DnB NOR

981 276 957

ANNUAL REPORT 2008

Contents

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

Financial calendar 2009

Annual General Meeting: 21 April • First quarter: 6 May • Second quarter: 10 July • Third quarter: 22 October

Your time

Simplifying the lives of its customers is important for DnB NOR. An increasing number of customers choose to perform banking services via their mobile phones, and the bank is the leading provider of SMS services in the Nordic region.

DnB NOR in brief

This is DnB NOR

DnB NOR is Norway's largest financial services group with total combined assets of NOK 2 141 billion. The Group includes strong brands such as DnB NOR, Vital, Nordlandsbanken, Cresco, Postbanken, DnB NORD and Carlson.

Norway's leading financial services group...

- 2.3 million retail customers
- More than 200 000 corporate clients
- Norway's largest Internet banks, dnbnor.no and postbanken.no, with more than 1.5 million users
- Represented in more than 200 locations in Norway
- Offers banking services in grocery shops and post offices throughout Norway
- Norway's largest life and pension insurance company with around 1 million customers
- Norway's largest asset management company with around 600 000 mutual fund customers in Norway and 283 institutional clients in Norway and Sweden
- Norway's largest investment bank
- Norway's leading real estate broker
- 14 057 full-time positions

... and the most international

- Partner for Norwegian companies abroad and for large international companies in Norway
- International network of 13 branches and representative offices
- One of the world's leading shipping banks
- A major international player in the energy sector
- Norway's leading foreign exchange bank
- Operations in Sweden within banking, asset management, car financing, real estate broking through Svensk Fastighetsförmedling and distribution of financial products through SalusAnsvar
- Operations in Denmark, Finland, Poland and the Baltic region through DnB NORD
- Operations in north-west Russia through DnB NOR Monchebank
- Private banking in Luxembourg

International presence

- Sweden
- Copenhagen
- Helsinki
- London
- Murmansk
- Luxembourg
- Hamburg
- Baltic States
- Poland
- Athens
- New York
- Houston
- Santiago
- Rio de Janeiro
- Shanghai
- Singapore
- Hong Kong
- Chennai
- Mumbai

DnB NOR's strategy

The escalating financial market turmoil through 2008 had a profound impact on the macro-economic assumptions underlying DnB NOR's growth strategy for the period 2008-2010, presented in the autumn of 2007. Nevertheless, the Group's long-term ambitions remain unchanged, though they have been toned down somewhat in the short term, not least internationally.

Business idea

DnB NOR will be customers' best financial partner and will meet their needs for financial solutions.

DnB NOR's strengths are a local presence and a full range of services. DnB NOR has a unique platform in the Norwegian market:

- a high market share in all segments
- the largest customer base
- the most extensive distribution network

Common value base and culture

Team spirit, simplicity, value creation

DnB NOR's shared values describe what should distinguish the organisation and work processes both internally and in relation to customers.

Strategy

In 2009, the Group will give priority to ensuring the quality of operations and reducing the level of write-downs in consequence of the ongoing international recession. Still, there will be scope for a high level of activity within certain product and market areas, especially in the retail market and among small and medium-sized enterprises. Parallel to this, high priority will be given to implementing the streamlining measures defined in the Group's cost programme.

Growth in home market

DnB NOR will develop and strengthen long-term relations with sound customers. New products and services, effective distribution and increased cross-sales in Norway will be priority areas.

- introduce new products and services
- strengthen distribution and market positions
- utilise the full range of products

Cost efficiency in Norway

Cost efficiency will be given high priority:

- optimise customer processes and distribution
- streamline IT
- reorganise operational processes

International growth

Previously communicated ambitions regarding international growth in defined industries and close geographic areas will continue to be part of the Group's long-term strategy. In the short-term, however, the international growth ambitions will be toned down.

DnB NOR will give priority to selected industries built on core competencies:

- shipping
- energy
- seafood

Financial targets

DnB NOR's financial target figures were determined in 2007 subject to a continued favourable macro-economic situation. Due to the impaired global economic forecasts, however, it may be difficult to meet all these targets over the coming years.

In the short term, rising write-downs on loans could cause pressure on the Group's return on equity. However, pre-tax profits before write-downs are targeted to exceed NOK 20 billion in 2010 and are expected to remain at a high level. DnB NOR will thus have the capacity to absorb increasing write-downs.

The implementation of the cost programme and other streamlining measures will be given high priority. The aim is to implement cost-reducing measures by the end of 2010 which will generate annual cost savings of NOK 1.4 billion. Additional measures are being prepared and are expected to ensure further cost reductions in subsequent years. DnB NOR will give priority to strengthening capital adequacy, and the Group's new target is to have a core capital ratio of minimum 8 per cent by the end of 2010. The Group will maintain its target to generate competitive returns and shareholder dividends within the framework of the current capital strategy.

Important events in 2008

First quarter

- Large unrealised mark-to-market losses were recorded on the Group's liquidity portfolio.
- DnB NOR was part of a guarantee syndicate which issued a guarantee for Eksportfinans' bond portfolio.
- Bjørn Erik Næss assumed the position of chief financial officer.

Second quarter

- DnB NOR Bank's long-term rating was raised to AA- by the rating agency Standard & Poor's.
- DnB NOR entered into an agreement with Oslo S Utvikling to lease premises for a new head office in Bjørvika in Oslo, scheduled for completion in 2012.
- The Norwegian Ministry of Finance granted the Group a concession for the establishment of the non-life insurance company DnB NOR Skadeforsikring.
- Anne Carine Tanum was appointed chairman of DnB NOR's Board of Directors.

Third quarter

- Lehman Brothers filed for bankruptcy protection and thereafter a number of other financial institutions experienced difficulties.
- Icelandic banks were declared bankrupt, and their operations in Norway were taken over by other institutions.
- The severe financial turmoil began to have consequences for the Norwegian real economy, resulting in rising unemployment and an increase in the number of corporate bankruptcies.
- The liquidity portfolio was reclassified from a trading portfolio to held-to-maturity investments. Previous write-downs will be reversed over the residual maturity of the portfolio.

Fourth quarter

- The significant financial turmoil had further negative consequences for the real economy.
- There was a significant increase in write-downs on loans in the Group, particularly in DnB NORD.
- The authorities implemented measures which will ease the long-term funding situation of Norwegian banks.
- The Norwegian government approved a stimulus package which will ensure that Eksportfinans can continue to grant new export credits.
- DnB NOR Skadeforsikring was established.

Key figures

Income statement

Amounts in NOK million	*2008*	*2007*	*2006*	*2005*
Net interest income	21 910	17 866	15 289	13 610
Net other operating income	12 438	13 732	13 204	11 725
Ordinary operating expenses	18 721	15 974	14 263	12 711
Other expenses	0	476	164	153
Pre-tax operating profit before write-downs	15 627	15 148	14 066	12 471
Net gains on fixed and intangible assets	52	2 481	365	775
Write-downs on loans and guarantees	3 509	220	(258)	137
Pre-tax operating profit	12 170	17 409	14 689	13 109
Taxes	3 252	2 387	2 881	2 965
Profit for the year	**8 918**	**15 022**	**11 808**	**10 144**
Earnings per share (NOK)	6.91	11.08	8.74	7.59

Balance sheet

Amounts in NOK million	*31 Dec. 2008*	*31 Dec. 2007*	*31 Dec. 2006*	*31 Dec. 2005*
Total assets	1 831 699	1 473 919	1 320 242	1 081 428
Lending to customers	1 191 635	970 504	827 947	697 579
Deposits from customers	597 242	538 151	474 526	410 991
Average total assets for the year	1 635 113	1 411 576	1 209 037	1 001 705
Total combined assets at year-end	2 140 928	1 834 006	1 687 876	1 459 000

Key figures [1)]

	2008	*2007*	*2006*	*2005*
Return on equity (per cent)	12.4	22.0	19.5	18.8
Dividend per share (NOK)	0.00	4.50	4.00	3.50
Core (Tier 1) capital ratio at end of period (per cent)	6.7	7.2	6.7	7.4
Capital adequacy ratio at end of period (per cent)	9.5	9.6	10.0	10.2
Write-downs relative to net lending to customers (per cent)	0.33	0.02	(0.03)	0.02
Average combined spread for lending and deposits (per cent)	1.04	1.00	1.08	1.19
Share price at end of period (NOK)	27.00	83.00	88.50	72.00
Price/book value	0.47	1.51	1.84	1.68

1) For a more detailed table of key figures, see page 188.

Business areas

Corporate Banking and Payment Services

Corporate Banking and Payment Services offers an extensive range of financial services to Norwegian and international businesses. The business area cooperates closely with the Group's product areas to find good solutions adapted to customer needs. Corporate Banking and Payment Services will give priority to strong, long-term and profitable customer relations both in the domestic market and internationally within shipping, energy and seafood. In 2009, priority will be given to small and medium-sized companies in the Norwegian part of operations, while international expansion will not be at the forefront of growth initiatives.

Key figures as at 31 Dec. 2008	
Pre-tax operating profits	NOK 9 663 million
Lending	NOK 629.8 billion
Deposits	NOK 335.1 billion
Cost/income ratio	31.4%
Return on capital BIS	16.6%
No. of full-time positions	2 548

Retail Banking

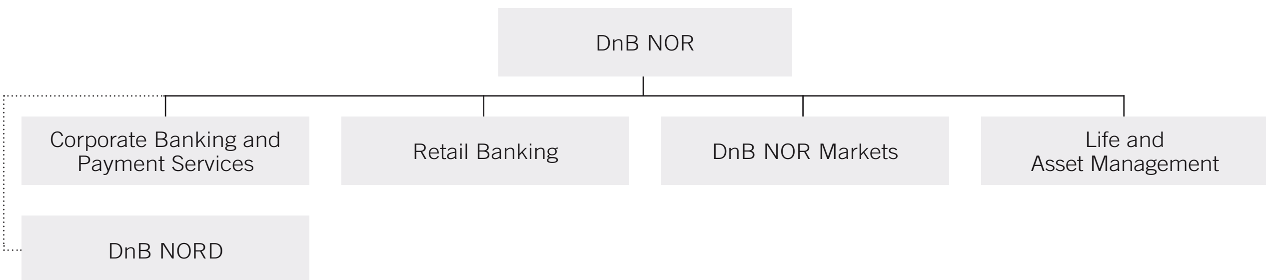
Retail Banking aims to improve customer satisfaction by making services more accessible and by offering customers high-quality personal financial advisory services. DnB NOR aims to stream-line distribution by increasing the use of online banking, mobile banking services and in-store banking outlets for straightforward banking services. Surveys establish that DnB NOR has Norway's most user-friendly Internet bank, and the Group has taken a lead-ing position in the Nordic region within mobile banking services.

