncertainty and the strong Norwegian krone, Norges Bank, the Norwegian central bank, decided to keep its key policy rate unchanged during the quarter. The strong Norwegian krone and relatively high wage inflation presented increasing challenges for Norwegian industries which compete in international markets, especially industries which do not supply the petroleum industry.

The banking group quantifies risk by measuring risk-adjusted capital. The net risk-adjusted capital requirement rose by NOK 1.9 billion from the first to the second quarter of 2012, to NOK 55.4 billion. The table below shows developments in the risk-adjusted capital requirement.

Amounts in NOK billion	30 June 2012	31 March 2012	31 Dec. 2011	30 June 2011
Credit risk	48.5	47.1	50.1	46.3
Market risk	5.2	5.2	4.9	4.8
Operational risk	6.1	6.1	6.1	5.9
Business risk	3.8	3.8	4.0	4.0
Gross risk-adjusted capital requirement	63.6	62.1	65.1	61.1
Diversification effect [1]	(8.2)	(8.6)	(9.1)	(8.5)
Net risk-adjusted capital requirement	55.4	53.5	56.1	52.6
Diversification effect in per cent of gross risk-adjusted capital requirement [1]	12.9	13.9	13.9	13.9

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.

Risk-adjusted capital for credit was up NOK 1.4 billion from end-March 2012, reflecting rising volumes due to the higher USD rate and continued growth in the Norwegian-related portfolio. There was a NOK 1 billion reduction in non-performing and doubtful commitments. Overall, there was stable, sound credit quality in the healthy portfolio, though there was a continued negative trend in the shipping sector. Due to a strong influx of new tonnage, the dry bulk segment showed the most negative trend. The extraction of shale gas and oil is about to cause a shift in the energy markets. These energy sources could make the US self-sufficient in energy, which will probably result in lower energy prices and a reduced need for tanker tonnage. These developments could affect the Norwegian economy and important customer groups in the banking group. The macroeconomic situation in the Baltics and Poland showed a cautious recovery, which was also reflected in the credit portfolios, where write-downs were significantly lower than in previous quarters. The Norwegian commercial property market reflected higher direct return requirements due to rising financing costs.

There were no changes in the limits for other market risk, and the overall risk level remained virtually unchanged. The value of basis swaps rose by NOK 1 078 million in the April through June period. No risk-adjusted capital is calculated on such instruments in the banking operations, as they are used to hedge currency risk on the associated loans.

There were few registered events entailing operational risk in the second quarter, and the resulting losses were minor. Nevertheless, the operational stability of the bank's IT systems represented a challenge, and risk associated with these operations is being closely monitored.

Risk-weighted volume included in the calculation of the formal capital adequacy requirement declined by NOK 7 billion during the quarter, to NOK 1 019 billion. In 2012, risk-weighted volume cannot be less than 80 per cent of the corresponding figure calculated according to the Basel I regulations. Including 50 per cent of interim profits, the common equity Tier 1 capital ratio was 9.7 per cent, while the capital adequacy ratio was 11.9 per cent.

Calculations have been made of full future implementation of the Basel II rules on the banking group's credit portfolios, excluding those in DNB Baltics and Poland, disregarding the limitations ensuing from the transitional rules. The calculations showed a pro forma risk-weighted volume of NOK 861 billion and a potential common equity Tier 1 capital ratio of 11.4 per cent including 50 per cent of interim profits.

Macroeconomic developments

Halfway through 2012 a number of Norway's major trading partners were in the midst of an economic slump with rising unemployment and falling house prices, but in Norway economic developments were positive.

Many countries in Southern Europe suffered a pronounced fall in GDP. The situation in Greece remained unresolved despite the pro-Eurozone parties winning the election. The Greek uncertainty led to continued high bond yields and had negative knock-on effects, for the Spanish economy in particular. Meanwhile, falling international demand makes it difficult for countries with high public debt and unemployment levels to achieve new growth and an economic recovery. During the second quarter of 2012, confidence deteriorated in European banks with large outstanding claims on states with high debt levels, but the new terms for EU bailouts agreed in late June could help ease the situation.

The British economy entered a recession during the period as a result of record government budget cuts, while developments were more positive in Germany and Sweden, where the sovereign debt situation is relatively healthy.

Economic growth has also waned in a number of emerging economies. Chinese authorities implemented a number of measures in order to stimulate the economy following a drop in growth towards the end of 2011.

In the US, economic growth recovered slightly, but the weak international demand and prospects of a significantly tightened fiscal policy are likely to curb growth.

For the Norwegian economy, slow international growth will lead to low demand and partly to declining prices in international markets for export-oriented companies. Also, the price of oil fell during the quarter. Still, the Norwegian economy continued its positive development during the second quarter. Oil investments contributed positively and strong growth in real income led to a solid rise in consumption. Increased domestic demand contributed to a strong increase in employment and low unemployment rates, and also contributed to a robust housing market.

New regulatory framework

Funding costs are expected to remain at a relatively high level. This is mainly due to the European sovereign debt crisis. In the longer term, the new regulatory framework for the financial services industry may cause a further increase in funding costs. The Basel III regulatory framework, which introduces stricter capital adequacy and liquidity requirements, will be implemented in the EU/EEA in the form of a new capital requirements directive, CRD IV. The latest CRD IV draft proposal was circulated for comments in July 2011 and is expected to be approved by year-end 2012. The Norwegian Ministry of Finance has prepared draft legislation and a consultation paper for implementing CRD IV in Norway and aims to approve changes in regulations in 2012 or 2013.

On account of the European sovereign debt crisis, the European Banking Authority, EBA, published an additional plan for the recapitalisation of banks in 2011. The plan includes a temporary, stricter requirement whereby common equity Tier 1 capital must be minimum 9 per cent adjusted for mark-to-market adjustments of European sovereign debt exposures, effective on 30 June 2012. However, the Norwegian supervisory authorities require that risk-weighted volume must represent minimum 80 per cent of risk-weighted volume measured according to standard risk weights under the Basel I rules. Thus, Norwegian financial institutions will be subject to a higher capital requirement than corresponding institutions in several EU countries, including Sweden, where the Internal Ratings Based, IRB, approach from the Basel II framework has been chosen for measurements with effect from 1 January 2013. In the opinion of the banking group, it is vital that equal framework conditions are established in the market and that Norwegian regulations, taxes and fees are not implemented in a different manner or earlier than corresponding measures in the Nordic region and the rest of Europe.

The banking group is working to comply with the new regulatory framework. Up until the new regulations are introduced, the banking group will seek to gradually adapt its operations.

Future prospects

Macroeconomic developments indicate somewhat subdued international growth over the coming years. Thus far, however, the international uncertainty appears to have a relatively limited impact on the Norwegian domestic economy, nor do updated forecasts give any indication of significant negative effects. However, the Norwegian economy is closely linked to the prospects for commodities such as oil, gas and seafood products. A worsening of the negative trend in Europe could further reduce global growth and thus put the positive macroeconomic scenario in Norway at risk.

New regulations such as stricter capital adequacy and funding requirements will influence the competitive situation and earnings levels in the entire financial services industry over the next few years. The requirements necessitate less capital-intensive growth than what has been the case over the past few years, and profitability must be improved through increased focus on sources of income that require less use of capital and lower costs.

In the Retail Banking business area, rising volumes, slightly widening lending spreads and a continued low level of write-downs on loans are expected. The Large Corporates and International business area will focus on slower, selective growth, wider lending spreads and a continued low level of write-downs on loans. The pressure on deposit spreads is expected to prevail in both Retail Banking and Large Corporates and International. In DNB Markets, increased price pressure is expected, partly due to more electronic trading, while market developments and the broad scope of activities will ensure a continued high level of earnings. Operations in the Baltics are expected to show further improvement and to record lower write-downs, leading to a positive profit trend.

DNB will adhere to its customer-oriented strategy, which forms the basis for the Group's operations and targets, and will present updated financial target figures on 6 September at the Capital Markets Day in London. Total write-downs on loans and guarantees for the banking group in 2012 are expected to be on a level with 2011.

Oslo, 11 July 2012
The Board of Directors of DNB Bank ASA

Anne Carine Tanum
(chairman)

Jarle Bergo
(vice-chairman)

Sverre Finstad

Kai Nyland

Torill Rambjør

Vigdis Mathisen

Rune Bjerke
(group chief executive)

Income statement

Amounts in NOK million	Note	2nd quarter 2012	2nd quarter 2011	1st half 2012	1st half 2011	Full year 2011
						DNB Bank ASA
Total interest income	5	11 852	11 551	23 966	22 890	48 030
Total interest expenses	5	6 580	6 481	13 119	12 947	26 722
Net interest income	5	**5 272**	**5 070**	**10 846**	**9 944**	**21 308**
Commissions and fees receivable etc.	6	1 395	1 347	2 683	2 663	5 296
Commissions and fees payable etc.	6	500	468	1 013	920	1 935
Net gains on financial instruments at fair value	7	2 071	1 901	4 170	2 328	5 286
Other income	9	1 005	708	1 716	1 375	3 703
Net other operating income		**3 970**	**3 487**	**7 556**	**5 447**	**12 350**
Total income		**9 242**	**8 557**	**18 402**	**15 390**	**33 658**
Salaries and other personnel expenses	10, 11	2 071	1 887	4 081	3 624	7 490
Other expenses	10	1 431	1 464	2 872	3 000	6 104
Depreciation and write-downs of fixed and intangible assets	10	433	488	796	833	2 417
Total operating expenses	10	**3 935**	**3 839**	**7 749**	**7 458**	**16 011**
Net gains on fixed and intangible assets		(1)	3	(1)	4	35
Write-downs on loans and guarantees	12	699	256	1 488	773	2 029
Pre-tax operating profit		**4 607**	**4 466**	**9 165**	**7 163**	**15 653**
Taxes		1 288	1 250	2 564	2 005	5 020
Profit for the period		**3 319**	**3 215**	**6 601**	**5 157**	**10 633**

Comprehensive income statement

Amounts in NOK million	2nd quarter 2012	2nd quarter 2011	1st half 2012	1st half 2011	Full year 2011
					DNB Bank ASA
Profit for the period	3 319	3 215	6 601	5 157	10 633
Exchange differences arising from the translation of foreign operations	59	(35)	(47)	(213)	(87)
Comprehensive income for the period	**3 378**	**3 181**	**6 554**	**4 944**	**10 547**

Balance sheet

		DNB Bank ASA		
Amounts in NOK million	Note	30 June 2012	31 Dec. 2011	30 June 2011
Assets				
Cash and deposits with central banks		407 558	220 721	12 320
Lending to and deposits with credit institutions		200 305	193 379	211 955
Lending to customers	13, 14	709 236	711 966	666 233
Commercial paper and bonds		216 090	211 335	240 757
Shareholdings		9 506	11 829	13 875
Financial derivatives		110 972	108 506	77 133
Commercial paper and bonds, held to maturity	15	85 129	96 042	99 151
Investments in associated companies		1 145	1 187	1 202
Investments in subsidiaries		39 227	35 763	27 047
Intangible assets	16	3 501	3 549	3 451
Deferred tax assets		7	3	516
Fixed assets		5 938	5 497	5 130
Other assets		20 608	15 389	9 287
Total assets		**1 809 223**	**1 615 166**	**1 368 059**
Liabilities and equity				
Loans and deposits from credit institutions		306 098	295 884	214 940
Deposits from customers		812 121	704 438	626 789
Financial derivatives		88 688	88 207	60 940
Debt securities issued	17	436 806	384 467	328 088
Payable taxes		1 893	228	1 503
Deferred taxes		2 775	3 455	56
Other liabilities		27 471	13 421	20 770
Provisions		525	676	394
Pension commitments		2 681	2 677	2 931
Subordinated loan capital	17	25 968	24 070	27 607
Total liabilities		**1 705 025**	**1 517 523**	**1 284 019**
Share capital		18 314	18 314	17 514
Share premium reserve		19 895	19 895	12 695
Other equity		65 988	59 433	53 830
Total equity		**104 197**	**97 643**	**84 040**
Total liabilities and equity		**1 809 223**	**1 615 166**	**1 368 059**
Off-balance sheet transactions, contingencies and post-balance sheet events	21			