Key figures as at 31 Dec. 2008	
Pre-tax operating profits	NOK 3 518 million
Lending	NOK 471.4 billion
Deposits	NOK 247.7 billion
Cost/income ratio	63.5%
Return on capital BIS	38.8%
No. of full-time positions	3 883

DnB NOR Markets

DnB NOR Markets is Norway's largest investment bank, serving customers from its head office in Oslo, 13 regional sales desks in Norway and offices in Stockholm, London, New York, Houston, Singapore and Shanghai, supported by electronic channels. DnB NOR Markets aims to be the best partner for Norwegian customers within investment banking and securities services, as well as for international clients requiring services relating to Norway and the Norwegian krone. The main focus is on customer activities, while trading activities support customer activities with products and prices.

Key figures as at 31 Dec. 2008	
Pre-tax operating profits	NOK 4 016 million
Cost/income ratio	30.3%
Return on capital BIS	46.7%
No. of full-time positions	655



Life and Asset Management

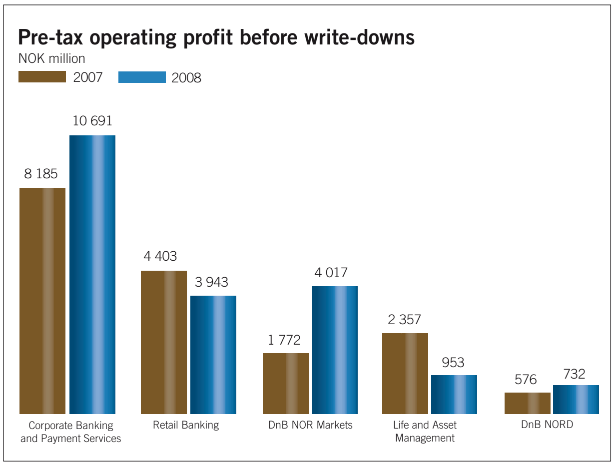
The business area Life and Asset Management consists of Vital Forsikring and DnB NOR Asset Management. Vital is Norway's largest provider of individual and group life insurance and pension savings. Vital provided insurance coverage for more than one million policyholders and had group agreements with approximately 27 000 companies at year-end 2008. DnB NOR Asset Management is the country's leading provider of mutual funds and discretionary asset management and has just under 600 000 retail clients and a leading position among Norwegian and Swedish institutional clients.

Key figures as at 31 Dec. 2008	
Pre-tax operating profits	NOK 953 million
- Vital	NOK 644 million
- Asset Management	NOK 309 million
Assets under management	NOK 533.4 billion
Cost/income ratio	69.3%
Return on equity	8.5%
No. of full-time positions	1 169

DnB NORD

DnB NORD, in which DnB NOR has a 51 per cent ownership interest, had a network of 180 branch offices in six countries at year-end 2008: Denmark, Finland, Estonia, Latvia, Lithuania and Poland. The bank provides a broad range of products to both the retail and corporate markets. DnB NORD is committed to developing a strong brand as a full-service bank, offering good solutions for efficient cross-border customer service. DnB NORD felt the effects of the significant financial turmoil in 2008. The Baltic economies, in particular, experienced a steep downturn during 2008, which is expected to continue into 2009. DnB NORD will focus on consolidating its operations and improving cost-efficiency in 2009.

Key figures as at 31 Dec. 2008	
Pre-tax operating loss	NOK 637 million
Lending	NOK 99.1 billion
Deposits	NOK 24.5 billion
Cost/income ratio	70.0%
Return on capital BIS	(8.8%)
No. of full-time positions	3 597



Key figures – DnB NOR share

As end-December 2008, DnB NOR was the fifth largest company on Oslo Børs (the Oslo Stock Exchange) with a market capitalisation of NOK 36 billion, or 4 per cent of the value of all companies listed on the stock exchange.

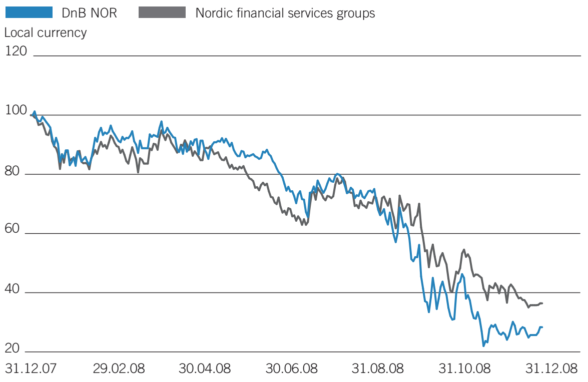
Total annual return as at 31 December 2008			
Total annual return (%)	Last year	Last two years	Last three years
DnB NOR	(62.0)	(36.7)	(18.5)
Nordic average [1]	(55.9)	(35.9)	(19.7)

Dividend for the financial year	
2008 (proposal)	NOK 0.00
2007	NOK 4.50
2006	NOK 4.00
2005	NOK 3.50
2004	NOK 2.50

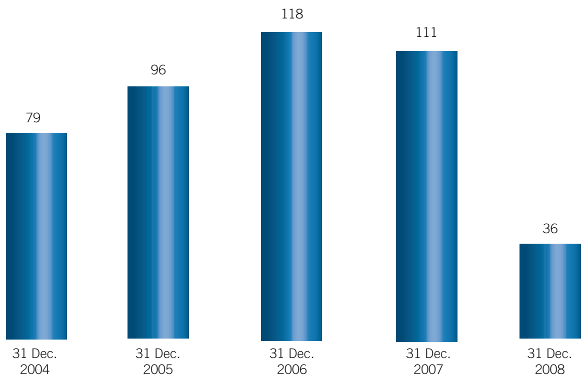
Share price development in 2008

Adjusted for dividends, the value of the DnB NOR share was reduced by 62 per cent during 2008, which represented a somewhat sharper fall than the unweighted average decline for the Group's Nordic peers [1], at 56 per cent.

DnB NOR compared with Nordic financial services groups [1]
31 December 2007 = 100



The DnB NOR Group's market capitalisation
NOK billion

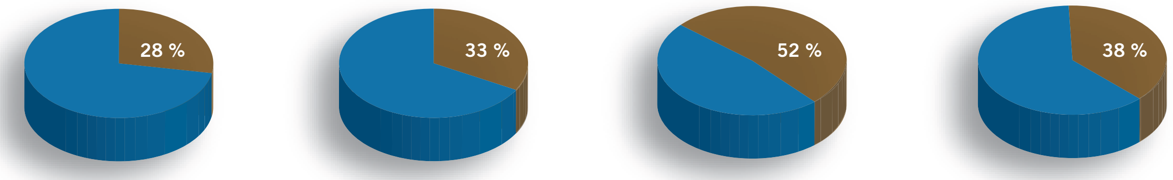


1) Unweighted average in local currency of Danske Bank, Swedbank, Nordea, SEB and Handelsbanken.

Market shares in Norway

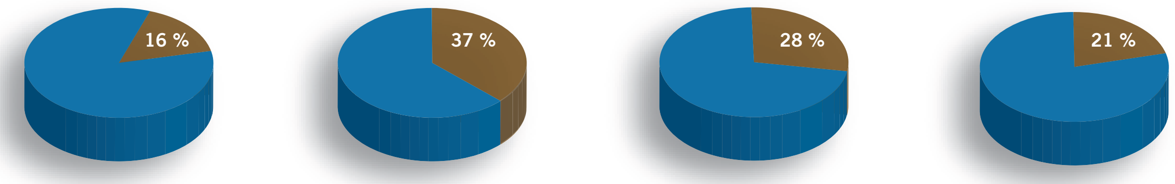
Retail market

Lending as at 31 Dec. 2008 | Deposits as at 31 Dec. 2008 | Policyholders' funds as at 30 Sept. 2008 | Mutual fund assets as at 31 Dec. 2008



Corporate market

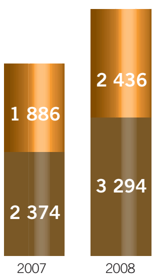
Lending [1] as at 31 Dec. 2008 | Deposits as at 31 Dec. 2008 | Policyholders' funds as at 30 Sept. 2008 | Mutual fund assets as at 31 Dec. 2008



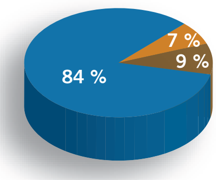
1) The share of credit from domestic sources was 23 per cent, while the share of credit from commercial and savings banks was 33 per cent.

DnB NOR's international units

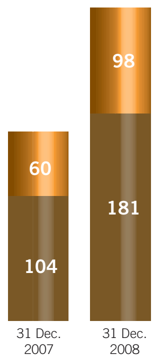
Income in DnB NOR's international units



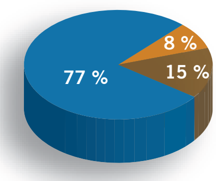
Share of income in international units
2008



Lending volume in DnB NOR's international units



Share of lending in international units
as at 31 December 2008



Other international units | DnB NORD | Norwegian units

We believe that Norway is in a relatively better situation than most other countries to reduce the consequences of the financial turmoil on the real economy.

Group chief executive's statement

2008 was a turbulent year in the financial markets. Economic growth showed a rapid decline, losses and write-downs increased, while capital became increasingly scarce. Nevertheless, DnB NOR delivered a satisfactory financial performance, recording annual profits of NOK 8.9 billion.

The international financial turmoil dominated the media during 2008. On 15 September, Lehman Brothers filed for bankruptcy protection, and this was followed by a total drying up of liquidity in the credit markets. The crisis hit Europe and the Nordic region in earnest.

The year was challenging for DnB NOR, not least due to extreme market volatility. Towards the end of the year, losses rose in parts of the Group, particularly related to the commercial property portfolio in the Danish operations of DnB NORD. In addition, during the autumn, there was extensive coverage in the Norwegian media of various demanding issues involving DnB NOR.

In spite of the challenges, earnings showed a healthy trend, and interest income rose by more than 20 per cent during the year. DnB NOR Markets delivered record-high profits, largely due to the opportunities provided by the volatile foreign exchange, interest rate and commodity markets.

Given these circumstances, we presented healthy key financial figures for the year. Outstanding efforts have been made throughout the Group, and I would like to thank all employees for their valuable contributions in 2008.

More than 80 per cent of the Group's income is generated in Norway. We believe that Norway is in a relatively better situation than most other countries to reduce the consequences of the financial turmoil on the real economy, not least on account of the government's fiscal manoeuvrability provided by the country's oil wealth. The authorities have responded to the situation by implementing appropriate measures, both by offering schemes ensuring the banks long-term funding and, early in 2009, through measures which, in the longer term, may help strengthen the banks' ability to provide credit for sustainable corporate investment projects.

We are now capitalising on our strong credit expertise, both by closely monitoring problem commitments and by exercising sound credit skills when considering refinancings and new commitments.

Consolidation is the key word for our international operations in 2009. Nevertheless, I would like to emphasise that our growth strategy remains in force, though we have temporarily put on the brakes. Long-term profitability is, however, an important principle in my position as group chief executive.

Cost-effectiveness is vital to achieving the desired profit levels in the future. The Group's cost programme is on target to give annual cost reductions of NOK 1.4 billion by end-2010. A programme to reduce procurement costs has recently been initiated, and streamlining measures in the Group's staff and support units, as well as in production and customer units, are being planned. We have the potential to run DnB NOR more cost-effectively.

DnB NOR is completely dependent on motivated employees who stand united to fulfil its long-term ambitions, and we are seeking to promote a performance and result-based corporate culture. I am confident that DnB NOR's employees and managers, through targeted efforts, will help DnB NOR succeed in 2009. I look forward to an exciting and challenging year.

Rune Bjerke
Group chief executive

Challenging times

2008 was characterised by financial turmoil, falling stock markets, reduced access to credit and mounting challenges for both private individuals and businesses. In spite of this, DnB NOR achieved healthy annual profits.

The financial markets

The financial markets in 2008

The financial crisis has lasted for more than one year and has become more profound and far-reaching, affecting most countries in the world to a greater or lesser extent. Governments, particularly in the USA, but also in many other countries, have launched extensive rescue plans to prevent the collapse of the financial system, which could have had disastrous consequences worldwide for businesses and private individuals.

The turmoil in the financial markets started in the USA in August 2007. A large number of financial institutions in the USA and Europe have suffered large losses and some have been taken over, whereas others have had to raise new capital to be able to continue their operations. National governments have intervened in several large institutions to secure future operations and stabilise the markets. The authorities in both the USA and other countries have also implemented other measures to ease the problems. The impact of the financial crisis on the real economy has been much faster and deeper than expected, with many predicting the most severe and protracted recession in the international economy since the 1930s. In response, the central banks in most countries have cut interest rates sharply, and governments have launched financial packages to promote economic development.

In the aftermath of the collapse of the IT bubble and the terror attacks of 11 September 2001, the Federal Reserve cut its key interest rate to one per cent over a two-year period and at the same time increased the liquidity supply to keep the wheels of the economy turning. The low interest policy resulted in very poor returns on low-risk investments and encouraged investors to increase their risk exposure. An additional effect of the low interest rate level was that households that previously had not been able to afford their own home, now had the opportunity to do so. The fact that many of the new borrowers were not sufficiently creditworthy remained concealed as long as housing prices continued to rise. If it became difficult to meet the mortgage payments, it was possible to obtain a new, higher appraisement as a basis for an additional loan, or the property could be sold and the loan redeemed. When housing prices started to level off and then fall, parallel to a rise in interest rate costs, the number of defaulted mortgages and losses for lenders to this market segment escalated.

A new trend was the prominent position securitisation and the development of new savings products obtained in the US financial market. Securitisation means that loans are bundled together and resold to mortgage lending institutions or other investors, spreading the risk from banks to other financial institutions and investors. The theory was that the spreading of risk would make both the banks and the financial system more robust to withstand financial crises. However, with hindsight, it has become clear that this practice contributed to the problems now being seen. The sale and resale to investors, both in and outside the USA, of partly complicated structured savings products made it difficult to identify which securities represented problem commitments, which institutions were exposed to such securities and how the value of these commitments could be determined. The growing uncertainty made it difficult to sell such securities. In addition, banks became more reluctant to lend to other banks and financial institutions, resulting in a very tight liquidity situation in the money markets. The premium paid by the banks for liquidity risk related to money market funding has increased sharply and, at times, several banks have had great difficulties in refinancing outstanding debt.

Central banks in a number of countries have injected extra liquidity into the market, in some cases with longer maturities than normal. A greater number of counterparties and a broader spectre of collateral is accepted. A number of the largest central banks have implemented several rounds of coordinated measures to supply US dollar liquidity to the interbank markets. The central banks have thus contributed to stabilising the financial markets.

Several institutions recorded large write-downs on loans in 2008 and, on a number of occasions, governments intervened to prevent an escalation of the crisis. There was a dramatic turn of events after Lehman Brothers, the fourth largest US investment bank, filed for bankruptcy protection on 15 September 2008. This induced greater lack of confidence between financial market participants, and the markets almost ceased to function. On 17 September, AIG, the largest US insurance company, received a bridge loan from the Federal Reserve. AIG played a central role in the credit risk insurance market. A number of other financial institutions in the USA and Europe have experienced great difficulties. Banks in Belgium, Denmark, France, the Netherlands, the United Kingdom, Sweden, Iceland and Germany have been taken over by their governments or by other financial institutions.

DnB NOR and other Norwegian banks have been affected by the financial turmoil primarily through rising funding costs and reduced access to long-term funding. A high deposit-to-loan ratio, emphasis on sound liquidity management and healthy profits in recent years have made Norwegian banks better equipped to meet the financial turmoil compared with banks in many other countries.

The banks' interest rate setting

In Norway, there were periods with high money market rates in 2008, even though the central bank lowered its key policy rate. This focused media attention on the banks' interest rate setting policy. The money market rate is important because it directly determines the price of a principal part of the banks' funding. This applies to money market deposits, short-term and long-term funding from the Norwegian market, and to borrowing in international markets which is converted to Norwegian kroner for lending in Norway. Therefore, the banks change their lending and deposit rates based on developments in the money market rate.

Norwegian money market rates formed via the US dollar

The Norwegian money and capital markets are rather small. Consequently, Norwegian insurance companies place a major part of Norwegian savings funds in international markets. This capital is generally returned to Norway as the largest Norwegian banks and enterprises must obtain a large part of their funding from the money and capital markets outside Norway.

The reason why the Norwegian market is small is partly the direct regulation of the market, which lasted until the 1980s, and partly that Norway has a limited number of businesses that are large enough to be able to fund themselves through the issue of commercial paper and bonds. Neither has it been customary in Norway to raise housing loans in the securities market, as is the case in, for example, Denmark, Germany and the USA. On account of the large profits from oil activity, neither has the Norwegian government had any real need for funding from the securities market. In addition, the balance of payments surplus is placed in international markets through the Government Pension Fund – Global.

As the financial transactions between the Norwegian and international money and capital markets are of such a magnitude, a chief characteristic of the Norwegian money market is that the pricing of loans is based on US dollars, with the consequence that US dollar interest rates have a direct impact on interest rates in the Norwegian kroner market.

Technically speaking, the Norwegian money market rate, NIBOR, is formed in the so-called currency swap market, where agreements are entered into to swap foreign currencies for a fixed period at an agreed price. The price reflects the difference in interest rate levels for the currencies in question. This market is used to eliminate the currency risk of lending transactions between Norwegian and international banks. The currency swap market is very large, with daily trading totalling many billions of Norwegian kroner. Activity in this market is also boosted by the great demand from businesses to exchange US dollars into Norwegian kroner and vice versa. For example, oil companies must convert their US dollar income into Norwegian kroner to pay petroleum taxes. The international investments of Norwegian insurance companies also create a need to exchange Norwegian kroner into US dollars.

As the interest rate level in the NIBOR market is based on the elimination of currency risk by entering into swap agreements involving US dollars, the price of a loan in Norwegian kroner depends on two factors. The first is the price of borrowing US dollars, the LIBOR rate. The second is the difference between the price for exchanging US dollars for Norwegian kroner at the time the loans are raised and converting to US dollars again at maturity. This difference is called the forward premium. NIBOR rate = LIBOR rate + forward premium. Under normal circumstances, this way of determining money market rates is of no particular significance to Norwegian interest rate levels. Changes in central bank key rate expectations in Norway or the US will affect the forward premium. For example, movements in the LIBOR rate owing to changes in expectations concerning the US federal funds rate will normally be matched by a corresponding change in the forward premium. The NIBOR rate will in that case not change. Under normal market conditions, the NIBOR rate has generally been 0.2-0.3 percentage points above the central bank's projected key policy rate. The key policy rate sets the interest rate floor in the money market.

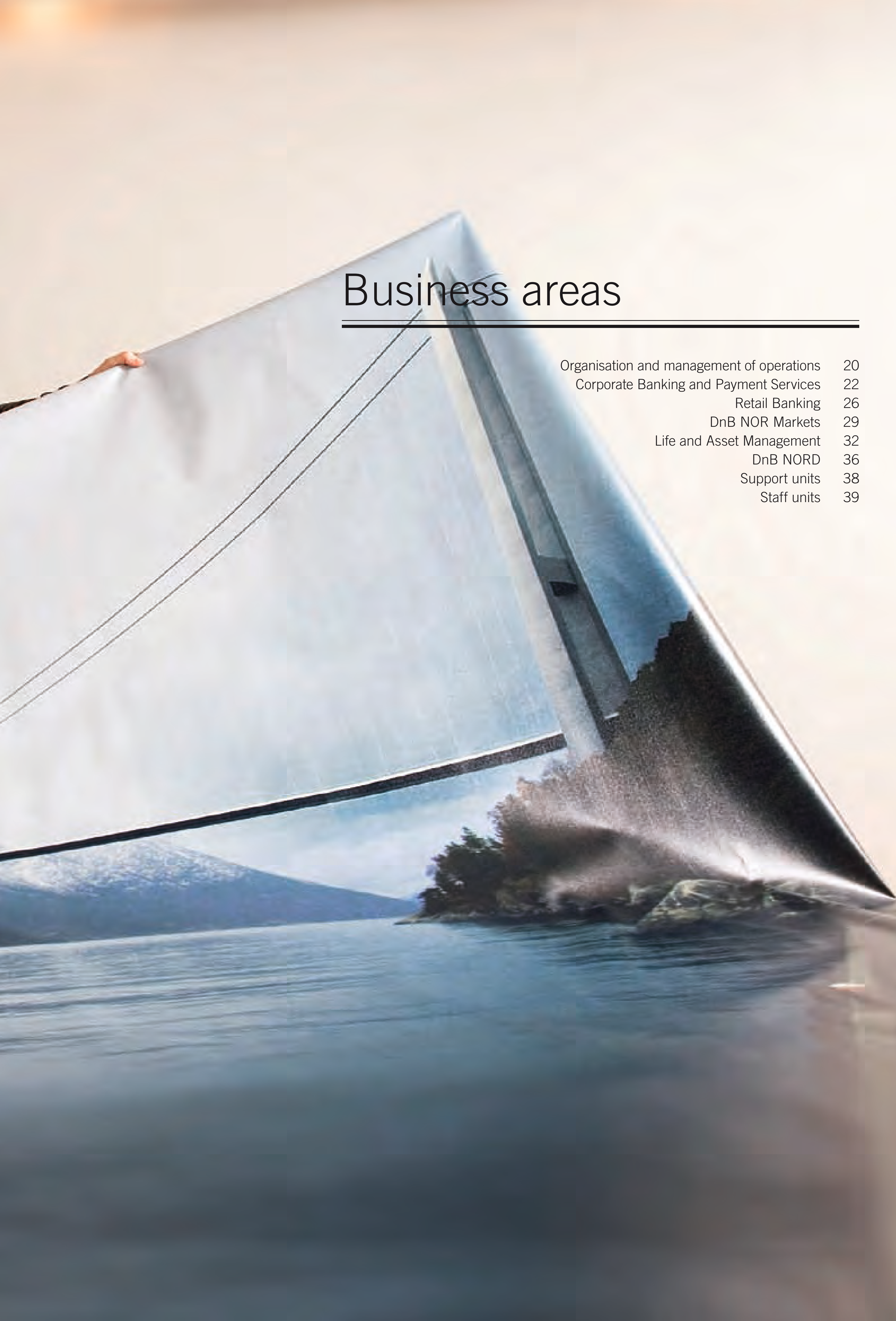
Widening difference between money market rates and key policy rates – effect on Norway