Income statement

Amounts in NOK million	Note	2nd quarter 2012	2nd quarter 2011	1st half 2012	1st half 2011	Full year 2011
						DNB Bank Group
Total interest income	5	16 221	14 595	32 408	28 889	60 563
Total interest expenses	5	9 486	8 556	18 952	16 835	35 331
Net interest income	5	**6 736**	**6 039**	**13 456**	**12 054**	**25 232**
Commissions and fees receivable etc.	6	1 638	1 583	3 167	3 131	6 233
Commissions and fees payable etc.	6	518	487	1 059	953	2 015
Net gains on financial instruments at fair value	7	2 627	1 332	1 618	1 995	7 628
Profit from companies accounted for by the equity method	8	141	(28)	366	44	77
Net gains on investment property		(184)	(1)	(328)	7	(32)
Other income	9	905	751	1 703	1 358	2 822
Net other operating income		**4 608**	**3 150**	**5 466**	**5 582**	**14 713**
Total income		**11 344**	**9 189**	**18 922**	**17 636**	**39 945**
Salaries and other personnel expenses	10, 11	2 512	2 346	4 964	4 481	9 171
Other expenses	10	1 826	1 806	3 638	3 664	7 475
Depreciation and write-downs of fixed and intangible assets	10	470	416	876	807	2 062
Total operating expenses	10	**4 808**	**4 568**	**9 478**	**8 953**	**18 708**
Net gains on fixed and intangible assets		37	8	43	13	19
Write-downs on loans and guarantees	12	685	457	1 469	1 349	3 445
Pre-tax operating profit		**5 888**	**4 173**	**8 019**	**7 348**	**17 811**
Taxes		1 571	1 168	2 147	2 057	5 308
Profit from operations held for sale, after taxes		92	11	92	(30)	(5)
Profit for the period		**4 409**	**3 015**	**5 965**	**5 261**	**12 498**

Comprehensive income statement

Amounts in NOK million	2nd quarter 2012	2nd quarter 2011	1st half 2012	1st half 2011	Full year 2011
					DNB Bank Group
Profit for the period	4 409	3 015	5 965	5 261	12 498
Exchange differences arising from the translation of foreign operations	76	(41)	(40)	(227)	(52)
Comprehensive income for the period	**4 485**	**2 974**	**5 925**	**5 034**	**12 445**

Balance sheet

		DNB Bank Group		
Amounts in NOK million	Note	30 June 2012	31 Dec. 2011	30 June 2011
Assets				
Cash and deposits with central banks		410 135	224 581	15 828
Lending to and deposits with credit institutions		28 746	25 105	35 431
Lending to customers	13, 14	1 320 587	1 291 660	1 215 365
Commercial paper and bonds		138 056	106 000	138 366
Shareholdings		9 963	12 300	14 277
Financial derivatives		89 859	96 264	66 243
Commercial paper and bonds, held to maturity	15	85 129	96 042	99 151
Investment property		5 177	5 165	4 991
Investments in associated companies		2 536	2 173	2 140
Intangible assets	16	4 995	4 854	4 951
Deferred tax assets		626	636	356
Fixed assets		6 769	6 322	5 947
Assets held for sale		9	1 054	1 172
Other assets		21 508	12 792	10 131
Total assets		**2 124 094**	**1 884 948**	**1 614 349**
Liabilities and equity				
Loans and deposits from credit institutions		294 126	279 553	207 494
Deposits from customers		861 104	750 102	668 506
Financial derivatives		60 292	63 130	51 016
Debt securities issued	17	734 868	640 277	543 181
Payable taxes		1 385	400	1 579
Deferred taxes		4 137	4 531	185
Other liabilities		28 592	14 569	21 930
Liabilities held for sale		0	383	331
Provisions		585	750	492
Pension commitments		2 808	2 793	3 045
Subordinated loan capital	17	25 968	24 156	27 697
Total liabilities		**2 013 865**	**1 780 644**	**1 525 457**
Share capital		18 314	18 314	17 514
Share premium reserve		20 611	20 611	13 411
Other equity		71 304	65 378	57 967
Total equity		**110 229**	**104 304**	**88 892**
Total liabilities and equity		**2 124 094**	**1 884 948**	**1 614 349**
Off-balance sheet transactions, contingencies and post-balance sheet events	21			

Statement of changes in equity

DNB Bank ASA

Amounts in NOK million	Share capital	Share premium reserve	Other equity	Total equity
Balance sheet as at 31 December 2010	**17 514**	**12 695**	**48 887**	**79 096**
Profit for the period			5 157	5 157
Exchange differences arising from the translation of foreign operations			(213)	(213)
Comprehensive income for the period			4 944	4 944
Balance sheet as at 30 June 2011	**17 514**	**12 695**	**53 830**	**84 040**
Balance sheet as at 31 December 2011	**18 314**	**19 895**	**59 433**	**97 643**
Profit for the period			6 601	6 601
Exchange differences arising from the translation of foreign operations			(47)	(47)
Comprehensive income for the period			6 554	6 554
Balance sheet as at 30 June 2012	**18 314**	**19 895**	**65 988**	**104 197**
Of which currency translation reserve:				
Balance sheet as at 31 December 2010			(270)	(270)
Comprehensive income for the period			(213)	(213)
Balance sheet as at 30 June 2011			(483)	(483)
Balance sheet as at 31 December 2011			(356)	(356)
Comprehensive income for the period			(47)	(47)
Balance sheet as at 30 June 2012			(403)	(403)

DNB Bank Group

Amounts in NOK million	Share capital	Share premium reserve	Other equity	Total equity
Balance sheet as at 31 December 2010	**17 514**	**13 411**	**58 933**	**89 859**
Profit for the period			5 261	5 261
Exchange differences arising from the translation of foreign operations			(227)	(227)
Comprehensive income for the period			5 034	5 034
Group contribution for 2010 to DNB ASA			(6 000)	(6 000)
Balance sheet as at 30 June 2011	**17 514**	**13 411**	**57 967**	**88 892**
Balance sheet as at 31 December 2011	**18 314**	**20 611**	**65 378**	**104 304**
Profit for the period			5 965	5 965
Exchange differences arising from the translation of foreign operations			(40)	(40)
Comprehensive income for the period			5 925	5 925
Balance sheet as at 30 June 2012	**18 314**	**20 611**	**71 304**	**110 229**
Of which currency translation reserve:				
Balance sheet as at 31 December 2010			(438)	(438)
Comprehensive income for the period			(227)	(227)
Balance sheet as at 30 June 2011			(665)	(665)
Balance sheet as at 31 December 2011			(490)	(490)
Comprehensive income for the period			(40)	(40)
Accumulated currency translation reserve in Pres-Vac			4	4
Balance sheet as at 30 June 2012			(527)	(527)

Cash flow statement

Amounts in NOK million	DNB Bank ASA 1st half 2012	1st half 2011	Full year 2011
Operating activities			
Net payments on loans to customers	(2 652)	(13 687)	(40 350)
Interest received from customers	17 165	15 435	32 647
Net receipts on deposits from customers	104 728	6 205	77 366
Interest payed to customers	(3 136)	(7 999)	(16 785)
Net receipts/payments on loans to credit institutions	4 093	(36 754)	51 021
Interest received from credit institutions	2 788	3 026	6 635
Interest paid to credit institutions	(1 685)	(2 323)	(4 737)
Net receipts on the sale of financial assets for investment or trading	11 137	52 424	88 228
Interest received on bonds and commercial paper	4 068	4 429	8 275
Net receipts on commissions and fees	1 574	1 845	3 379
Payments to operations	(7 150)	(6 518)	(13 615)
Taxes paid	(381)	(2 077)	(2 790)
Other receipts/payments	8 235	6 549	(4 653)
Net cash flow from operating activities	**138 785**	**20 556**	**184 623**
Investment activities			
Net payments on the acquisition of fixed assets	(1 177)	(840)	(2 846)
Receipts on the sale of long-term investments in shares	0	85	85
Payments on the acquisition of long-term investments in shares	(3 790)	(4 147)	(12 819)
Dividends received on long-term investments in shares	97	100	105
Net cash flow from investment activities	**(4 870)**	**(4 802)**	**(15 475)**
Funding activities			
Receipts on issued bonds and commercial paper	301 221	173 553	250 582
Payments on redeemed bonds and commercial paper	(245 695)	(181 518)	(210 333)
Interest payment on issued bonds and commercial paper	(3 853)	(2 313)	(4 967)
Receipts on the raising of primary capital subordinated loan capital	5 653	0	0
Redemptions of subordinated loan capital	(3 883)	(4 601)	(9 806)
Interest paid on subordinated loan capital	(340)	(309)	(715)
Share issue	0	0	8 000
Group contributions payments/receipts	1 254	(4 584)	(4 524)
Net cash flow from funding activities	**54 357**	**(19 772)**	**28 237**
Effects of exchange rate changes on cash and cash equivalents	**1 345**	**(1 570)**	**1 019**
Net cash flow	**189 617**	**(5 589)**	**198 404**
Cash as at 1 January	230 580	32 176	32 176
Net receipts/payments of cash	189 617	(5 589)	198 404
Cash at end of period *)	420 197	26 587	230 580
**) Of which: Cash and deposits with central banks*	*407 558*	*12 320*	*220 721*
Deposits with credit institutions with no agreed period of notice [1)]	*12 639*	*14 267*	*9 859*

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

Cash flow statement (continued)

	DNB Bank Group		
Amounts in NOK million	1st half 2012	1st half 2011	Full year 2011
Operating activities			
Net payments on loans to customers	(35 480)	(48 876)	(107 060)
Interest received from customers	29 019	25 138	52 883
Net receipts on deposits from customers	108 176	8 360	84 676
Interest payed to customers	(4 635)	(8 463)	(18 225)
Net receipts/payments on loans to credit institutions	12 211	(38 887)	36 618
Interest received from credit institutions	690	590	1 421
Interest paid to credit institutions	(1 664)	(2 353)	(4 719)
Net receipts/payments on the sale of financial assets for investment or trading	(15 752)	36 812	76 369
Interest received on bonds and commercial paper	2 740	4 559	8 511
Net receipts on commissions and fees	2 012	2 280	4 237
Payments to operations	(8 045)	(8 039)	(16 460)
Taxes paid	(477)	(5 319)	(6 036)
Other receipts/payments	6 012	7 124	(1 518)
Net cash flow from operating activities	**94 809**	**(27 073)**	**110 697**
Investment activities			
Net payments on the acquisition of fixed assets	(1 396)	(956)	(2 655)
Net payments, investment property	(271)	(293)	(688)
Receipts on the sale of long-term investments in shares	0	85	85
Dividends received on long-term investments in shares	97	100	105
Net cash flow from investment activities	**(1 570)**	**(1 063)**	**(3 153)**
Funding activities			
Receipts on issued bonds and commercial paper	375 142	259 448	364 876
Payments on redeemed bonds and commercial paper	(273 849)	(215 044)	(244 281)
Interest payment on issued bonds and commercial paper	(8 859)	(7 105)	(15 007)
Receipts on the raising of primary capital subordinated loan capital	5 653	0	0
Redemptions of subordinated loan capital	(3 968)	(4 601)	(9 806)
Interest paid on subordinated loan capital	(213)	(310)	(722)
Share issue	0	0	8 000
Group contributions payments	0	(6 000)	(6 000)
Net cash flow from funding activities	**93 906**	**26 388**	**97 060**
Effects of exchange rate changes on cash and cash equivalents	**1 047**	**(1 602)**	**967**
Net cash flow	**188 192**	**(3 350)**	**205 571**
Cash as at 1 January	229 031	23 460	23 460
Net receipts/payments of cash	188 192	(3 350)	205 571
Cash at end of period *)	417 223	20 109	229 031
**) Of which: Cash and deposits with central banks*	*410 135*	*15 828*	*224 581*
Deposits with credit institutions with no agreed period of notice [1)]	*7 088*	*4 281*	*4 450*

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. 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.

During the fourth quarter of 2011, certain items in the cash flow statement were reclassified. Among other things, Net receipts/payments on loans to credit institutions and appurtenant interest were included in operating activities with effect from the fourth quarter of 2011. Prior to this, these items were included under funding activities. Comparable figures for previous period have been restated.

Note 1 Accounting principles

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

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

No new or amended accounting standards or interpretations entered into force during the first half of 2012, apart from the amendments to IAS 12 Income Taxes, described below, which have yet to be endorsed by the EU.

Amendments to IAS 12 Income Taxes

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

Note 2 Important accounting estimates and discretionary assessments

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

Note 3 Changes in group structure

Pres-Vac

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

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

During the first quarter of 2012, DKK 105 million of the company's debt to the bank was converted to equity. Sales revenues for the first half of 2012 were DKK 51 million, while operating expenses came to DKK 58 million. The company recorded an operating loss of DKK 7 million.