During the financial turmoil in 2008, the difference between money market rates and the central banks' key policy rates rose steeply in many countries. The rise was due to higher risk premiums in the money market, and the differential was particularly high after Lehman Brothers was forced to file for bankruptcy protection in mid-September. Three-month money market rates in the US were, at times, more than three percentage points above the expected federal funds rate. Risk premiums also increased in countries with money markets based on their own currency, for example Sweden. As the interest rate on the US dollar is included directly in the setting of Norwegian money market rates, the pass-through to Norwegian rates was faster and more pronounced. This in turn reinforced a rising trend in banks' lending and deposit rates.

Even though Norges Bank cut its key policy rate in October, the money market rate remained high on account of the higher risk premiums. Thus, there was no basis for the banks to follow Norges Bank's interest cut, which generated a lot of media attention. However, the extensive global measures implemented in the autumn to support the banking system and alleviate banks' funding problems gradually began to give results. Access to short-term and long-term funding in the central banks thus improved. The measures contributed to lowering risk premiums in the money market. In combination with significant cuts in the central banks' key policy rates, this brought down money market rates also in Norway. Thus, the necessary conditions were in place for the Norwegian banks to cut their lending and deposit rates in November and December.

Forming the future

DnB NOR wishes to strengthen cooperation between the Group's various business areas. The objective is to develop strong relationships by being a partner and finding good solutions for customers.



Business areas

Organisation and management of operations

In 2008, DnB NOR was organised into the operational business areas Corporate Banking and Payment Services, Retail Banking, DnB NOR Markets and Life and Asset Management. The business areas operate as independent profit centres and have responsibility for serving all of the Group's customers and for the total range of products. DnB NORD is regarded as a separate profit centre. Operational tasks and group services are carried out by the Group's staff and support units.

The operational structure of DnB NOR deviates from its legal structure as activities in subsidiaries fall in under the business area relevant to the company's primary operations. Activities in some subsidiaries are divided between the relevant business areas. This applies, for example, to Nordlandsbanken, where corporate market activities are included in Corporate Banking and Payment Services while retail market activities are included in Retail Banking.

The business areas operate as independent profit centres and are responsible for customer relationships and for serving specific customer segments and ensuring that the Group's products are adapted to market requirements. These responsibilities include marketing, customer relationship management, distribution and risk assessments in addition to product development, production and product pricing.

All of the Group's customer-related operations take place within the various business areas, but some activities of a special nature are not reported under the business areas. This is the case for the Group's investments in equity instruments, including the partially owned company Eksportfinans. Moreover, profits in Retail Banking do not reflect unrealised gains and losses resulting from changes in credit margins on covered bonds issued by DnB NOR Boligkreditt.

Central staff, group and support units carry out infrastructure tasks for the operative units as well as operational tasks providing cost efficiencies when undertaken for several business areas. In addition, they perform functions for governing bodies and group management. The business areas are able to influence staff and support units in the Group by changing their demand patterns and requirements.

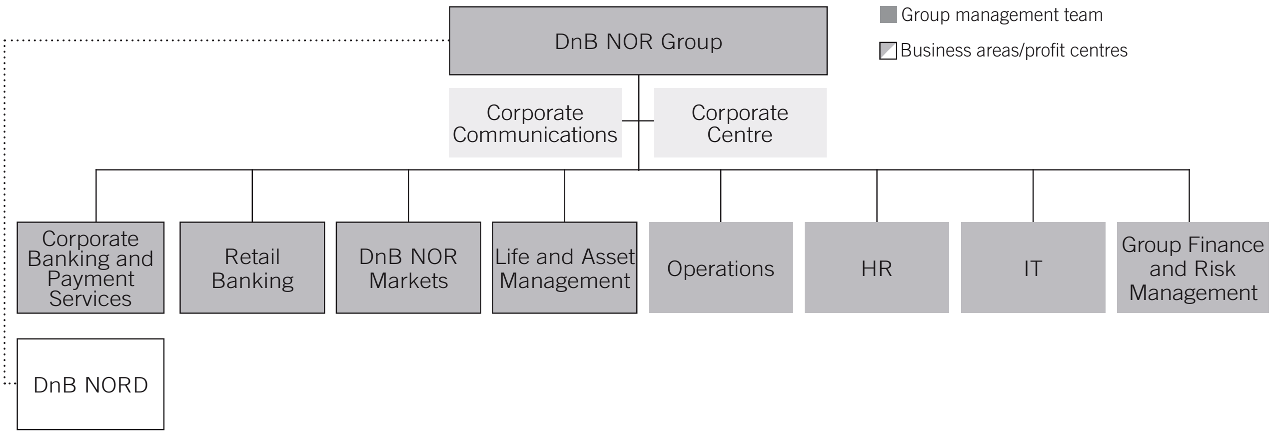
Internal management of operations in 2008

Differentiated financial and operational targets have been set for the various business areas to help the DnB NOR Group reach its targets. The business areas' contributions to value creation in the Group are assessed by monitoring developments in economic profit, defined as profits after write-downs and taxes less the calculated cost of capital based on the capital requirements of each business area. Return on capital, defined as profits after taxes relative to capital, is one of the key financial targets for the business areas. In the internal management of the business areas, allocated capital is based on DnB NOR's model for calculating capital requirements for various risk categories. See further description under "Capital management and risk categories" on page 58.

Cooperation between the business areas is an important element in DnB NOR's strategy. A wide range of products, services and distribution channels enables the Group to offer customer solutions across business areas. DnB NOR's financial management model and operational organisation provide conditions for the sale of products and services between the business areas. For most types of transactions between the business areas, pricing is regulated by internal agreements generally based on market terms. For some transactions, however, income is recorded in more than one business area. Net income from transactions which require extensive cooperation between several units, where it is difficult to quantify the contribution made by each unit, is recorded in its entirety in all units involved in such transactions.

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

Operational structure in 2008



In February 2009, DnB NOR initiated a process to review the organisational structure of the Group's operations in the Norwegian regional network. The aim of the project is to merge activities in Retail Banking and in the regional divisions Coast and East in Corporate Banking and Payment Services into one business area, Retail Norway, in the course of 2009. The reorganisation will enable the Group to utilise its wide range of products and services and expert skills in an optimal manner by coordinating activities in local markets and thus strengthen relations to customers in all Norwegian market segments. The reorganisation will also make it possible to capitalise on the size of the Group by coordinating and streamlining operations.

Financial performance

	Corporate Banking and Payment Services		*Retail Banking*		*DnB NOR Markets*		*Life and Asset Management*		*DnB NORD*	
Income statement in NOK million	*2008*	*2007*	*2008*	*2007*	*2008*	*2007*	*2008*	*2007*	*2008*	*2007*
Total income	15 590	12 342	10 794	10 725	5 767	3 289	3 107	4 674	2 436	1 886
Total operating expenses	4 899	4 156	6 851	6 322	1 749	1 517	2 153	2 316	1 704	1 310
Pre-tax operating profit before write-downs	10 691	8 185	3 943	4 403	4 017	1 772	953	2 357	732	576
Net gains on fixed assets	28	19	(2)	44	0	(1)			19	14
Write-downs on loans	1 056	76	423	266	1	22			1 388	121
Pre-tax operating profit	**9 663**	**8 128**	**3 518**	**4 181**	**4 016**	**1 748**	**953**	**2 357**	**(637)**	**469**
Average balance sheet items in NOK billion										
Net lending to customers 1)	538	413	455	426					75	50
Deposits from customers 1)	313	287	236	219					22	19
Asset under management (end of period)							533	593		
Key figures in per cent										
Cost/income ratio	31.4	33.7	63.5	58.9	30.3	46.1	69.3	49.6	70.0	69.5
Ratio of deposits to lending	58.2	69.5	51.8	51.4					29.4	39.4
Return on capital 2) 3)	16.6	18.9	38.8	23.3	46.7	33.0	3.9	38.1	(8.8)	8.5

1) Nominal values, including lending to and deposits from credit institutions respectively.

2) Return on capital is calculated on the basis of estimated BIS capital, representing 6.5 per cent of risk-weighted assets for Corporate Banking and Payment Services, Retail Banking, DnB NOR Markets and DnB NORD. For Life and Asset Management, calculations are based on recorded equity.

3) Return on capital is calculated on the basis of profits after taxes. An anticipated tax rate of 28 per cent has been used for Corporate Banking and Payment Services, Retail Banking and DnB NOR Markets, while a 20 per cent tax rate has been used for DnB NORD. For Life and Asset Management, 28 per cent tax has been used for Asset Management, while recorded tax has been used for Vital.

Leif Teksum
Group Executive
Vice President

Corporate Banking and Payment Services

DnB NOR is the leading financial institution in Norway, and the Group's extensive range of financial services is offered to Norwegian and international businesses. Corporate Banking and Payment Services aims to assist the Group's corporate customers in finding good solutions in a challenging market, while building relations for the future.

In 2008, pre-tax operating profits were NOK 9 663 million, a rise of 19 per cent from 2007. The considerable growth in volumes slowed down towards the end of the year.