Bryggetorget Holding AS

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

Note 4 Segments

Business areas

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

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

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

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

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

Note 4 Segments (continued)

Income statement, second quarter

DNB Bank Group

	Retail Banking		Large Corporates and International		DNB Markets		DNB Baltics and Poland		Other operations/ eliminations [1]		DNB Bank Group	
	2nd quarter		2nd quarter		2nd quarter		2nd quarter		2nd quarter		2nd quarter	
Amounts in NOK million	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Net interest income - ordinary operations	3 789	3 307	2 154	1 769	169	202	267	319	357	442	6 736	6 039
Interest on allocated capital [2]	121	148	152	160	45	35	7	12	(324)	(355)	0	0
Net interest income	3 910	3 455	2 306	1 929	214	237	274	331	33	86	6 736	6 039
Other operating income	1 089	906	322	315	1 558	1 332	235	175	1 404	421	4 608	3 150
Income attributable to product suppliers	297	319	622	494	0	0	0	0	(919)	(813)	0	0
Net other operating income	1 386	1 225	944	809	1 558	1 332	235	175	485	(392)	4 608	3 150
Total income	5 296	4 680	3 250	2 739	1 773	1 569	509	507	517	(305)	11 344	9 189
Other operating expenses	2 699	2 672	589	582	571	500	357	316	593	497	4 808	4 568
Cost attributable to product suppliers	142	151	242	201	0	0	0	0	(384)	(352)	0	0
Operating expenses	2 841	2 824	831	783	571	500	357	316	209	145	4 808	4 568
Pre-tax operating profit before write-downs	2 455	1 856	2 418	1 956	1 202	1 069	152	191	309	(450)	6 536	4 622
Net gains on fixed and intangible assets	(1)	0	0	0	0	0	2	4	36	4	37	8
Write-downs on loans and guarantees [3]	196	100	357	220	0	0	99	173	32	(36)	685	457
Write-downs attributable to product suppliers	0	0	0	0	0	0	0	0	0	0	0	0
Profit from repossessed operations	(3)	0	36	0	0	0	0	0	(33)	0	0	0
Pre-tax operating profit	2 255	1 756	2 097	1 735	1 202	1 069	55	22	279	(410)	5 888	4 173

1) Other operations/eliminations:

	Elimination of income/ cost attributable to product suppliers		*Other eliminations*		*Group Centre *)*		*Total*	
	2nd quarter		*2nd quarter*		*2nd quarter*		*2nd quarter*	
Amounts in NOK million	*2012*	*2011*	*2012*	*2011*	*2012*	*2011*	*2012*	*2011*
Net interest income - ordinary operations	*0*	*0*	*0*	*0*	*357*	*442*	*357*	*442*
Interest on allocated capital [2]	*0*	*0*	*0*	*0*	*(324)*	*(355)*	*(324)*	*(355)*
Net interest income	*0*	*0*	*0*	*0*	*33*	*86*	*33*	*86*
Other operating income	*0*	*0*	*(142)*	*(87)*	*1 546*	*508*	*1 404*	*421*
Income attributable to product suppliers	*(919)*	*(813)*	*0*	*0*	*0*	*0*	*(919)*	*(813)*
Net other operating income	*(919)*	*(813)*	*(142)*	*(87)*	*1 546*	*508*	*485*	*(392)*
Total income	*(919)*	*(813)*	*(142)*	*(87)*	*1 579*	*595*	*517*	*(305)*
Other operating expenses	*0*	*1*	*(142)*	*(87)*	*735*	*583*	*593*	*497*
Cost attributable to product suppliers	*(384)*	*(352)*	*0*	*0*	*0*	*0*	*(384)*	*(352)*
Operating expenses	*(384)*	*(352)*	*(142)*	*(87)*	*735*	*584*	*209*	*145*
Pre-tax operating profit before write-downs	*(535)*	*(461)*	*0*	*0*	*844*	*11*	*309*	*(450)*
Net gains on fixed and intangible assets	*0*	*0*	*0*	*0*	*36*	*4*	*36*	*4*
Write-downs on loans and guarantees [3]	*0*	*0*	*0*	*0*	*32*	*(36)*	*32*	*(36)*
Write-downs attributable to product suppliers	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Profit from repossessed operations	*0*	*0*	*0*	*0*	*(33)*	*0*	*(33)*	*0*
Pre-tax operating profit	*(535)*	*(460)*	*0*	*0*	*815*	*51*	*279*	*(410)*

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

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

		2nd quarter	
**)*	*Group Centre - pre-tax operating profit in NOK million*	*2012*	*2011*
	+ Interest on unallocated equity etc.	*295*	*215*
	+ Income from equities investments	*(14)*	*25*
	+ Mark-to-market adjustments Treasury and fair value on lending	*86*	*(130)*
	+ Basis swaps	*959*	*123*
	+ Eksportfinans AS	*154*	*68*
	+ Net gains on investment property	*(190)*	*0*
	- Unallocated write-downs on loans and guarantees	*32*	*(36)*
	- Uncallocated pension expenses	*76*	*23*
	- Funding costs on goodwill	*13*	*13*
	Other	*(355)*	*(250)*
	Pre-tax operating profit	*815*	*51*

2) The interest is calculated on the basis of internal measurement of risk-adjusted capital requirement.
3) See note 12 Write-downs on loans and guarantees for an analysis of the gross change in write-downs for the banking group.

Note 4 Segments (continued)

Main average balance sheet items

DNB Bank Group

	Retail Banking		Large Corporates and International		DNB Markets		DNB Baltics and Poland		Other operations/ eliminations		DNB Bank Group	
	2nd quarter		2nd quarter		2nd quarter		2nd quarter		2nd quarter		2nd quarter	
Amounts in NOK billion	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Net lending to customers [1]	840.3	772.7	402.6	352.8	2.5	3.3	53.7	53.4	11.0	18.8	1 310.2	1 201.1
Deposits from customers [1]	439.5	394.0	288.5	230.9	73.3	26.4	28.8	25.0	(28.7)	19.0	801.4	695.3
Allocated capital [2]	20.3	21.9	25.4	23.8	7.4	5.2	4.0	3.4				

Key figures

DNB Bank Group

	Retail Banking		Large Corporates and International		DNB Markets		DNB Baltics and Poland		Other operations		DNB Bank Group	
	2nd quarter		2nd quarter		2nd quarter		2nd quarter		2nd quarter		2nd quarter	
Per cent	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Cost/income ratio [3]	53.6	60.3	25.6	28.6	32.2	31.9	70.1	62.3			42.4	49.7
Ratio of deposits to lending [1) 4)]	52.3	51.0	71.7	65.4			53.6	46.8			61.2	57.9
Return on allocated capital, annualised [2]	32.1	23.1	23.9	21.1	46.8	59.1	4.5	2.0				
Number of full-time positions as at 30 June [5]	4 971	4 928	1 150	1 117	717	688	3 308	3 169	2 402	2 264	12 547	12 165

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

Comments to the income statement, second quarter

Retail Banking

Pre-tax operating profits totalled NOK 2 255 million in the second quarter of 2012, an increase of NOK 499 million from the year-earlier period. There was strong growth in both lending and deposits during the period, parallel to a satisfactory trend in non-performing commitments and write-downs. There was relatively brisk growth in both home mortgages and lending to small and medium-sized businesses compared with the year-earlier period. Moreover, there was a strong rise in deposits during the period, and the average ratio of deposits to lending increased to 52.3 per cent in the second quarter of 2012. Along with customer deposits, covered bonds based on home mortgages in DNB Boligkreditt were key sources of funding. At end-June 2012, 95 per cent of lending volume in Retail Banking was funded by deposits and covered bonds. Rising volumes and widening lending spreads relative to the 3-month money market rate contributed to the rise in net interest income from the second quarter of 2011. Deposit spreads narrowed due to lower interest rate levels and strong competition in the market. The volum-weighted interest rate spread, was 1.29 per cent in the second quarter of 2012, an increase from 1.15 per cent in the year-earlier period. Other operating income was NOK 183 million higher than in the second quarter of 2011. Income from payment services and real estate broking showed a positive trend during the period. In spite of a rise in staff numbers due to higher activity levels, costs were roughly on a level with the figure for the second quarter of 2011. The number of full-time positions was 4 971 at end-June 2012, with 4 631 in the business area's units in Norway. The quality of the loan portfolio was sound, with relatively low write-downs in both the retail and corporate markets. Net write-downs on loans represented 0.09 per cent of net lending, up from 0.05 per cent in the second quarter of 2011. Net non-performing and doubtful commitments amounted to NOK 5 968 million at end-June 2012, down NOK 448 million from end-June 2011.

Large Corporates and International

Pre-tax operating profits came to NOK 2 097 million in the second quarter of 2012, up NOK 362 million from the second quarter of 2011. Due to brisk growth in the second half of 2011, average lending increased by 14.1 per cent from the second quarter of 2011, while there was an increase of 1.2 per cent from the first quarter of 2012. There were large fluctuations in the US dollar rate during the quarter, and adjusted for exchange rate movements, there was a 10.1 per cent rise in lending from the second quarter of 2011. Average deposits rose by 25.0 per cent from the second quarter of 2011 and by 10.6 per cent from the first quarter of 2012. Adjusted for exchange rate movements, there was an increase of 21.8 per cent from the second quarter of 2011. Relative to the 3-month money market rate, lending spreads widened by 0.25 percentage points from the year-earlier period and 0.06 percentage points from the first quarter of 2012. The widening spreads helped compensate for higher long-term funding costs. Competition for deposits caused pressure on deposit spreads, which declined by 0.20 percentage points from the second quarter of 2011 and by 0.10 percentage points from the first quarter of 2012. The rise in other operating income was mainly attributable to a positive development in income from foreign exchange and interest rate instruments and an increase in guarantee commissions. Personnel expenses were higher than in the second quarter of 2011, mainly due to a rise in staff numbers in strategic priority areas in 2011. In addition, there was an increase in costs related to product suppliers due to a higher level of income. The cost/income ratio was down 3.0 percentage points compared with the second quarter of 2011. At end-June 2012, staff in the business area represented 1 150 full-time positions, including 667 positions outside Norway. Net write-downs on loans represented 0.36 per cent of net lending to customers on an annual basis, of which individual write-downs represented 0.27 per cent. In the second quarter of 2011, net individual write-downs came to 0.13 per cent of net lending. The increase was due to write-downs on a few large commitments. Net non-performing and doubtful commitments amounted to NOK 7.8 billion at end-June 2012, down NOK 0.7 billion from end-March 2012. The increase was due to the fact that a few large commitments were no longer classified as non-performing and doubtful. At end-June 2011, net non-performing and doubtful commitments amounted to NOK 1.6 billion.

Note 4 Segments (continued)

DNB Markets

DNB Markets, Norway's largest provider of securities and investment services, recorded a strong level of profits in the second quarter of 2012. Pre-tax operating profits totalled NOK 1 202 million, up NOK 133 million compared with the year-earlier period. The turmoil in the Eurozone and uncertainty regarding international macroeconomic developments contributed to the decline in share and commodity prices. Investors thus adopted a waiting attitude, resulting in lower stock market activity and reduced income. However, the decline in stock market-related income was more than offset by a rise in income relating to foreign exchange and interest rate instruments in the second quarter of 2012. Customer-related revenues totalled NOK 826 million, up 21 per cent from the second quarter of 2011. The cost/income ratio was virtually unchanged compared with the year-earlier period. The rise in customer-related income from foreign exchange, interest rate and commodity derivatives reflected a positive trend in income from both currency and interest rate hedging instruments compared with the second quarter of 2011. Falling oil prices resulted in greater demand for commodity hedging. In spite of a weak stock market trend, customer-related income from the sale of securities and other investment products increased compared with the second quarter of 2011. There was a rising level of activity within property projects. DNB Markets retained its position as the largest brokerage house on Oslo Børs within bond and commercial paper brokerage, and income from these operations showed a positive trend. Customer-related revenues from corporate finance services increased somewhat from the second quarter of 2011 in spite of demanding equity market conditions. Merger and acquisition activity increased, while equity issue activity decreased, and a number of transactions were postponed or cancelled due to the market situation. There was brisk activity in the debt capital market. Among other things, DNB Markets was joint bookrunner for a high-yield bond issue in the US and arranged the first bond issue in local currency in Singapore. The slowdown in stock market activity had a negative impact on customer-related revenues from custodial and other securities services. There was a satisfactory level of activity within securities issues during the quarter. A high level of income from trading in interest rate products helped boost income from market making and other proprietary trading compared with the second quarter of 2011. Developments in the equity, credit, commodity, currency and interest rate markets will be decisive for the business area's future profits.