Financial performance

Income statement in NOK million	*2008*	*2007*	*Change*
Net interest income	12 165	9 251	2 914
Other operating income	3 426	3 091	335
Total income	15 590	12 342	3 249
Operating expenses	4 899	4 156	743
Pre-tax operating profit before write-downs	10 691	8 185	2 506
Net gains on fixed assets	28	19	9
Net write-downs on loans	1 056	76	980
Pre-tax operating profit	**9 663**	**8 128**	**1 535**
Average balance sheet items in NOK billion			
Net lending to customers	537.9	412.6	125.2
Deposits from customers	312.9	286.8	26.1
Key figures in per cent			
Return on BIS capital	16.6	18.9	
RORAC	18.2	19.9	
Cost/income ratio	31.4	33.7	
Ratio of deposits to lending	58.2	69.5	

Growth in lending, a rise in allocated capital and a higher interest rate level relative to the previous year contributed to the increase in net interest income from 2007. Lending spreads, measured against the money market rate, widened in all business sectors during 2008. The increase in spreads was necessary to compensate for higher funding costs in the Group and higher levies to the Norwegian Banks' Guarantee Fund. Average lending spreads rose by 0.12 percentage points from 2007 to 2008. Deposit spreads contracted by 0.11 percentage points in the same period, and all segments showed a reduction.

Average customer lending rose sharply from 2007 to 2008, but the underlying growth rate declined towards the end of 2008. The most pronounced growth took place in the shipping and energy sectors and in operations in Sweden, principally within the Group's strategic priority areas. There was also significant growth in lending to small and medium-sized clients in Norwegian regions in the first half of 2008. DnB NOR's strategy to retain a low risk profile in the portfolio served as a guiding principle for the granting of credit.

Divisions 2008 [1)] *Income statement in NOK million*	*Total*	*Shipping, Offshore and Logistics*	*International Corporate and Institutions*	*Nordic Corporate*	*Regional Division East*	*Regional Division Coast*	*Sweden Division*	*Northern Europe Division*	*DnB NOR Finans*	*Other*
Net interest income	12 165	2 124	1 628	1 302	2 474	1 922	518	85	1 589	522
Other operating income	3 426	671	926	703	637	532	66	43	119	(271)
Total income	15 590	2 794	2 555	2 004	3 111	2 454	585	128	1 708	251
Operating expenses	4 899	492	502	486	921	835	220	90	1 155	199
Pre-tax operating profit before write-downs	10 691	2 302	2 053	1 519	2 190	1 619	364	38	553	52
Net gains on fixed assets	28								1	26
Net write-downs on loans	1 056	(1)	126	10	234	326	52	12	375	(78)
Pre-tax operating profit	**9 663**	**2 304**	**1 927**	**1 508**	**1 956**	**1 293**	**313**	**26**	**179**	**156**
Average balance sheet items in NOK billion										
Net lending to customers	538	122	61	85	91	92	42	2	44	(1)
Deposits from customers	313	52	58	70	75	43	4	2		9

1) Operating profit for Corporate Banking and Payment Services includes calculated interest on allocated capital BIS. Operating profit for the different divisions includes calculated interest on risk-adjusted capital. The difference is eliminated under "Other".

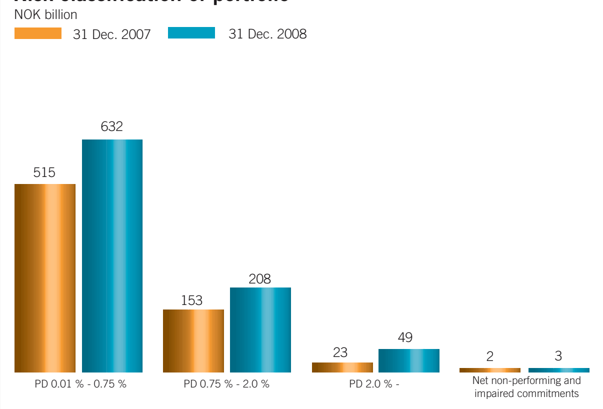
There was modest growth in average deposits from customers, though there was a positive trend towards the end of the year. From end-2007 to end-2008, deposits grew by 18.2 per cent. The most pronounced increase was in the large corporate segments, resulting from initiatives promoting deposits as an investment alternative.

Income from payment services showed a stable trend from 2007 to 2008. DnB NOR Finans took over the Norwegian and Swedish operations of SkandiaBanken Bilfinans at the beginning of 2008, which helped increase income. A broad range of products is vital in serving corporate clients. Cross-sales showed a positive trend in 2008 and contributed NOK 1 853 million in net income to Corporate Banking and Payment Services.

Operating expenses rose due to the expansion of the Group's international operations and further initiatives in the regional network in Norway. The allocation of available resources was subject to stricter prioritisation, resulting in lower growth rates in international operations during the summer of 2008. Expanded operations in DnB NOR Finans contributed to the rise in costs, while providing a basis for higher earnings and a boost in cross-sales. Growth in operational leasing in DnB NOR Finans resulted in depreciation of NOK 335 million in 2008, compared with NOK 144 million in 2007.

The level of net loan write-downs increased from 2007 to 2008. Relative to average lending volumes, write-downs were 0.19 per cent, compared with 0.02 per cent in 2007 and a normalised level of 0.38 per cent relative to total lending at year-end 2008. Lending growth in 2008 was in line with the Group's strategy and risk profile. The quality of the portfolio was satisfactory in all business sectors, though general market conditions entailed a negative trend towards

Risk classification of portfolio [1)]



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

the end of the year. A larger number of the business area's clients encountered problems in 2008 compared with 2007, and the scope of problem commitments increased towards the end of the year.

Operations

Corporate Banking and Payment Services will build on its sound professional expertise and assist the Group's customers in finding optimal solutions, following them up closely and offering good support through the cyclical fluctuations facing global markets. DnB NOR will give priority to strong, long-term and profitable customer relations both in the domestic market and internationally within its strategic target areas shipping, energy and seafood.

Broad range of products and distribution network

Corporate Banking and Payment Services offers a broad range of financial products and services in cooperation with several of the Group's product areas, including various types of financing solutions, deposits and investments, insurance, e-commerce products, commercial property brokerage, foreign currency and interest rate products, trade finance and corporate finance services.

DnB NOR offers corporate clients in all parts of Norway local expertise and service through finance centres, the subsidiary Nordlandsbanken, telephone banking and online banking services.

The business area is responsible for payment services in the DnB NOR Group, which includes cash management services and infrastructure solutions for all clients in Norway and at the Group's international units. Clients value straightforward solutions and global accessibility. DnB NOR has established joint solutions in its international branches, resulting in recogniseability, predictability and simplicity for clients, independent of geographic location. DnB NOR Online, a multinational Internet bank for corporate clients, was made available in Sweden in 2008.

The subsidiary DnB NOR Finans is Norway's largest finance company. In addition, the company has operations in both Sweden and Denmark. Main products are leasing, ICT equipment leasing, factoring, vehicle financing and fleet management under the brand name Autolease. The subsidiary DnB NOR Næringsmegling is Norway's largest commercial property adviser and broker.

The Group offers a broad range of products to corporate clients internationally through offices in New York, Houston, London, Singapore, Shanghai, Copenhagen, Hamburg, Helsinki, Stockholm, Gothenburg and Malmø. DnB NOR opened a full-service branch for corporate clients in Santiago in Chile in January 2009, and staff was increased at the representative office in Mumbai in 2008. DnB NOR is represented in Murmansk in Russia through the subsidiary DnB NOR Monchebank, which is licensed to engage in banking operations throughout Russia.

Increasing use of self-service solutions

Small and medium-sized companies are increasing their use of electronic services. In 2008, 52 000 companies made more than 100 million transactions in DnB NOR's corporate Internet bank. Services are available online that simplify corporate clients' everyday banking operations, such as salary payments and payments to and from companies. In addition, the Internet bank can be connected to companies' own systems in such areas as accounting and risk assessment, resulting in integrated solutions. Systems are also in place whereby clients can send and receive e-invoices in Norwegian kroner and foreign currencies via DnB NOR. In addition, DnB NOR offers corporate clients mobile phone banking and payment services and participates in international fora to further develop such solutions.

BankID is being used by an increasing number of corporate clients in Norway. 117 Internet banks and 44 websites in the private and public sector had started to use the service by the end of the year. BankID is an electronic identification and signature service offered by banks in Norway. Expanding BankID to include a multi-signature solution, and thus improve the service to customers, is in progress, and this solution will be launched during the first half of 2009. A multi-signature solution is necessary to comply with the authorisation rules in many companies, which require that more than one person sign a document.

Solid market position and satisfied clients

DnB NOR is standing strong in all parts of the Norwegian business sector. The Group had a market share of 15.9 per cent of total lending to Norwegian corporate clients at end-December 2008, an increase of 0.7 percentage points from December 2007. In relation to other commercial and savings banks, the market share was 32.8 per cent. The market share of Norwegian corporate deposits was 36.6 per cent at end-December 2008, compared with 35.6 per cent a year earlier.

DnB NOR is recognised for its expertise within complex international transactions and is one of the world's leading shipping banks. The Group's and the business area's long-term strategy within shipping remains firm, but growth is expected to stagnate for a period of time.

High customer satisfaction is an important competitive advantage, and Corporate Banking and Payment Services is devoting continual effort to ensuring satisfied clients within all segments. Regular customer satisfaction surveys are carried out among DnB NOR's corporate clients in Norway. Customer satisfaction among large companies has generally been high, whereas responses from SME customers have been more varied. Corporate clients' satisfaction with the telephone banking service remained at a stable, high level in 2008. Clients also expressed high satisfaction with the online banking service for corporate clients, which is becoming an increasingly important channel. DnB NOR's ambition is to maintain high satisfaction levels among the largest customers and to improve satisfaction scores in the other customer segments.

Highly skilled employees

Competent and motivated employees are vital to ensuring that the Group achieves market success, not least in challenging periods, when excellent professional expertise and experience are crucial. The employees in Corporate Banking and Payment Services have considerable expertise about local businesses, specific industries, credit risk, and the broad range of products offered by the Group. Together with in-depth customer knowledge, this constitutes a competitive advantage, both in relation to clients in the Norwegian market and within DnB NOR's international priority areas.

Competence development is given high priority, and particular importance is placed on continual skills upgrading within credit assessment and risk and profitability analysis. The SME Academy for employees who serve small and medium-sized companies is an important part of targeted training to serve the SME segment.