Revenues within various segments

		DNB Markets
Amounts in NOK million	2nd quarter 2012	2nd quarter 2011
FX, interest rate and commodity derivatives	419	309
Investment products	107	82
Corporate finance	240	230
Securities services	60	62
Total customer revenues	826	683
Net income international bond portfolio	274	262
Other market making/trading revenues	628	589
Total trading revenues	902	851
Interest income on allocated capital	45	35
Total income	1 773	1 569

DNB Baltics and Poland

DNB Baltics and Poland achieved pre-tax operating profits of NOK 55 million in the second quarter of 2012, representing an increase of NOK 33 million from the year-earlier period. The macroeconomic situation in the Baltic region is improving, though credit demand remained sluggish in the second quarter. There was a 4.6 per cent decline in lending in the Baltics from the second quarter of 2011, which reflected general market conditions. In spite of a weak trend in lending, however, there was a rise in market share during the period. DNB Poland experienced relatively brisk lending growth throughout 2011, and lending volumes increased by 24.8 per cent from end-June 2011 to end-June 2012. Lending growth was strongly reduced from year-end 2011. For DNB Baltics and Poland together, average net customer lending was on a level with the second quarter of 2011. Average customer deposits showed a healthy trend and rose by 15.3 per cent from the year-earlier period. This demonstrates that customers in this region had faith in DNB Baltics and Poland as part of a sound Norwegian bank. The reduction in net interest income from the second quarter of 2011 mainly reflected rising funding costs. There was a positive trend in lending spreads, measured against the 3-month money market rate, while deposit spreads narrowed somewhat, partly due to strong competition for deposits. There was a reduction in net write-downs on loans compared with the second quarter of 2011, and write-downs represented 0.74 per cent of average lending on an annual basis, down from 1.31 per cent in the second quarter of 2011.

Group Centre

The Group Centre recorded a pre-tax operating profit of NOK 815 million in the second quarter of 2012, compared with NOK 51 million in the year-earlier period. Profits attributable to the Group from the associated company Eksportfinans totalled NOK 154 million in the second quarter of 2012, including the share of the portfolio guarantee issued for the liquidity portfolio, compared with NOK 68 million in the second quarter of 2011. Income from equity investments totalled a loss of NOK 14 million in the second quarter of 2012, a decrease of NOK 39 million from the year-earlier period. There was a negative profit contribution of NOK 1 045 million from own debt, loans carried at fair value and related derivatives in the second quarter of 2012, compared with a negative contribution of NOK 7 million in the corresponding period in 2011. Of this, basis swaps represented NOK 959 million and NOK 123 million respectively.

Note 4 Segments (continued)

Income statement, first half

DNB Bank Group

	Retail Banking		Large Corporates and International		DNB Markets		DNB Baltics and Poland		Other operations/ eliminations [1]		DNB Bank Group	
	1st half		1st half		1st half		1st half		1st half		1st half	
Amounts in NOK million	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Net interest income - ordinary operations	7 501	6 780	4 346	3 443	363	411	533	633	714	788	13 456	12 054
Interest on allocated capital	266	285	320	310	90	70	18	21	(693)	(687)	0	0
Net interest income	7 768	7 065	4 665	3 753	452	481	550	654	21	101	13 456	12 054
Other operating income	1 986	1 793	645	590	3 709	2 732	439	366	(1 312)	102	5 466	5 582
Income attributable to product suppliers	595	608	1 180	1 004	0	0	0	0	(1 776)	(1 612)	0	0
Net other operating income	2 582	2 401	1 825	1 594	3 709	2 732	439	366	(3 088)	(1 511)	5 466	5 582
Total income	10 349	9 466	6 491	5 347	4 161	3 213	989	1 020	(3 068)	(1 410)	18 922	17 636
Other operating expenses	5 397	5 226	1 277	1 170	1 116	1 029	677	620	1 010	907	9 478	8 953
Cost attributable to product suppliers	289	304	464	420	0	0	0	0	(752)	(724)	0	0
Operating expenses	5 686	5 530	1 741	1 589	1 116	1 029	677	620	258	183	9 478	8 953
Pre-tax operating profit before write-downs	4 663	3 936	4 750	3 758	3 045	2 184	311	399	(3 325)	(1 593)	9 444	8 684
Net gains on fixed and intangible assets	(1)	1	0	0	0	0	4	7	40	5	43	13
Write-downs on loans and guarantees	518	353	754	605	0	0	163	363	33	28	1 469	1 349
Write-downs attributable to product suppliers	0	0	0	2	0	0	0	0	0	(2)	0	0
Profit from repossessed operations	(7)	0	(83)	0	0	0	0	0	90	0	0	0
Pre-tax operating profit	4 137	3 584	3 913	3 150	3 045	2 184	152	43	(3 228)	(1 614)	8 019	7 348

Comments to the income statement, first half

The banking group recorded profits for the period of NOK 5 965 million in the first half of 2012, an increase from NOK 5 261 million in the first half of 2011. Adjusted for the effects of basis swaps, profits for the first half of 2012 were NOK 7 320 million, up 28.5 per cent from the year-earlier period. There was a healthy trend in net interest income, which increased by 11.6 per cent from the first half of 2011. Average lending volumes rose by 8.8 per cent, while lending spreads widened by 0.3 percentage points measured against the 3-month money market rate during the same period. Rising long-term funding costs and narrower deposit spreads caused greater pressure on income from lending activities. Average deposit volumes rose 13.4 per cent, while deposit spreads contracted by 0.3 percentage points, primarily due to lower interest rate levels and stronger competition for deposits. Nevertheless, deposits represent a favourable funding source compared with the alternative, which is long-term capital market funding at significantly higher interest rates. Following Norges Bank's cut in its short-term key policy rate in March the banking group chose to reduce interest rates on both home mortgages and deposits for personal customers. The central bank also revised downwards its projections for future interest rate increases. Other operating income, adjusted for mark-to-market adjustments of basis swaps, was up 13.4 per cent from the first half of 2011, which mainly reflected increased gains on foreign exchange and interest rate instruments and a rise in profits from associated companies. Operating expenses rose by 5.9 per cent from the first half of 2011, reflecting an increase in pension expenses due to lower interest rate levels, planned growth in the largest Norwegian cities and a higher level of activity at certain international offices. At NOK 1 469 million, write-downs on loans and guarantees were NOK 119 million higher than in the first half of 2011. There was a rise in write-downs in both Retail Banking and Large Corporates and International, while there was a reduction in write-downs in the Baltics. Return on equity was 11.3 per cent, down from 11.7 per cent in the January through June period in 2011. Adjusted for changes in the value of basis swaps, return on equity was 13.7 per cent.

Note 5 Net interest income

Amounts in NOK million	2nd quarter 2012	2nd quarter 2011	1st half 2012	1st half 2011	Full year 2011
					DNB Bank ASA
Interest on loans to and deposits with credit institutions	1 668	1 719	2 998	3 274	6 636
Interest on loans to customers	7 564	7 149	15 352	14 033	28 695
Interest on impaired commitments	150	105	287	221	441
Interest on commercial paper and bonds	2 041	2 240	4 189	4 708	9 681
Front-end fees etc.	69	74	137	130	271
Other interest income	361	263	1 003	524	2 304
Total interest income	**11 852**	**11 551**	**23 966**	**22 890**	**48 030**
Interest on loans and deposits from credit institutions	864	1 133	1 785	2 323	4 485
Interest on deposits from customers	3 821	3 224	7 668	6 253	13 716
Interest on debt securities issued	1 363	1 159	2 751	2 313	4 885
Interest on subordinated loan capital	194	157	354	309	612
Other interest expenses [1)]	338	808	561	1 749	3 024
Total interest expenses	**6 580**	**6 481**	**13 119**	**12 947**	**26 722**
Net interest income	**5 272**	**5 070**	**10 846**	**9 944**	**21 308**

Amounts in NOK million	2nd quarter 2012	2nd quarter 2011	1st half 2012	1st half 2011	Full year 2011
					DNB Bank Group
Interest on loans to and deposits with credit institutions	717	420	977	837	1 349
Interest on loans to customers	13 358	11 998	26 974	23 526	49 192
Interest on impaired commitments	161	145	306	313	548
Interest on commercial paper and bonds	1 496	1 631	2 874	3 440	6 653
Front-end fees etc.	80	80	162	140	292
Other interest income	410	320	1 113	634	2 528
Total interest income	**16 221**	**14 595**	**32 408**	**28 889**	**60 563**
Interest on loans and deposits from credit institutions	868	1 149	1 760	2 353	4 426
Interest on deposits from customers	4 056	3 405	8 146	6 617	14 452
Interest on debt securities issued	3 477	2 950	6 910	5 707	12 118
Interest on subordinated loan capital	194	156	354	310	616
Other interest expenses [1)]	891	897	1 782	1 848	3 719
Total interest expenses	**9 486**	**8 556**	**18 952**	**16 835**	**35 331**
Net interest income	**6 736**	**6 039**	**13 456**	**12 054**	**25 232**

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

Note 6 Net commissions and fees receivable

					DNB Bank ASA
Amounts in NOK million	2nd quarter 2012	2nd quarter 2011	1st half 2012	1st half 2011	Full year 2011
Money transfer fees receivable	733	684	1 454	1 344	2 784
Fees on asset management services	51	61	101	121	223
Fees on custodial services	86	84	161	168	310
Fees on securities broking	34	62	95	149	248
Corporate finance	65	70	185	131	295
Interbank fees	10	22	19	43	87
Credit broking commissions	235	137	285	261	480
Sales commissions on insurance products	72	69	136	133	267
Sundry commissions and fees receivable on banking services	108	158	246	313	602
Total commissions and fees receivable etc.	**1 395**	**1 347**	**2 683**	**2 663**	**5 296**
Money transfer fees payable	281	244	533	476	1 016
Commissions payable on fund management services	0	0	0	0	0
Fees on custodial services payable	40	35	75	67	122
Interbank fees	19	32	37	61	123
Credit broking commissions	30	28	63	60	125
Commissions payable on the sale of insurance products	0	0	0	0	0
Sundry commissions and fees payable on banking services	131	130	307	256	550
Total commissions and fees payable etc.	**500**	**468**	**1 013**	**920**	**1 935**
Net commissions and fees receivable	**894**	**879**	**1 670**	**1 743**	**3 361**

					DNB Bank Group
Amounts in NOK million	2nd quarter 2012	2nd quarter 2011	1st half 2012	1st half 2011	Full year 2011
Money transfer fees receivable	790	734	1 562	1 442	2 988
Fees on asset management services	54	64	108	128	237
Fees on custodial services	88	86	164	171	317
Fees on securities broking	37	69	99	158	254
Corporate finance	100	107	285	224	454
Interbank fees	11	24	21	45	92
Credit broking commissions	237	139	289	265	488
Sales commissions on insurance products	116	113	225	215	434
Sundry commissions and fees receivable on banking services	204	248	413	482	968
Total commissions and fees receivable etc.	**1 638**	**1 583**	**3 167**	**3 131**	**6 233**
Money transfer fees payable	290	252	549	494	1 049
Commissions payable on fund management services	0	0	0	0	0
Fees on custodial services payable	40	35	75	67	122
Interbank fees	20	34	39	64	130
Credit broking commissions	20	23	47	42	93
Commissions payable on the sale of insurance products	3	2	11	5	16
Sundry commissions and fees payable on banking services	145	142	338	281	605
Total commissions and fees payable etc.	**518**	**487**	**1 059**	**953**	**2 015**
Net commissions and fees receivable	**1 120**	**1 096**	**2 108**	**2 178**	**4 218**

Note 7 Net gains on financial instruments at fair value

					DNB Bank ASA
Amounts in NOK million	2nd quarter 2012	2nd quarter 2011	1st half 2012	1st half 2011	Full year 2011
Dividends	214	277	262	335	495
Net gains on commercial paper and bonds [1)]	426	659	1 770	363	(117)
Net gains on shareholdings	(197)	(153)	(156)	(82)	(333)
Net gains on other financial instruments	1 628	1 117	2 295	1 711	5 241
Net gains on financial instruments at fair value	**2 071**	**1 901**	**4 170**	**2 328**	**5 286**