DnB NOR has clear ethical guidelines for credit operations. The guidelines imply that risk associated with environmental and social factors should be analysed on a par with other risk factors. Companies that contribute to environmental harm, corruption or the infringement of human or labour rights will not be granted credit.

The number of full-time positions in Corporate Banking and Payment Services was 2 548 at the end of 2008, with 1 818 full-time positions in Norway and 729 abroad. The subsidiaries in the business area had a total of 650 full-time positions.

Future prospects

At the start of 2009, the financial market turmoil continued, and this affected the Group's operations in Norway and internationally. It is expected that market developments and the financial turmoil may have negative consequences for some of Corporate Banking and Payment Services' clients. The number of clients who will have problems in serving their debt, in the short or long term, is thus expected to increase in 2009.

Operations in 2009 will be restricted by market opportunities and the Group's financial capacity. This will necessitate giving priority to small and medium-sized companies in the Norwegian part of operations, while international expansion will not be at the forefront of growth initiatives. Corporate Banking and Payment Services will, however, maintain its strategic focus on the shipping, energy and seafood sectors and will continue its activities under prevailing market conditions.

Jarle Mortensen
ACTING GROUP
EXECUTIVE
VICE PRESIDENT

Retail Banking

With more than two million retail customers, DnB NOR is the market leader in the Norwegian market. Retail Banking aims to improve customer satisfaction by making services more accessible and by offering customers high-quality personal financial advisory services.

Pre-tax operating profits were NOK 3 518 million in 2008, which was a reduction of NOK 663 million from 2007. The decline in profits was due to, among other things, higher funding costs and guarantee fund levies, costs relating to international initiatives and higher net write-downs on loans.

Financial performance

Income statement in NOK million	*2008*	*2007*	*Change*
Net interest income	7 674	7 655	18
Other operating income	3 120	3 070	50
Total income	10 794	10 725	68
Operating expenses	6 851	6 322	528
Pre-tax operating profit before write-downs	3 943	4 403	(460)
Net gains on fixed assets	(2)	44	(46)
Net write-downs on loans	423	266	157
Pre-tax operating profit	**3 518**	**4 181**	**(663)**
Average balance sheet items in NOK billion			
Net lending to customers	455.4	425.8	29.6
Deposits from customers	235.9	218.9	17.0
Key figures in per cent			
Return on BIS capital	38.8	23.3	
RORAC	36.4	40.1	
Cost/income ratio	63.5	58.9	
Ratio of deposits to lending	51.8	51.4	

Net interest income was at the same level in 2008 as in 2007. A steep fall in interest rates through the fourth quarter of 2008 resulted in an increase in net interest income from ordinary operations, whereas the implementation of Basel II led to lower capital requirements for housing loans and a decline in estimated interest on allocated capital. The weighted interest rate margin, defined as total margin income on loans and deposits relative to average loans and deposits, was 1.05 per cent in 2008, compared with 1.00 per cent in the previous year.

The ratio of deposits to lending was stable through 2008. Lending growth abated towards the end of 2008 on account of the reduced demand for housing loans.

Other operating income was influenced by the turmoil in the financial markets, with a decline in the sale of mutual fund and insurance products and reduced income from real estate broking in Norway. Income from payment services and from operations in Sweden contributed to the rise in income from 2007 to 2008.

Operating expenses rose due to IT development and new activities in Sweden. Impairment losses for goodwill relating to Svensk Fastighetsförmedling came to SEK 116 million, the equivalent of NOK 104 million, reflecting an expected decline in housing sales and lower demand for housing loans in consequence of the financial turmoil. There is firm control over underlying costs through cost-cutting measures and workforce reductions in Norwegian operations.

Net write-downs on loans and guarantees increased from 0.06 per cent of average lending in 2007 to 0.09 per cent in 2008. Measured credit risk in the loan portfolio was stable in 2008. Non-performing loan volumes increased during the second half of 2008. In light of the prolonged negative trend in the labour and housing markets, a continued rise in non-performing loans is expected in 2009. Retail Banking has increased resources to secure problem commitments, and measures have been implemented to closely follow up customers who have difficulties in meeting their commitments.

Operations

DnB NOR's operations in the Norwegian retail market are carried out under three brands. DnB NOR offers individual customer solutions, professional advice and proximity to customers. Postbanken's image is customer-oriented, uncomplicated and fair. Nordlandsbanken's image is that of a local bank with the services of a large bank. In addition to these brands, credit cards are sold through external partners under the brand name Cresco.

Retail Banking has a large customer base consisting of more than two million customers in Norway. The number of loyalty programme members in DnB NOR was 784 000 at year-end 2008, whereas Postbanken customers with the product package Leve numbered 450 000. Charges on all loyalty programmes in DnB NOR were removed on 1 May 2008, and the number of loyalty programme customers increased by some 58 000 from May until the end of the year. This implies that a growing number of customers choose to use a wider range of the Group's products.

Retail Banking is the market leader in the Norwegian market and had, on average, NOK 455 billion in loans and NOK 236 billion in deposits in 2008. The market share of total lending to wage earners was approximately 28.2 per cent at end-December 2008, whereas the market share of savings from wage earners was approximately 35.5 per cent. Fierce competition in both the lending and savings markets gave somewhat reduced market shares during 2008.

The Group experienced extensive negative media coverage in the autumn of 2008, which was also reflected in various customer satisfaction surveys. DnB NOR takes the challenges to its corporate reputation seriously and is seeking to improve its image. Within financially prudent limits, the bank will offer competitive prices and develop new and attractive solutions, particularly through electronic channels and personal advisory services.

Streamlined services

The DnB NOR Group wishes to achieve higher customer satisfaction scores and strengthen its market position by making services more accessible and by offering customers high-quality personal advisory services. Streamlining of everyday banking services and the branch network is an ongoing process. In 2008, 40 branches were converted to pure advisory service centres, while in-store banking outlets were opened in 870 shops. Retail Banking aims to reduce the number of manual transactions in the branch network by 75 per cent compared with the level in 2007 by the end of 2010. The 15 per cent reduction achieved in 2008 was in line with this target.

During 2009, Multisignering will be launched, which is a further development of BankID. This is a new electronic signature solution where more than one person can sign the same document, for example loan documents requiring the signature of both spouses. Retail Banking expects extensive use of this new solution, resulting in shorter processing times and more streamlined work processes.

Through the Group's cost programme, Retail Banking aims to reduce costs by a total of NOK 410 million by the end of 2010, of which NOK 180 million will be realised during 2009. Retail Banking implemented cost-efficiency measures with an annual effect of NOK 120 million in 2008, and at the start of 2009, the cost programme was ahead of schedule.

Extensive distribution network

Distribution power in the retail market represents an important asset for the Group. During 2008, customer needs for expertise, accessibility, products and services were met through 171 DnB NOR branch offices, 35 SAGA investment centres, DnB NOR Private Banking, telephone and online banking services, mobile banking services and in-store banking outlets at 870 locations. Nordlandsbanken had 16 branch offices. Postbanken had 41 customer service centres and also served customers through 268 post offices and 1 187 in-store postal outlets.

The mobile phone is DnB NOR's fastest growing distribution channel, and the Group has taken a leading position in the Nordic region within mobile banking services. In December, approximately 1.9 million SMS messages were received. Account balance enquiries was the most popular service, representing some 90 per cent of the SMS messages.

Surveys establish that DnB NOR has Norway's most user-friendly Internet bank, and the launch of an Internet bank in English has been welcomed by many non-Norwegian speaking customers. Retail customers made a total of 59 million online banking transactions in 2008, with 41 million in DnB NOR, 15 million in Postbanken and 2 million in Nordlandsbanken.

Real estate broking is an important channel for the distribution of housing loans and savings products. By the end of 2008, DnB NOR Eiendom was represented at 97 locations in Norway, whereas Postbanken Eiendom had 32 offices. At end-December 2008, Svensk Fastighetsförmedling had 209 offices in Sweden. The acquisition of Svensk Fastighetsförmedling made DnB NOR the largest real estate broker in the Nordic region and ensured a channel for the distribution of housing loans to Swedish bank customers. SalusAnsvar, which distributes financial products to members of interest organisations in Sweden, is also part of the Group's initiatives in the Swedish retail market.

Private Banking is an important part of the Group's international strategy. DnB NOR's wholly-owned subsidiary in Luxembourg offers comprehensive and tailor-made financial advice, and the services for high-net-worth Scandinavians living broad will be further developed.

DnB NOR Kort has overall responsibility for credit cards and consumer finance services in the DnB NOR Group. In addition, DnB NOR Kort is authorised to issue American Express cards to retail customers in Norway.

Retail Banking cooperates extensively with other units in the Group. Through the business area's large distribution network, customers receive access to a wide range of products, including mutual fund products, life and pension insurance from Life and Asset Management and car financing from DnB NOR Finans.

DnB NOR Boligkreditt had a loan portfolio of NOK 198.5 billion at the end of 2008. The company is an important tool to secure the Group access to long-term funding through the issue of covered bonds. The credit rating agencies have given the bonds issued by DnB NOR Boligkreditt an AAA rating, and bonds for a total of NOK 133 billion were issued in 2008. Under normal market conditions, the good classification would secure the bank access to lower priced funding and thus increase the Group's competitive power. However, due to the global financial turmoil, access to funding from the market has been substantially reduced. On the other hand, the significance of Boligkreditt as a source of funding was reinforced through the stimulus package introduced by the Norwegian government in October 2008, making it possible to obtain long-term funding through a swap scheme with Norges Bank.

Expanded operations in Norway

DnB NOR Skadeforsikring was established in November 2008. The company will offer products particularly suited to retail customers and small and medium-sized companies. The aim is to secure a market share in the individual market of 12 per cent in 2012. DnB NOR Skadeforsikring will take over the insurance policies which are currently under Vital Skade, so that all customers of Vital Skade will benefit from the offers and services in the new company as the policies are renewed upon maturity.

From 1 January 2009, DnB NOR is responsible for all banking services at Oslo Airport. The agreement has a duration of five years. With twenty million passengers annually, this gives DnB NOR a good basis for increasing its market initiatives.

Satisfied employees

DnB NOR conducts annual surveys of employee satisfaction. The survey shows that employees in Retail Banking are very satisfied with their workplace.

Since the autumn of 2006, Retail Banking has implemented a certification programme for advisers and managers to upgrade skills and ensure that the advice given is in accordance with prevailing legislation and prudent advisory practices. During 2008, 824 advisers were certified, and by end-December 2008, more than 568 were following the certification programme. In 2009, a national authorisation scheme has been introduced for financial advisers which will replace DnB NOR's internal certification scheme. See page 83 for a more detailed description of this scheme.

The number of full-time positions in Retail Banking was 3 883 at the end of December 2008, including 307 full-time positions in operations in Sweden. Ongoing streamlining measures have reduced staff numbers in Norway.

Future prospects

The turmoil in financial markets has affected Retail Banking in various ways. Rising interest rate levels through the first part of 2008 made saving in banks more attractive and improved the deposit-to-loan ratio, whereas the sale of other savings products declined. High funding costs led to increased pressure on lending spreads parallel to lower demand for housing loans. Net write-downs rose in the second half of 2008, but were nevertheless at an acceptable level.

It is expected that the cyclical downturn will continue into 2009, resulting in lower earnings for the business area. The fall in interest rates will intensify competition for deposits and increase the pressure on spreads. The weak housing market may continue in 2009 with respect to both housing prices and housing investments. Combined with rising unemployment levels, this will result in lower lending growth. The negative trend in non-performing loans is expected to continue into 2009.

Ottar Ertzeid
Group Executive
Vice President

DnB NOR Markets

DnB NOR Markets is Norway's largest investment bank, serving customers from its head office in Oslo, 13 regional sales desks in Norway and offices in Stockholm, London, New York, Houston, Singapore and Shanghai, supported by electronic channels.

Pre-tax operating profits totalled NOK 4 016 million in 2008, up NOK 2 268 million or 130 per cent from 2007. The rise in profits reflected a high level of activity in a market characterised by extraordinary volatility in interest rates, exchange rates and commodity prices.

Financial performance

Income statement in NOK million	*2008*	*2007*	*Change*
Net interest income	1 095	395	700
Other operating income	4 671	2 894	1 778
Total income	5 767	3 289	2 478
Operating expenses	1 749	1 517	232
Pre-tax operating profit before write-downs	4 017	1 772	2 245
Net gains on fixed assets	0	(1)	1
Net write-downs on loans	1	22	(21)
Pre-tax operating profit	**4 016**	**1 748**	**2 268**
Key figures in per cent			
Return on BIS capital	46.7	33.0	
RORAC	58.0	51.2	
Cost/income ratio	30.3	46.1	

The sound trend in DnB NOR Markets' total income in 2008 was due to rising income from both customer activities and market making and other proprietary trading. The increase in costs resulted from new operations, new products, higher performance-based expenses and an increase in IT investments. DnB NOR Markets accelerated investment in IT systems to achieve higher automation levels, improved risk management and effective handling of new products. Comparisons with other international investment firms confirm that there is high cost efficiency in the business area.

Revenues within various segments

Income in NOK million	*2007*	*2006*	*Change*
FX, interest rate and commodity derivatives	1 936	1 332	604
Investment products	574	705	(130)
Corporate finance	643	828	(186)
Securities services	333	388	(55)
Total customer revenues	3 486	3 253	233
Changes in credit spreads	(1 333)	(1 253)	(80)
Market making/trading revenues	3 226	1 100	2 126
Total income from market making	1 893	(153)	2 046
Interest income on allocated capital	387	189	198
Total income	5 767	3 289	2 478

Strong demand for currency, interest-rate and commodity hedging products, combined with the impact of extraordinary price volatility on these products, contributed to the positive trend in income from FX, interest rate and commodity derivatives. With respect to both foreign exchange and interest rate products, it is an advantage for DnB NOR Markets that Norway has its own currency.

Customer-related revenues from the sale of securities and other investment products declined compared with 2007. Income from the sale of equities was down due to the general stock market trend, while income from equity derivatives, commercial paper and bonds remained at a satisfactory level. Due to changes in external parameters for alternative investment products and investors' preferences for lower-risk investment products, there was a significant reduction in sales of these products compared with 2007.

A marked decline in capital market activity resulting from the financial market turmoil, especially share issues and initial public offerings, contributed to the reduction in income from corporate finance services. There was a higher level of activity within financial advisory services, valuations, mergers and acquisitions. Under demanding market conditions, debt capital operations generated satisfactory results.

Customer-related revenues from custodial and other securities services declined due to a lower level of stock market activity and reduced prices.

There was a rise in earnings from market making and other proprietary trading, reflecting high market volatility within DnB NOR Markets' core areas of activity, including Norwegian kroner.

Income from the liquidity portfolio was affected by the change of valuation principle for the bond portfolio with effect from the second half of 2008. This portfolio was previously carried at fair value, but as from 1 July 2008, it is classified as held-to-maturity bonds and recorded at amortised cost over the maturity of the bonds. The high credit quality of the portfolio was maintained, and the share of securities with an AAA rating increased from 98 per cent at year-end 2007 to 99 per cent in 2008

Operations

DnB NOR Markets aims to be the best partner for Norwegian customers within investment banking and securities services, as well as for international clients requiring services relating to Norway and the Norwegian krone. In selected customer segments such as shipping, energy and seafood, DnB NOR Markets will engage in international operations together with other units in the Group. International operations were strengthened in 2008 through a wider range of products and greater distribution capacity in Europe, Asia and North-America.

Key products include foreign exchange, interest rate and commodity products, securities and other investment products, debt and equity financing in capital markets, research and advisory services, as well as custodial and other securities services. Securitisation has not been among DnB NOR Markets' priority areas, and the business area has thus not recorded losses or income shortfalls resulting from the international collapse in these markets.

DnB NOR Markets seeks to achieve competitive returns and high cost-efficiency through diversified operations with a moderate risk profile.

Focus on customer business

The main focus is on customer activities. DnB NOR Markets will offer service concepts and financial advisory services that generate value for customers and are geared to their individual needs.

The business area's main customer groups are Norwegian retail and corporate clients and the public sector. Other important customer groups are DnB NOR's international clients and others requesting financial services in Norway or services related to Norwegian kroner products. During 2008, certain market participants, such as hedge funds and other leveraged investors, faced serious challenges, but this had little effect for DnB NOR Markets due to its focus on traditional customer activities and products.

Value creation in DnB NOR Markets is ensured by highly skilled employees, sound customer relations, a broad distribution network and products adapted to customer needs.

In product areas where the business area has special advantages, such as products relating to Norway and the Norwegian krone, DnB NOR Markets undertakes in-house product development and production. For other product areas, such as international equity brokerage, emphasis is placed on insourcing, cooperation agreements with other banks and on bundling existing financial instruments into new products to reduce costs, risk and time-to-market. Priority is given to continual development of products and services. Trading activities support customer activities with products and prices.

New products and services introduced by DnB NOR Markets in 2008 included investment products such as the exchange-traded funds DnB NOR OBX Derivat Bear and DnB NOR OBX Derivat Bull in cooperation with DnB NOR Asset Management, Contracts for Difference, CFDs, and shipping funds. The range of commodity products was expanded, and web TV was launched as a new information channel for customers.

Local and international customer service and cross-sales

DnB NOR Markets is committed to customer proximity and to providing a full range of services through both physical and electronic distribution. This is ensured by 13 regional sales desks in Norway and offices in Stockholm, London, New York, Houston, Singapore and Shanghai, supported by electronic channels. In February 2008, DnB NOR linked up to Target 2, the new euro clearing system between central banks within the EU. In January, a corporate finance unit was established at the bank's branch in London. In May, a Debt Capital Markets unit was established at the branch in New York, and in September, an equity research unit was established at the Singapore branch. The branches in Singapore, London and Stockholm started with commodity sales in 2008.

To better understand current and future customer needs, cooperation with the Group's other business areas is important, and these provide an important sales channel for DnB NOR Markets' products. In addition, certain products are offered through partner banks and other investment firms. Service to major clients, risk management and support and control functions are centralised. Operations are organised under DnB NOR Bank ASA, with the exception of operations in the US, where securities activity is carried out by the subsidiary DnB NOR Markets Inc.

DnB NOR Markets has a large team of equity, credit, currency, commodity and fixed-income analysts who along with other specialists play a key role in advising the business area's customers.

Strong market position and high customer satisfaction

During a year characterised by significant financial market turbulence, DnB NOR Markets strengthened its leading market position in Norway. The business area increased its market share within equities brokerage and was the second largest brokerage house at Oslo Børs and number one within derivatives in 2008. The market share of customer business in equity derivatives at Oslo Børs exceeded 41 per cent. Again in 2008, DnB NOR Markets was the largest bond brokerage house on Oslo Børs, and arranged the greatest number of both Norwegian bond issues and commercial paper issues. DnB NOR operated as registrar for 54.6 per cent of the companies registered in the Norwegian Central Securities Depository, VPS.

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

High ethical standards and compliance with the Group's corporate social responsibility principles are emphasised in all areas of operation.

Staff recruitment and continual competence enhancement in growth areas

The number of full-time positions in DnB NOR Markets was 655 at the end of 2008, an increase of 7.0 per cent from a year earlier due to the establishment of new international units, new products and services and a higher level of activity. The business area recruits freshly graduated, highly competent people from universities and colleges who receive in-house training and development opportunities. In addition, experienced staff members are employed in areas where they can supplement the organisation with their expertise and extensive customer contacts. Measures are continually implemented to strengthen the professional competence and sales, presentation and relation-building skills of individual employees. DnB NOR Markets emphasises the role of the manager as coach and is committed to in-house management training. As in the rest of the DnB NOR Group, the business area gives great priority to building relations with major educational institutions. DnB NOR Markets is a strong brand among Norwegian students, which facilitates the recruitment of employees who are interested in professional and personal development.

Future prospects

Developments in the equity, credit, commodity, currency and interest rate markets will be decisive for the business area's future performance. In spite of significant financial market volatility, prospects for FX, interest rate and commodity products are considered to be good. DnB NOR Markets benefits from its strong market position in these product areas and in the Norwegian market. The business area's diversified operations and strong focus on customer activities, combined with the fact that Norway has its own currency, will continue to provide competitive advantages for DnB NOR Markets.

Tom Rathke
Group Executive
Vice President

Life and Asset Management

The business area Life and Asset Management consists of Vital and DnB NOR Asset Management. Vital provided insurance coverage for more than one million policyholders and had group agreements with approximately 27 000 companies at year-end 2008. DnB NOR Asset Management had just under 600 000 retail clients and a leading position among Norwegian and Swedish institutional clients.

Pre-tax operating profits totalled NOK 953 million after the use of additional allocations. Performance reflected the financial market turmoil, which reduced revenues within both life insurance and asset management operations in 2008.

Financial performance

Income statement in NOK million	*2008*	*2007*	*Change*
Total income	3 107	3 893	(1 567)
Operating expenses	2 153	1 973	(163)
Pre-tax operating profit	**953**	**1 920**	**(1 404)**
Balances in NOK billion (end of period)			
Assets under management	533.4	591.5	(59.3)
Key figures in per cent			
Return on equity [1)]	3.9	38.1	
RORAC	3.2	44.0	
Cost/income ratio	69.3	49.6	

1) Calculated on the basis of recorded equity.