					DNB Bank Group
Amounts in NOK million	2nd quarter 2012	2nd quarter 2011	1st half 2012	1st half 2011	Full year 2011
Dividends	221	277	269	349	514
Net gains on commercial paper and bonds	518	187	1 182	104	421
Net gains on shareholdings	(168)	(155)	(134)	(47)	(259)
Net gains on other financial instruments [2)]	2 056	1 022	301	1 589	6 953
Net gains on financial instruments at fair value	**2 627**	**1 332**	**1 618**	**1 995**	**7 628**

1) *Unrealised losses on DNB Bank ASA's investments in covered bonds issued by DNB Boligkreditt were NOK 85 million in the second quarter of 2012. Investments in such bonds totalled NOK 83.2 billion at 30 June 2012, of which NOK 82.4 billion have been used in the exchange scheme with the Norwegian government. See note 20 Information on related parties – stimulus packages.*

2) *Net losses on other financial instruments in the second quarter of 2012 mainly reflected mark-to-market adjustments of financial instruments used to convert funding to the preferred currency (basis swaps). Greater financial market instability resulted in unrealised gains on basis swaps of NOK 1 078 million. In the second quarter of 2011, unrealised gains came to NOK 149 million. Unrealised gains and losses will be reversed over the instruments' term to maturity.*

Note 8 Profit from companies accounted for by the equity method

Moody's and Standard & Poor's downgrades of Eksportfinans' credit rating in the fourth quarter of 2011 resulted in sizeable unrealised gains on the company's long-term funding. The effect of such unrealised gains on DNB's holding, after tax, represented NOK 11.8 billion in the fourth quarter of 2011. After reviewing the fair value of the company in connection with the closing of the annual accounts, DNB wrote down the value by an amount corresponding to unrealised gains on Eksportfinans' own debt in the fourth quarter. In the first half of 2012, the required rate of return in the market has been reduced, and Eksportfinans has sizeable unrealised losses on own debt. The write-down made by DNB in the fourth quarter of 2011 has been reversed by an amount corresponding to these unrealised losses. The reversal represented just under NOK 3 billion of DNB's holding after tax. The write-down in 2011 and the reversal in 2012 have been reported on the line "Profit from companies accounted for by the equity method" along with DNB's share of profits from the company.

Note 9 Other income

					DNB Bank ASA
Amounts in NOK million	2nd quarter 2012	2nd quarter 2011	1st half 2012	1st half 2011	Full year 2011
Income from owned/leased premises	26	19	53	38	89
Group contributions and dividends from subsidiaries	0	0	0	0	1 715
Miscellaneous operating income	978	688	1 663	1 337	1 900
Total other income	**1 005**	**708**	**1 716**	**1 375**	**3 703**

					DNB Bank Group
Amounts in NOK million	2nd quarter 2012	2nd quarter 2011	1st half 2012	1st half 2011	Full year 2011
Income from owned/leased premises	85	44	173	89	239
Fees on real estate broking	316	301	583	500	1 012
Miscellaneous operating income	504	406	947	769	1 570
Total other income	**905**	**751**	**1 703**	**1 358**	**2 822**

Note 10 Operating expenses

					DNB Bank ASA
Amounts in NOK million	2nd quarter 2012	2nd quarter 2011	1st half 2012	1st half 2011	Full year 2011
Salaries	1 461	1 364	2 861	2 595	5 505
Employer's national insurance contributions	203	185	395	358	650
Pension expenses	266	195	529	387	747
Restructuring expenses	5	1	6	3	16
Other personnel expenses	135	143	290	282	571
Total salaries and other personnel expenses	**2 071**	**1 887**	**4 081**	**3 624**	**7 490**
Fees [1)]	282	334	514	691	1 577
IT expenses [1)]	397	355	824	732	1 445
Postage and telecommunications	70	68	140	140	288
Office supplies	12	12	25	23	58
Marketing and public relations	128	154	282	317	609
Travel expenses	52	50	95	93	206
Reimbursement to Norway Post for transactions executed	35	44	66	85	167
Training expenses	10	14	27	32	57
Operating expenses on properties and premises	267	282	542	557	1 100
Operating expenses on machinery, vehicles and office equipment	27	26	48	51	99
Other operating expenses	152	127	308	280	497
Total other expenses	**1 431**	**1 464**	**2 872**	**3 000**	**6 104**
Depreciation and write-downs of fixed and intangible assets	433	488	796	833	2 417
Total depreciation and write-downs of fixed and intangible assets	**433**	**488**	**796**	**833**	**2 417**
Total operating expenses	**3 935**	**3 839**	**7 749**	**7 458**	**16 011**

Note 10 Operating expenses (continued)

Amounts in NOK million	2nd quarter 2012	2nd quarter 2011	1st half 2012	1st half 2011	Full year 2011
					DNB Bank Group
Salaries	1 814	1 734	3 550	3 273	6 804
Employer's national insurance contributions	260	237	514	463	867
Pension expenses	282	217	571	433	847
Restructuring expenses	5	1	6	3	17
Other personnel expenses	151	156	323	309	637
Total salaries and other personnel expenses	**2 512**	**2 346**	**4 964**	**4 481**	**9 171**
Fees [1)]	306	384	567	774	1 702
IT expenses [1)]	478	399	960	827	1 670
Postage and telecommunications	84	83	168	171	344
Office supplies	23	20	44	42	97
Marketing and public relations	229	242	470	478	938
Travel expenses	63	60	116	112	246
Reimbursement to Norway Post for transactions executed	35	44	66	85	167
Training expenses	12	16	31	35	68
Operating expenses on properties and premises	321	338	662	676	1 338
Operating expenses on machinery, vehicles and office equipment	39	36	71	71	143
Other operating expenses	238	185	484	393	763
Total other expenses	**1 826**	**1 806**	**3 638**	**3 664**	**7 475**
Impairment losses for goodwill [2)]	0	0	0	0	190
Depreciation and write-downs of fixed and intangible assets	470	416	876	807	1 872
Total depreciation and write-downs of fixed and intangible assets	**470**	**416**	**876**	**807**	**2 062**
Total operating expenses	**4 808**	**4 568**	**9 478**	**8 953**	**18 708**

1) *Fees also include system development fees and must be viewed relative to IT expenses.*
2) *Impairment losses for goodwill of NOK 190 million relating to Poland were recorded in the fourth quarter of 2011.*

Note 11 Number of employees/full-time positions

	2nd quarter 2012	2nd quarter 2011	1st half 2012	1st half 2011	Full year 2011
					DNB Bank ASA
Number of employees at end of period	8 190	7 978	8 190	7 978	8 232
- of which number of employees abroad	741	687	741	687	736
Number of employees calculated on a full-time basis at end of period	7 901	7 712	7 901	7 712	7 944
- of which number of employees calculated on a full-time basis abroad	729	678	729	678	722
Average number of employees	8 207	7 890	8 218	7 853	7 985
Average number of employees calculated on a full-time basis	7 913	7 626	7 926	7 595	7 719

	2nd quarter 2012	2nd quarter 2011	1st half 2012	1st half 2011	Full year 2011
					DNB Bank Group
Number of employees at end of period	12 976	12 514	12 976	12 514	12 982
- of which number of employees abroad	4 572	4 356	4 572	4 356	4 583
Number of employees calculated on a full-time basis at end of period	12 547	12 165	12 547	12 165	12 560
- of which number of employees calculated on a full-time basis abroad	4 472	4 291	4 472	4 291	4 471
Average number of employees	12 984	12 397	12 992	12 352	12 557
Average number of employees calculated on a full-time basis	12 565	12 049	12 574	12 010	12 197

Note 12 Write-downs on loans and guarantees

					DNB Bank ASA
Amounts in NOK million	2nd quarter 2012	2nd quarter 2011	1st half 2012	1st half 2011	Full year 2011
Write-offs	1	340	73	368	492
New individual write-downs	769	70	1 593	910	2 357
Total new individual write-downs	770	409	1 666	1 278	2 849
Reassessed individual write-downs	88	114	236	350	461
Recoveries on commitments previously written off	90	95	183	213	415
Net individual write-downs	591	201	1 247	715	1 973
Change in collective write-downs on loans	107	55	241	58	56
Write-downs on loans and guarantees *)	**699**	**256**	**1 488**	**773**	**2 029**
Write-offs covered by individual write-downs made in previous years	628	569	1 070	753	1 464
**) Of which indvidual write-downs on guarantees*	*9*	*(7)*	*60*	*(2)*	*41*

					DNB Bank Group
Amounts in NOK million	2nd quarter 2012	2nd quarter 2011	1st half 2012	1st half 2011	Full year 2011
Write-offs	62	351	144	394	550
New individual write-downs	805	429	1 810	1 737	4 120
Total new individual write-downs	867	780	1 955	2 131	4 670
Reassessed individual write-downs	163	273	460	630	1 015
Recoveries on commitments previously written off	95	100	197	223	437
Net individual write-downs	609	408	1 297	1 278	3 217
Change in collective write-downs on loans	76	50	172	71	227
Write-downs on loans and guarantees *)	**685**	**457**	**1 469**	**1 349**	**3 445**
Write-offs covered by individual write-downs made in previous years	569	983	1 479	1 498	2 753
**) Of which indvidual write-downs on guarantees*	*10*	*(6)*	*59*	*2*	*26*

Write-downs on loans and guarantees totalled NOK 685 million for the April through June period, an increase of NOK 227 million from the second quarter of 2011, but a reduction of NOK 99 million from the first quarter of 2012. Individual write-downs in Retail Banking came to NOK 210 million, an increase of NOK 100 million from the second quarter of 2011, but a reduction of NOK 99 million from the first quarter of 2012. At NOK 268 million, individual write-downs in Large Corporates and International were NOK 155 million higher than in the second quarter of 2011 and virtually unchanged from the first quarter of 2012. Write-downs in the Baltics and Poland were reduced from 1.31 per cent of lending in the second quarter of 2011 to 0.74 per cent in the second quarter of 2012.

Note 13 Lending to customers

DNB Bank ASA 30 June 2011	31 Dec. 2011	30 June 2012	*Amounts in NOK million*	DNB Bank Group 30 June 2012	31 Dec. 2011	30 June 2011
594 038	653 927	655 577	Lending to customers, nominal amount	1 204 761	1 192 164	1 117 675
3 676	4 883	5 207	Individual write-downs	9 293	9 521	8 731
590 361	649 044	650 369	Lending to customers, after individual write-downs	1 195 468	1 182 644	1 108 944
739	400	693	+ Accrued interest and amortisation	2 441	2 265	2 050
543	525	530	- Individual write-downs of accrued interest and amortisation	667	710	693
1 352	1 424	1 665	- Collective write-downs	2 289	2 119	1 893
589 206	647 495	648 868	Lending to customers, at amortised cost	1 194 953	1 182 080	1 108 409
76 683	64 045	60 055	Lending to customers, nominal amount	124 533	108 488	106 373
346	433	279	+ Accrued interest	447	559	440
(1)	(6)	34	+ Adjustment to fair value	654	533	143
77 028	64 472	60 368	Lending to customers, at fair value 1)	125 634	109 580	106 956
666 233	**711 966**	**709 236**	**Lending to customers**	**1 320 587**	**1 291 660**	**1 215 365**

1) *The fair value of loans in Norwegian kroner increased by NOK 64 million from 31 December 2011 due to narrowing margin requirement.*

Note 14 Net impaired loans and guarantees for principal customer groups 1)

DNB Bank ASA 30 June 2011	31 Dec. 2011	30 June 2012	*Amounts in NOK million*	DNB Bank Group 30 June 2012	31 Dec. 2011	30 June 2011
1 611	1 530	1 449	Private individuals	3 725	3 771	4 205
346	3 504	4 726	Transportation by sea and pipelines and vessel construction	4 772	3 551	390
2 297	3 059	2 397	Real estate	3 229	3 575	2 416
1 334	1 448	1 502	Manufacturing	1 920	2 072	2 785
398	323	309	Services	540	572	1 139
187	434	185	Trade	480	854	613
0	0	19	Oil and gas	19	0	0
139	98	393	Transportation and communication	529	334	432
152	256	841	Building and construction	1 214	647	727
0	0	5	Power and water supply	5	0	1
7	60	60	Seafood	63	67	12
92	77	68	Hotels and restaurants	302	298	327
113	104	104	Agriculture and forestry	184	260	272
0	0	0	Central and local government	0	0	0
16	14	59	Other sectors	113	22	17
6 691	10 907	12 117	Total customers	17 095	16 023	13 338
129	21	0	Credit institutions	0	21	129
6 820	10 928	12 117	Total net impaired loans and guarantees	17 095	16 043	13 467
772	1 895	961	Non-performing loans and guarantees not subject to write-downs	2 165	3 422	2 586
7 592	12 823	13 078	Total net non-performing and doubtful loans and guarantees	19 260	19 465	16 053

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

Note 15 Commercial paper and bonds, held to maturity

	DNB Bank Group		
Amounts in NOK million	30 June 2012	31 Dec. 2011	30 June 2011
DNB Markets	84 165	95 062	98 173
Other units	964	980	978
Commercial paper and bonds, held to maturity	**85 129**	**96 042**	**99 151**

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

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

Measurement of the reclassified bond portfolio

The reclassification in accordance with IAS 39 Financial Instruments: Recognition and Measurements requires that the value of the portfolio based on the principles applied before the reclassification must be reported. In a normal market situation, the portfolio would have been recorded at external observable prices before the reclassification. Due to the financial turmoil, there were no such observable prices in the market in 2008. In order to meet the disclosure requirement at end-June 2012, the portfolio has been measured at fair value according to models used for financial instruments not traded in an active market. The model applied is based on a regression analysis whereby historical market data (explanatory variables) which have been observable even during the financial turmoil are used to explain historical changes in value in the portfolio. During the period from the fourth quarter of 2006 up to and including the second quarter of 2008, the model shows a high level of correlation between changes in given market data and changes in value in the portfolio, which at the time was priced in an active market or through broker quotes which were believed to be fairly reliable. If the model had been applied to the portfolio in the second quarter 2012, there would have been a NOK 59 million decrease in profits.

Effects of the reclassifications of the international bond portfolio

By measuring the portfolio at amortised cost, the value of the portfolio as at 30 June 2012 was NOK 2.0 billion higher than if the previous valuation principle had been retained. On the reclassification date, the book value of the portfolio was NOK 88.0 billion, compared with NOK 31.2 billion at end-June 2012. The average term to maturity of the portfolio was 4.0 years, and the change in value resulting from an interest rate adjustment of one basis point was NOK 12 million at end-June 2012.

Effects on profits of the reclassification

	DNB Bank Group				
Amounts in NOK million	2nd quarter 2012	2nd quarter 2011	1st half 2012	1st half 2011	Full year 2011
Recorded amortisation effect	47	76	105	156	329
Net gain, if valued at fair value	(13)	134	234	228	(1 181)
Effects of reclassification on profits	59	(58)	(129)	(72)	1 510

Effects on the balanse sheet of the reclassification

	DNB Bank Group		
Amounts in NOK million	30 June 2012	31 Dec. 2011	30 June 2011
Recorded, unrealised losses	800	905	1 078
Unrealised losses, if valued at fair value	2 814	3 048	1 640
Effects of reclassification on the balance sheet	2 015	2 144	562

Development in the portfolio after the reclassification

	DNB Bank Group		
Amounts in NOK million	30 June 2012	31 Dec. 2011	30 June 2011
Reclassified portfolio, recorded value	31 153	39 825	44 490
Reclassified portfolio, if valued at fair value	29 138	37 682	43 928
Effects of reclassification on the balance sheet	2 015	2 144	562

Note 15 Commercial paper and bonds, held to maturity (continued)

DNB Markets' international bond portfolio

After the reclassification date, DNB Markets has chosen to increase its investments in held-to-maturity securities. According to new proposed liquidity requirements for banks, in order for the securities to be classified as liquid funds, they must qualify for immediate sale. New investments in covered bonds in the second quarter of 2012 are included in the trading portfolio and are recorded at fair value. As at 30 June 2012, DNB Markets' international bond portfolio represented NOK 118.9 billion. 85.8 per cent of the securities in the portfolio had an AAA rating, while 9.2 per cent were rated AA. There were no synthetic securities in the portfolio and no investments in US sub-prime bonds or Collateralised Debt Obligations, CDOs. Nor were any investments made in Treasury bills in Portugal, Italy, Ireland, Greece or Spain. The structure of DNB Markets' international bond portfolio is shown below.

	DNB Bank Group	
	Per cent 30 June 2012	NOK million 30 June 2012
Asset class		
Consumer credit	0.2	239
Residential mortgages	42.2	50 532
Corporate loans	0.9	1 078
Government related	29.1	34 846
Covered bonds	27.6	33 049
Total international bond portfolio DNB Markets, nominal values	100.0	119 744
Accrued interest, amortisation effects and fair value adjustments		(845)
Total international bond portfolio DNB Markets		118 899
Total international bond portfolio DNB Markets, held to maturity		84 165
Of which reclassified portfolio		31 153

The average term to maturity of DNB Markets' international bond portfolio is 3.0 years, and the change in value resulting from an interest rate adjustment of one basis point was NOK 18 million at end-June 2012.

Note 16 Intangible assets

DNB Bank ASA				DNB Bank Group		
30 June 2011	31 Dec. 2011	30 June 2012	*Amounts in NOK million*	30 June 2012	31 Dec. 2011	30 June 2011
2 408	2 419	2 431	Goodwill [1)]	3 291	3 267	3 442
706	819	759	IT systems development [1)]	1 377	1 271	1 186
338	310	311	Other intangible assets	327	316	323
3 451	**3 549**	**3 501**	**Total intangible assets**	**4 995**	**4 854**	**4 951**

1) *In the second quarter of 2012 there was not identified any need for impairment losses of goodwill or IT systems. The valuations are based on reported figures for the second quarter compared with approved plans for the various cash-generating units.*

Note 17 Debt securities issued and subordinated loan capital

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

Debt securities issued

Amounts in NOK million DNB Bank ASA	30 June 2012	31 Dec. 2011	30 June 2011
Commercial paper issued, nominal amount	260 117	228 415	170 244
Bond debt, nominal amount	169 694	149 165	155 728
Adjustments	6 995	6 887	2 116
Total debt securities issued	**436 806**	**384 467**	**328 088**

Changes in debt securities issued

Amounts in NOK million DNB Bank ASA	Balance sheet 30 June 2012	Issued 2012	Matured/ redeemed 2012	Exchange rate movements 2012	Other adjustments 2012	Balance sheet 31 Dec. 2011
Commercial paper issued, nominal amount	260 117	260 061	228 358			228 415
Bond debt, nominal amount	169 694	41 160	17 337	(3 295)		149 165
Adjustments	6 995				108	6 887
Total debt securities issued	**436 806**	**301 221**	**245 695**	**(3 295)**	**108**	**384 467**

Changes in subordinated loan capital and perpetual subordinated loan capital securities

Amounts in NOK million DNB Bank ASA	Balance sheet 30 June 2012	Issued 2012	Matured/ redeemed 2012	Exchange rate movements 2012	Other adjustments 2012	Balance sheet 31 Dec. 2011
Term subordinated loan capital, nominal amount	14 567	5 653	3 883	24		12 773
Perpetual subordinated loan capital, nominal amount	4 109			(49)		4 158
Perpetual subordinated loan capital securities, nominal amount [1)]	5 904			(69)		5 973
Adjustments	1 388				222	1 166
Total subordinated loan capital and perpetual subordinated loan capital securities	**25 968**	**5 653**	**3 883**	**(94)**	**222**	**24 070**

Debt securities issued

Amounts in NOK million DNB Bank Group	30 June 2012	31 Dec. 2011	30 June 2011
Commercial paper issued, nominal amount	260 126	228 430	170 266
Bond debt, nominal amount [2)]	451 985	391 326	367 519
Adjustments	22 758	20 521	5 396
Total debt securities issued	**734 868**	**640 277**	**543 181**

Changes in debt securities issued

Amounts in NOK million DNB Bank Group	Balance sheet 30 June 2012	Issued 2012	Matured/ redeemed 2012	Exchange rate movements 2012	Other adjustments 2012	Balance sheet 31 Dec. 2011
Commercial paper issued, nominal amount	260 126	260 064	228 368			228 430
Bond debt, nominal amount [2)]	451 985	115 078	45 480	(8 939)		391 326
Adjustments	22 758				2 237	20 521
Total debt securities issued	**734 868**	**375 142**	**273 849**	**(8 939)**	**2 237**	**640 277**

Changes in subordinated loan capital and perpetual subordinated loan capital securities

Amounts in NOK million DNB Bank Group	Balance sheet 30 June 2012	Issued 2012	Matured/ redeemed 2012	Exchange rate movements 2012	Other adjustments 2012	Balance sheet 31 Dec. 2011
Term subordinated loan capital, nominal amount	14 568	5 653	3 968	24		12 859
Perpetual subordinated loan capital, nominal amount	4 109			(49)		4 158
Perpetual subordinated loan capital securities, nominal amount [1)]	5 904			(69)		5 973
Adjustments	1 388				221	1 167
Total subordinated loan capital and perpetual subordinated loan capital securities	**25 968**	**5 653**	**3 968**	**(94)**	**221**	**24 156**

1) *Perpetual subordinated loan capital securities are eligible for inclusion in core capital by an amount not exceeding 15 per cent of total core capital. 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 Boligkreditt totalled NOK 366.0 billion as at 30 June 2012. The cover pool represented NOK 492.0 billion.*

Note 18 Capital adequacy

The DNB Bank Group follows the Basel II regulations for capital adequacy calculations. Valuation rules used in the statutory accounts form the basis for the consolidation, which is subject to special consolidation rules governed by the Consolidation Regulations. The figures as at 30 June 2012 are partially based on estimates.

DNB Bank ASA		Primary capital	DNB Bank Group	
31 Dec. 2011	30 June 2012	*Amounts in NOK million*	30 June 2012	31 Dec. 2011
18 314	18 314	Share capital	18 314	18 314
79 328	79 282	Other equity	85 951	85 990
97 643	97 596	Total equity	104 265	104 304
		Deductions		
0	0	Pension funds above pension commitments	(22)	(22)
(2 419)	(2 431)	Goodwill	(3 788)	(3 834)
(3)	(7)	Deferred tax assets	(634)	(644)
(1 130)	(1 070)	Other intangible assets	(1 737)	(2 028)
0	0	Group contribution, payable	0	0
0	0	Unrealised gains on fixed assets	(30)	(30)
(1 022)	(990)	50 per cent of investments in other financial institutions	(1 138)	(1 022)
(648)	(546)	50 per cent of expected losses exceeding actual losses, IRB portfolios	(746)	(835)
(24)	(24)	Adjustments for unrealised losses/(gains) on liabilites recorded at fair value	(713)	(713)
92 396	92 529	Equity Tier 1 capital	95 458	95 177
5 973	5 904	Perpetual subordinated loan capital securities [1) 2)]	6 090	6 159
98 370	98 433	Tier 1 capital	101 549	101 336
4 153	4 109	Perpetual subordinated loan capital	4 109	4 153
12 773	14 487	Term subordinated loan capital [2)]	14 848	13 230
		Deductions		
(1 022)	(990)	50 per cent of investments in other financial institutions	(1 138)	(1 022)
(648)	(546)	50 per cent of expected losses exceeding actual losses, IRB portfolios	(746)	(835)
		Additions		
0	0	45 per cent of unrealised gains on fixed assets	18	18
15 256	17 060	Tier 2 capital	17 092	15 544
113 625	115 493	Total eligible primary capital [3)]	118 640	116 879
874 786	851 402	Risk-weighted volume	1 018 316	1 018 586
69 983	68 112	Minimum capital requirement	81 465	81 487
10.6	10.9	Equity Tier 1 capital ratio (%)	9.4	9.3
11.2	11.6	Tier 1 capital ratio (%)	10.0	9.9
13.0	13.6	Capital ratio (%)	11.7	11.5
-	11.3	Equity Tier 1 capital ratio including 50 per cent of profit for the period (%)	9.7	-
-	11.9	Tier 1 capital ratio including 50 per cent of profit for the period (%)	10.3	-
-	14.0	Capital ratio including 50 per cent of profit for the period (%)	11.9	-

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

2) *As at 30 June 2012, calculations of capital adequacy for the banking group included a total of NOK 548 million in subordinated loan capital in associated companies.*

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

Note 18 Capital adequacy (continued)

Specification of risk-weighted volume and capital requirements **DNB Bank ASA**

Amounts in NOK million	Nominal exposure 30 June 2012	EAD 1) 30 June 2012	Risk-weighted volume 30 June 2012	Capital requirements 30 June 2012	Capital requirements 31 Dec. 2011
IRB approach					
Corporate	820 925	681 375	379 416	30 353	30 291
Specialised Lending (SL)	8 276	8 190	3 827	306	286
Retail - mortgage loans	65 915	65 913	16 507	1 321	1 477
Retail - other exposures	93 191	76 619	24 791	1 983	1 891
Securitisation	84 165	84 165	9 690	775	752
Total credit risk, IRB approach	1 072 472	916 262	434 231	34 738	34 697
Standardised approach					
Central government	60 164	57 320	152	12	6
Institutions	385 998	343 884	65 521	5 242	5 795
Corporate	229 679	192 571	187 365	14 989	16 807
Retail - mortgage loans	3 710	3 234	2 425	194	180
Retail - other exposures	74 482	28 706	21 530	1 722	1 358
Equity positions	42 662	42 662	42 867	3 429	3 229
Other assets	3 770	3 770	3 770	302	310
Total credit risk, standardised approach	800 465	672 148	323 629	25 890	27 686
Total credit risk	1 872 937	1 588 410	757 860	60 629	62 383
Market risk					
Position risk, debt instruments			36 745	2 940	3 057
Position risk, equity instruments			1 142	91	95
Currency risk			0	0	0
Total market risk			37 887	3 031	3 152
Operational risk			57 705	4 616	4 616
Deductions			(2 050)	(164)	(168)
Total risk-weighted volume and capital requirements before transitional rule			851 402	68 112	69 983
Additional capital requirements according to transitional rules 2)			0	0	0
Total risk-weighted volume and capital requirements			851 402	68 112	69 983

1) EAD, exposure at default.

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

Note 18 Capital adequacy (continued)

Specification of risk-weighted volume and capital requirements **DNB Bank Group**

Amounts in NOK million	Nominal exposure 30 June 2012	EAD [1] 30 June 2012	Risk-weighted volume 30 June 2012	Capital requirements 30 June 2012	Capital requirements 31 Dec. 2011
IRB approach					
Corporate	828 623	689 431	383 876	30 710	30 453
Specialised Lending (SL)	8 276	8 190	3 827	306	286
Retail - mortgage loans	555 726	555 724	69 021	5 522	5 515
Retail - other exposures	93 191	76 619	24 791	1 983	1 891
Securitisation	84 165	84 165	9 690	775	752
Total credit risk, IRB approach	1 569 983	1 414 130	491 204	39 296	38 898
Standardised approach					
Central government	71 241	84 447	180	14	10
Institutions	135 223	112 726	25 221	2 018	2 081
Corporate	358 476	274 629	261 599	20 928	22 576
Retail - mortgage loans	54 778	52 141	23 259	1 861	1 674
Retail - other exposures	100 189	50 512	38 074	3 046	2 857
Equity positions	2 606	2 606	2 810	225	276
Securitisation	7 657	7 657	1 457	117	143
Other assets	11 486	11 486	11 486	919	920
Total credit risk, standardised approach	741 657	596 204	364 087	29 127	30 537
Total credit risk	2 311 639	2 010 334	855 291	68 423	69 435
Market risk					
Position risk, debt instruments			35 861	2 869	2 833
Position risk, equity instruments			1 142	91	95
Currency risk			0	0	0
Total market risk			37 003	2 960	2 928
Operational risk			66 365	5 309	5 309
Deductions			(2 843)	(227)	(214)
Total risk-weighted volume and capital requirements before transitional rule			955 815	76 465	77 459
Additional capital requirements according to transitional rules [2]			62 501	5 000	4 029
Total risk-weighted volume and capital requirements			1 018 316	81 465	81 487

1) *EAD, exposure at default.*

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

Note 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. Status and a time schedule for the implementation of the different reporting methods used for the banking group's portfolios are shown below.

	Reporting methods for credit risk in capital adequacy calculations	
Portfolios	30 June 2012	31 Dec. 2012
Retail:		
- mortgage loans, DNB Bank and DNB Boligkreditt	IRB [1)]	IRB [1)]
- qualifying revolving retail exposures, DNB Bank [2)]	IRB [1)]	IRB [1)]
- mortgage loans, Nordlandsbanken	Standardised	IRB [1)]
- loans in Norway, DNB Finans, DNB Bank	IRB [1)]	IRB [1)]
Corporates:		
- small and medium-sized corporates, DNB Bank	Advanced IRB	Advanced IRB
- large corporate clients (scorecard models), DNB Bank	Advanced IRB	Advanced IRB
- large corporate clients (simulation models), DNB Bank	Standardised	Advanced IRB
- corporate clients, Nordlandsbanken	Standardised	Advanced IRB
- leasing, DNB Bank	Advanced IRB	Advanced IRB
- corporate clients, DNB Næringskreditt	Standardised	Advanced IRB
Securitisation positions:		
- international bond portfolio, DNB Markets	IRB [1)]	IRB [1)]
Institutions:		
- banks and financial institutions, DNB Bank	Standardised	Advanced IRB
Exceptions:		
- approved exceptions: government and municipalities, equity positions	Standardised	Standardised
- temporary exceptions: DNB Baltics and Poland, DNB Luxembourg, JSC DNB Bank and various other small portfolios	Standardised	Standardised

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

Note 19 Liquidity risk

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

The Board of Directors has approved internal limits which restrict the short-term maturity of liabilities within different time frames. The various maturities are subject to stress testing based on a bank-specific crisis and a systemic crisis, and a contingency plan has been established to handle market events. In addition, limits have been approved for structural liquidity risk, which implies that lending to customers should largely be financed through customer deposits, subordinated capital and long-term funding. Senior bond debt and covered bonds are the major sources of long-term funding. The banking group's ratio of deposits to lending was 65.2 per cent at end-June 2012, up from 55.0 per cent a year earlier. The ratio of deposits to lending in DNB Bank ASA was 114.5 per cent at end-June 2012.

There was an increase in the general level of uncertainty in the capital market during the second quarter. As investors thus showed greater interest in short maturities, this affected the short-term funding markets. The market remains selective, though DNB had ample access to short-term funding throughout this period. Only banks with strong credit ratings have good access to funding, and DNB is one of these banks.

The long-term funding markets were also marked by uncertainty, and few transactions were completed in April and May. This was also due to the fact that a number of European banks funded themselves through the so-called LTRO programme launched by the European Central Bank, ECB. Activity levels increased at the beginning of June, as several of the financially strongest Nordic banks took the opportunity to raise long-term funding. Among other things, DNB issued covered bonds for a total face value of EUR 1.5 billion. Towards the end of June, the level of uncertainty increased again, resulting in a slowdown in activity. The long-term funding markets remain selective, and financially strong banks have the best access to funding, though the price level remains very high.

The average remaining term to maturity for the portfolio of senior bond debt was 4.7 years at end-June 2012, compared with 4.5 years a year earlier. The banking group aims to achieve a sound and stable maturity structure for funding over the next seven years.

Note 20 Information on related parties

Major transactions and agreements with related parties:

Eksportfinans

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

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

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

DNB Boligkreditt

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

The transfer agreement regulates the transfer of loan portfolios qualifying as collateral for the issue of covered bonds. In 2008, 2009, 2010 and 2011, portfolios representing NOK 93.6 billion, NOK 88.5 billion, NOK 36.2 billion, and NOK 30.1 billion respectively, were transferred from the bank to Boligkreditt. Transfers of NOK 19.5 billion were made in the first half of 2012. The transfers are based on market terms.

Pursuant to the management agreement, Boligkreditt purchases services from the bank, including administration, bank production, distribution, customer contact, IT operations and financial and liquidity management. Boligkreditt pays an annual management fee for these services. The fee paid for the period January through June 2012 totalled NOK 855.5 million.

At end-June 2012 the bank had invested NOK 83.2 billion in covered bonds issued by Boligkreditt. The bank has used bonds issued by Boligkreditt as security for Treasury bills purchased from Norges Bank as part of the stimulus package for the Norwegian financial services industry.

DNB Næringskreditt

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

The company started operations in the third quarter of 2009. At end-June 2012, commitments with a total value of NOK 22.1 billion had been transferred from the bank to the Næringskreditt. The portfolio is diversified with respect to property types, sizes and locations. The transfers are made in agreement with the customers and are based on market terms. Like Boligkreditt, Næringskreditt purchases management and administrative services from the bank. In addition, administrative services relating to the company's operations are purchased from Boligkreditt. The fee paid to the bank and Boligkreditt for the period January through June 2012 totalled NOK 34.6 million.

Nordlandsbanken

Nordlandsbanken ASA is also a subsidiary of DNB Bank ASA. Boligkreditt has acquired residential mortgages from Nordlandsbanken. The transfer and management of mortgages are regulated in the "Agreement relating to transfer of loan portfolio between Nordlandsbanken ASA and DNB 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. During the first half of 2012, portfolios of NOK 1.5 billion were transferred from Nordlandsbanken to Boligkreditt.

Pursuant to the servicing agreement, Boligkreditt purchases services from Nordlandsbanken, including administration, bank production, distribution, customer contact and IT operations. Boligkreditt pays a monthly management fee for these services based on the lending volume under management and the achieved lending spread. The management fee paid is NOK 15.2 million in the first half of 2012.

Nordlandsbanken ASA will, according to plan, be formally merged with DNB 1 October 2012.

Note 20 Information on related parties (continued)

DNB Livsforsikring

As part of the company's ordinary investment activity DNB Livsforsikring has subscribed for covered bonds issued by Boligkreditt. DNB Livsforsikring's investments in Boligkreditt are limited to listed covered bonds. DNB Livsforsikring's holding of Boligkreditt bonds was valued at NOK 5.6 billion at end-June 2012.

The bank has sold foreign currency loans guaranteed by GIEK, the Norwegian Guarantee Institute for Export Credits, to DNB Livsforsikring. At end-June 2012, the recorded value of these loans was NOK 283 million. In connection with the sale, interest rate and currency swaps were entered into, protecting DNB Livsforsikring against currency risk and providing a total return based on Norwegian interest rates. The bank still carries interest rate, settlement and credit risk associated with the relevant loans. According to the IFRS regulations, the loans have therefore not been removed from the balance sheet. The set-offs to the loans are recorded as deposits from customers.

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

Stimulus packages

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

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

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

In practice, the swap agreements imply that the bank purchases Treasury bills from Norges Bank. These are initially recorded as investments in Treasury bills. The obligation to repurchase the bonds at a price corresponding to the value of the Treasury bills is recorded as funding from Norges Bank. At end-June 2012, this funding represented NOK 61.0 billion. At end-June 2012, the bank's investments in Treasury bills used in the swap agreements represented NOK 43.2 billion.

Capitalisation and valuation of subsidiaries

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

During the second quarter of 2012, AS DNB Liising in Estonia received a capital injection of just over EUR 90 million, while the Polish subsidiary of Bank DNB A/S received a capital injection of PLN 487 million.

Note 21 Off-balance sheet transactions, contingencies and post-balance sheet events

Off-balance sheet transactions and additional information

DNB Bank ASA				DNB Bank Group		
30 June 2011	31 Dec. 2011	30 June 2012	*Amounts in NOK million*	30 June 2012	31 Dec. 2011	30 June 2011
35 908	46 188	42 972	Performance guarantees	44 296	47 530	37 637
20 327	21 880	23 693	Payment guarantees	25 246	23 439	21 995
13 409	20 022	21 798	Loan guarantees [1)]	19 220	17 666	12 413
5 099	5 592	6 418	Guarantees for taxes etc.	6 471	5 645	5 150
2 038	1 982	2 205	Other guarantee commitments	2 566	2 285	2 343
76 781	95 664	97 085	Total guarantee commitments	97 800	96 565	79 537
0	0	0	Support agreements	10 753	10 237	10 038
76 781	95 664	97 085	Total guarantee commitments etc. [*)]	108 552	106 802	89 575
427 819	526 711	489 170	Unutilised credit lines and loan offers	511 225	519 143	412 140
2 422	2 486	3 412	Documentary credit commitments	3 551	2 594	2 495
242	185	138	Other commitments	628	234	290
430 483	529 381	492 721	Total commitments	515 404	521 971	414 925
507 263	625 045	589 807	Total guarantee and off-balance commitments	623 956	628 773	504 500
91 437	90 524	94 447	Pledged securities	94 447	90 524	91 437
10	*10*	*1 355*	**) Of which counter-guaranteed by financial institutions*	*1 364*	*19*	*19*

1) *DNB Bank ASA carries loans in its balance sheet that subject to legal agreement have been transferred to Eksportfinans and for which the bank has issued guarantees. According to the agreement, DNB Bank still carries interest rate risk and credit risk for the transferred portfolio. Customer loans in the portfolio totalling NOK 6 064 million were recorded in the balance sheet as at 30 June 2012. These loans are not included under guarantees in the table.*

Contingencies

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

DNB 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). A settlement has been reached in the case, which has been approved by the court. The case has thus been closed.

Ivar Petter Røeggen has instituted legal proceedings against DNB Bank ASA, claiming that two investment agreements for structured products be declared null and void. The Borgarting Court of Appeal found in favour of the bank on 30 September 2011. The disputed amount only applies to the civil action in question, which must be evaluated as a separate case. The judgment has been appealed to the Supreme Court, and the court proceedings are scheduled for October 2012.

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

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

Post-balance sheet events

No information has come to light about important circumstances which had occurred on the balance sheet date on 30 June 2012 and up till the Board of Directors' final consideration of the accounts on 11 July 2012.

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

We hereby confirm that the half-yearly financial statements for the banking group and the company for the period 1 January through 30 June 2012 to the best of our knowledge have been prepared in accordance with IAS 34 Interim Financial Reporting, as endorsed by the EU, and give a true and fair view of the assets, liabilities, financial position and profit or loss of the banking group and the company taken as a whole.

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

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

Oslo, 11 July 2012
The Board of Directors of DNB Bank ASA

Anne Carine Tanum
(chairman)

Jarle Bergo
(vice-chairman)

Sverre Finstad

Vigdis Mathisen

Kai Nyland

Torill Rambjør

Rune Bjerke
(group chief executive)

Bjørn Erik Næss
(chief financial officer)

Key figures

		DNB Bank Group				
		2nd quarter 2012	2nd quarter 2011	1st half 2012	1st half 2011	Full year 2011
Interest rate analyses						
1.	Combined weighted total average spread for lending and deposits (%)	1.17	1.08	1.16	1.09	1.10
2.	Average spread for ordinary lending to customers (%)	1.97	1.54	1.89	1.56	1.57
3.	Average spread for deposits from customers (%)	(0.11)	0.30	(0.04)	0.29	0.29
Rate of return/profitability						
4.	Net other operating income, per cent of total income	40.6	34.3	28.9	31.7	36.8
5.	Cost/income ratio (%)	42.4	49.7	50.1	50.8	45.9
6.	Return on equity, annualised (%)	16.4	13.4	11.3	11.7	13.5
Financial strength						
7.	Equity Tier 1 capital ratio at end of period (%)	9.4	7.9	9.4	7.9	9.3
8.	Equity Tier 1 capital ratio incl. 50 per cent of profit for the period (%)	9.7	8.2	9.7	8.2	-
9.	Tier 1 capital ratio at end of period (%)	10.0	8.6	10.0	8.6	9.9
10.	Tier 1 capital ratio incl. 50 per cent of profit for the period (%)	10.3	8.8	10.3	8.8	-
11.	Capital ratio at end of period (%)	11.7	10.6	11.7	10.6	11.5
12.	Capital ratio incl. 50 per cent of profit for the period (%)	11.9	10.9	11.9	10.9	-
13.	Tier 1 capital at end of period (NOK million)	101 549	81 124	101 549	81 124	101 336
14.	Risk-weighted volume at end of period (NOK million)	1 018 316	946 454	1 018 316	946 454	1 018 586
Loan portfolio and write-downs						
15.	Individual write-downs relative to average net lending to customers, annualised (%)	0.19	0.13	0.20	0.21	0.26
16.	Write-downs relative to average net lending to customers, annualised (%)	0.21	0.15	0.23	0.22	0.28
17.	Net non-performing and net doubtful commitments, per cent of net lending	1.44	1.30	1.44	1.30	1.49
18.	Net non-performing and net doubtful commitments at end of period (NOK million)	19 260	16 053	19 260	16 053	19 465
Liquidity						
19.	Ratio of customer deposits to net lending to customers at end of period (%)	65.2	55.0	65.2	55.0	58.1
Staff						
20.	Number of full-time positions at end of period	12 547	12 165	12 547	12 165	12 560

Definitions

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

5 Total operating expenses relative to total income. Total expenses exclude impairment losses for goodwill and other intangible assets.

6 Average equity is calculated on the basis of recorded equity.

Profit and balance sheet trends

Income statement					**DNB Bank ASA**
Amounts in NOK million	2nd quarter 2012	1st quarter 2012	4th quarter 2011	3rd quarter 2011	2nd quarter 2011
Total interest income	11 852	12 114	12 754	12 386	11 551
Total interest expenses	6 580	6 539	6 873	6 902	6 481
Net interest income	**5 272**	**5 574**	**5 880**	**5 483**	**5 070**
Commissions and fees receivable etc.	1 395	1 288	1 225	1 408	1 347
Commissions and fees payable etc.	500	513	512	503	468
Net gains on financial instruments at fair value	2 071	2 100	1 663	1 295	1 901
Other income	1 005	711	1 964	365	708
Net other operating income	**3 970**	**3 586**	**4 340**	**2 564**	**3 487**
Total income	**9 242**	**9 161**	**10 220**	**8 047**	**8 557**
Salaries and other personnel expenses	2 071	2 010	1 937	1 929	1 887
Other expenses	1 431	1 441	1 640	1 464	1 464
Depreciation and write-downs of fixed and intangible assets	433	363	1 181	403	488
Total operating expenses	**3 935**	**3 814**	**4 758**	**3 795**	**3 839**
Net gains on fixed and intangible assets	(1)	0	31	0	3
Write-downs on loans and guarantees	699	789	789	466	256
Pre-tax operating profit	**4 607**	**4 558**	**4 704**	**3 786**	**4 466**
Taxes	1 288	1 276	1 845	1 170	1 250
Profit for the period	**3 319**	**3 282**	**2 859**	**2 617**	**3 215**

Balance sheet					**DNB Bank ASA**
Amounts in NOK million	30 June 2012	31 March 2012	31 Dec. 2011	30 Sept. 2011	30 June 2011
Assets					
Cash and deposits with central banks	407 558	430 421	220 721	273 298	12 320
Lending to and deposits with credit institutions	200 305	198 090	193 379	226 627	211 955
Lending to customers	709 236	701 645	711 966	700 866	666 233
Commercial paper and bonds	216 090	210 515	211 335	211 477	240 757
Shareholdings	9 506	10 465	11 829	12 249	13 875
Financial derivatives	110 972	99 396	108 506	118 719	77 133
Commercial paper and bonds, held to maturity	85 129	88 136	96 042	98 858	99 151
Investments in associated companies	1 145	1 180	1 187	1 139	1 202
Investements in subsidiaries	39 227	38 638	35 763	33 111	27 047
Intangible assets	3 501	3 479	3 549	3 472	3 451
Deferred tax assets	7	3	3	529	516
Fixed assets	5 938	5 698	5 497	5 168	5 130
Other assets	20 608	27 418	15 389	8 696	9 287
Total assets	**1 809 223**	**1 815 083**	**1 615 166**	**1 694 209**	**1 368 059**
Liabilities and equity					
Loans and deposits from credit institutions	306 098	364 474	295 884	366 672	214 940
Deposits from customers	812 121	767 401	704 438	732 978	626 789
Financial derivatives	88 688	80 044	88 207	94 851	60 940
Debt securities issued	436 806	437 806	384 467	368 961	328 088
Payable taxes	1 893	742	228	2 345	1 503
Deferred taxes	2 775	3 448	3 455	57	56
Other liabilities	27 471	28 203	13 421	11 855	20 770
Provisions	525	444	676	441	394
Pension commitments	2 681	2 680	2 677	2 920	2 931
Subordinated loan capital	25 968	29 021	24 070	26 389	27 607
Total liabilities	**1 705 025**	**1 714 263**	**1 517 523**	**1 607 468**	**1 284 019**
Share capital	18 314	18 314	18 314	17 514	17 514
Share premium reserve	19 895	19 895	19 895	12 695	12 695
Other equity	65 988	62 610	59 433	56 532	53 830
Total equity	**104 197**	**100 820**	**97 643**	**86 741**	**84 040**
Total liabilities and equity	**1 809 223**	**1 815 083**	**1 615 166**	**1 694 209**	**1 368 059**

Profit and balance sheet trends (continued)

Income statement

DNB Bank Group

Amounts in NOK million	2nd quarter 2012	1st quarter 2012	4th quarter 2011	3rd quarter 2011	2nd quarter 2011
Total interest income	16 221	16 187	16 124	15 550	14 595
Total interest expenses	9 486	9 466	9 319	9 176	8 556
Net interest income	**6 736**	**6 720**	**6 804**	**6 374**	**6 039**
Commissions and fees receivable etc.	1 638	1 528	1 461	1 641	1 583
Commissions and fees payable etc.	518	541	536	525	487
Net gains on financial instruments at fair value	2 627	(1 009)	3 369	2 265	1 332
Profit from companies accounted for by the equity method	141	225	111	(79)	(28)
Net gains on investment property	(184)	(144)	(132)	93	(1)
Other income	905	798	795	668	751
Net other operating income	**4 608**	**858**	**5 068**	**4 062**	**3 150**
Total income	**11 344**	**7 578**	**11 873**	**10 436**	**9 189**
Salaries and other personnel expenses	2 512	2 451	2 361	2 329	2 346
Other expenses	1 826	1 812	2 033	1 778	1 806
Depreciation and write-downs of fixed and intangible assets	470	406	843	411	416
Total operating expenses	**4 808**	**4 669**	**5 236**	**4 519**	**4 568**
Net gains on fixed and intangible assets	37	7	(1)	6	8
Write-downs on loans and guarantees	685	784	926	1 170	457
Pre-tax operating profit	**5 888**	**2 131**	**5 709**	**4 754**	**4 173**
Taxes	1 571	575	2 040	1 210	1 168
Profit from operations held for sale, after taxes	92	0	0	25	11
Profit for the period	**4 409**	**1 556**	**3 669**	**3 568**	**3 015**

Balance sheet

DNB Bank Group

Amounts in NOK million	30 June 2012	31 March 2012	31 Dec. 2011	30 Sept. 2011	30 June 2011
Assets					
Cash and deposits with central banks	410 135	433 396	224 581	276 593	15 828
Lending to and deposits with credit institutions	28 746	29 847	25 105	49 515	35 431
Lending to customers	1 320 587	1 296 842	1 291 660	1 260 993	1 215 365
Commercial paper and bonds	138 056	133 707	106 000	105 993	138 366
Shareholdings	9 963	10 920	12 300	12 711	14 277
Financial derivatives	89 859	80 805	96 264	110 341	66 243
Commercial paper and bonds, held to maturity	85 129	88 136	96 042	98 858	99 151
Investment property	5 177	5 285	5 165	5 308	4 991
Investments in associated companies	2 536	2 391	2 173	2 034	2 140
Intangible assets	4 995	4 913	4 854	5 030	4 951
Deferred tax assets	626	633	636	408	356
Fixed assets	6 769	6 557	6 322	5 994	5 947
Assets held for sale	9	1 092	1 054	1 206	1 172
Other assets	21 508	25 025	12 792	9 574	10 131
Total assets	**2 124 094**	**2 119 548**	**1 884 948**	**1 944 557**	**1 614 349**
Liabilities and equity					
Loans and deposits from credit institutions	294 126	353 396	279 553	356 347	207 494
Deposits from customers	861 104	815 244	750 102	773 334	668 506
Financial derivatives	60 292	55 352	63 130	74 789	51 016
Debt securities issued	734 868	722 773	640 277	601 114	543 181
Payable taxes	1 385	152	400	2 507	1 579
Deferred taxes	4 137	4 622	4 531	205	185
Other liabilities	28 592	29 555	14 569	13 300	21 930
Liabilities held for sale	0	361	383	360	331
Provisions	585	506	750	504	492
Pension commitments	2 808	2 821	2 793	3 035	3 045
Subordinated loan capital	25 968	29 021	24 156	26 476	27 697
Total liabilities	**2 013 865**	**2 013 804**	**1 780 644**	**1 851 972**	**1 525 457**
Share capital	18 314	18 314	18 314	17 514	17 514
Share premium reserve	20 611	20 611	20 611	13 411	13 411
Other equity	71 304	66 819	65 378	61 659	57 967
Total equity	**110 229**	**105 745**	**104 304**	**92 585**	**88 892**
Total liabilities and equity	**2 124 094**	**2 119 548**	**1 884 948**	**1 944 557**	**1 614 349**

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DNB Bank ASA

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Financial calendar 2012

Preliminary results 2011 and fourth quarter 2011	9 February
First quarter 2012	27 April
Second quarter 2012	12 July
Third quarter 2012	25 October

Other sources of information

Annual and quarterly reports

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

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

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