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

Financial performance in Vital

Income statment in NOK million	*2008*	*2007*	*Change*
Interest result	(2 623)	15 546	(18 169)
- of which property revaluations	*(2 395)*	*6 962*	*(9 357)*
Transferred to additional allocations	(2 993)	3 000	(5 993)
Risk result	136	(222)	358
Provision for higher life expectancy	0	4 436	(4 436)
Administration result	(143)	(275)	132
Profit on risk and guaranteed rate of return	437	0	437
Other	(68)	(43)	(25)
Profit for distribution	733	7 570	(6 837)
Allocations to policyholders	89	5 661	(5 573)
Impairment losses for goodwill	0	22	(22)
Pre-tax operating profit	644	1 886	(1 242)
Tax charge	427	(2 074)	2 501
Profit after tax	**218**	**3 960**	**(3 743)**
Balance sheet items in NOK billion (end of period)			
Total assets	224.1	232.6	(8.5)
Key figures in per cent			
Return on equity [1)]	2.3	41.9	
RORAC	1.2	44.0	

1) Calculated on the basis of recorded equity.

In the most challenging financial market situation for several decades, Vital achieved pre-tax operating profits of NOK 644 million after the use of additional allocations. The recorded return on capital was 1.9 per cent, while the value-adjusted return was 0.3 per cent for 2008. At the start of 2009, approximately 75 per cent of policyholders' funds were placed in fixed-income securities.

In the property portfolio, there was a negative return of 2.2 per cent for 2008, including a gross downward adjustment of Vital's properties of NOK 3.2 billion, corresponding to 10.1 per cent. A number of properties were demerged in separate subsidiaries during the second quarter of 2008. The restructuring of the property portfolio compensated for part of the value shortfall and raised values by NOK 0.8 billion.

The risk result improved from a negative NOK 222 million in 2007 to a positive NOK 136 million in 2008. The main factor behind the improvement was non-recurring costs of NOK 321 million recorded in 2007 due to portfolio reduction in the public sector.

Costs of NOK 73 million relating to the winding-up of operations in Sweden and the Baltic States were charged to the company's administration result.

Corporate clients accounted for 50 per cent of total assets as at 31 December 2008, while individual and public-sector clients accounted for 40 and 10 per cent respectively.

Premium income totalled NOK 20 744 million in 2008, a 9 per cent reduction compared with 2007, reflecting lower premium income from individual products.

There was a net inflow of transfers of NOK 535 million in 2008, compared with a net outflow of NOK 3 088 million in 2007. The inflow of transfers was mainly attributable to the fact that two large public-sector clients chose to move to Vital in 2008.

Total surrenders, transfers of pension funds and payments to policyholders came to NOK 23 130 million in 2008, down from NOK 31 667 million in 2007. Of total surrenders of individual products, NOK 8.1 billion represented products with a guaranteed rate of return and NOK 2.2 billion products with a choice of investment profile, unit linked. Payments to policyholders, excluding surrenders, amounted to NOK 9.4 billion, up from NOK 8.8 billion the previous year. Solvency capital in Vital totalled NOK 17.0 billion at end-December 2008. The securities adjustment reserve was reduced by NOK 3.3 billion to nil at year-end 2008, reflecting the stock market slide. There was a NOK 218 million rise in equity.

Operations in Vital

Vital is Norway's largest provider of individual and group life insurance and pension savings. Vital offers group pensions in the form of defined-benefit and defined-contribution schemes to businesses and the public sector. At end-December 2008, defined-benefit schemes represented 96 per cent of policyholders' funds, while defined-contribution schemes accounted for the remaining 4 per cent. A new scheme for individual pension savings, IPS, was introduced in spring 2008, and Vital was among the first market participants to offer this product. Vital's clients entered into 3 632 of the total volume of 10 400 IPS agreements in 2008. The product will be marketed actively also in 2009.

Through DnB NOR, external partners and its own sales force, Vital has a strong distribution network reaching all customer groups. In the retail market, independent agents accounted for 28 per cent of total sales at NOK 1.3 billion. Sales through Vital's own distribution network, i.e. own insurers, DnB NOR and internal channels, represented NOK 3.4 billion or 72 per cent. In the corporate market, Vital's products are distributed mainly through is own sales force and brokers, though DnB NOR is also an important point of contact for the sale of Vital products in this market.

Following an overall evaluation of Vital's strategy, which places primary focus on Norway, the company decided to wind up its operations in Sweden and the Baltic States in 2008. The process of finding buyers for the portfolios in the relevant countries will continue in 2009.

Vital had 882 full-time positions as at 31 December 2008.

Strong market position

Vital is the market leader within life insurance and pension savings in Norway. At year-end 2008, the company had more than one million retail customers with individual and group agreements. Agreements with companies, municipalities and public enterprises numbered approximately 27 000.

Market shares in Vital

Per cent	*30 Sept. 2008*	*31 Dec. 2007*
Total policyholders' funds	32.8	33.6
- Corporate market	42.1	43.4
- Public market	10.4	9.8
- Retail market	53.9	51.8

Vital had a 42.9 per cent market share within defined-benefit schemes, including paid-up policies, at end-September 2008. The company's market share of defined-contribution schemes was 29.4 per cent. At end-December 2008, 234 defined-benefit schemes had been converted to defined-contribution schemes. This trend is expected to continue. Competition in the paid-up policy segment remained intense in 2008. Strong growth in the market is expected, not least due to the move from defined-benefit to defined-contribution schemes.

At year-end 2008, Vital had 59 municipalities and one county municipality as clients in addition to a number of public enterprises. The increase in the company's market share from 2007 to 2008 was mainly attributable to the fact that two large public-sector clients chose to move to Vital in 2008.

Vital consolidated its position as the largest provider of individual pension savings in 2008. The main products are guaranteed-rate savings and mutual fund savings through unit linked products. The financial market turmoil and better terms and conditions for other savings alternatives resulted in more sluggish sales and extensive surrenders.

Ethical management

Vital has established ethical guidelines for its management of customers' pension funds. Recognised international principles underlie all investments made. The guidelines set minimum standards and are in line with DnB NOR's policy for corporate social responsibility and the international principles and conventions endorsed by the Group.

When making investments, Vital follows the principles laid down in the UN Global Compact and OECD's guidelines for multinational companies. In addition, Vital has specific criteria that exclude investments in companies producing tobacco or pornography and in companies which are involved in the production or distribution of components used in weapons of mass destruction, including landmines and cluster weapons.

At year-end 2008, Vital had excluded 41 companies from its investment portfolio based on criteria in the Group's ethical management rules.

Financial performance in DnB NOR Asset Management

Income statement in NOK million	*2008*	*2007*	*Change*
Net interest income	119	107	12
Commission income			
- from retail customers	280	532	(252)
- from institutional clients	553	625	(72)
Other income	23	(1)	25
Total income	975	1 262	(287)
Operating expenses	666	791	(125)
Pre-tax operating profit before write-downs	**309**	**471**	**(162)**
Balances in NOK billion (end of period)			
Assets under management	478.3	541.2	(62.9)
Key figures in per cent			
Return on equity [1)]	12.3	18.7	
RORAC	25.9	44.5	
Cost/income ratio	68.4	62.7	

1) Calculated on the basis of recorded equity.

Declining financial markets led to lower income owing to a reduction in assets under management and lower performance-based fees. Average assets under management declined by 8.2 per cent from 2007 to 2008. Performance-based management fees represented NOK 12 million in 2008, down from NOK 66 million in 2007. Due to the uncertainty surrounding future market developments and the duration of the financial turmoil, impairment losses for goodwill relating to asset management operations of NOK 850 million were recorded in the DnB NOR Group's accounts in 2008.

Reduced staff numbers and lower performance-based pay contributed to reducing costs relative to 2007. Measures have been initiated to reduced operating expenses and the number of full-time positions.

Developments in equity prices and interest rate levels resulted in a 33.9 billion reduction in assets under management from year-end 2007 to end-December 2008. Swedish kronor appreciated somewhat against Norwegian kroner towards the end of 2008, which gave a positive exchange effect for international securities under management of NOK 12.6 billion. The net outflow of funds was NOK 41.6 billion, compared with NOK 3.8 billion in 2007.

Operations in DnB NOR Asset Management

DnB NOR Asset Management is the country's leading provider of mutual funds and discretionary asset management. The company offers retail customers and institutional clients in the Norwegian and Swedish savings markets domestic and international asset management services. In Norway, operations are carried out under the brand names DnB NOR and Postbanken. The brand names Carlson and DnB NOR Asset Management are used in the Swedish market.

Through DnB NOR, external partners and its own sales force, DnB NOR Asset Management has a strong distribution network reaching all customer groups. There have been brisk sales to retail clients through DnB NOR's branch offices for a number of years. In addition to distribution channels in Norway and Sweden, DnB NOR Asset Management has sales activities from Luxembourg focused on the German market. Sales via DnB NORD's distribution network in Poland and the Baltic States will be expanded. Cooperation with external distributors in Norway has gained in importance and will be a supplement to internal distribution through the bank.

Close to 100 asset managers and analysts are responsible for DnB NOR Asset Management's mutual funds and portfolios. Investment activity primarily takes place in Norway and Sweden. As part of DnB NOR Asset Management's focus on global equities, investment is carried out from the offices in London, New York, Hong Kong and Chennai. Life and Asset Management follows ethical guidelines for its management operations. The guidelines set minimum standards and are in line DnB NOR's policy for corporate social responsibility and the international principles and conventions endorsed by the Group.

DnB NOR Asset Management had 287 full-time positions as at 31 December 2008, including 144 outside Norway.

Strong market position

DnB NOR Asset Management is a prominent market participant within asset management in both Norway and Sweden and had a market share of just over 28 per cent in the Norwegian institutional market and a market share of approximately 20 per cent in the Swedish institutional market at year-end 2008. The total number of institutional clients was 283 at the end of 2008.

DnB NOR Asset Management's 598 000 retail clients had entered into 317 000 savings schemes at year-end 2008, generating annual contractual savings of NOK 2.9 billion. The market share in the Norwegian retail market was 38.0 per cent at end-December 2008, compared with 38.7 per cent a year earlier.

Future prospects for Life and Asset Management

Life and Asset Management assumes that the volatility in financial markets could prevail, and 2009 is thus expected to be a challenging year.

A prolonged, low interest rate level is particularly challenging for life insurance operations, as a large number of policyholders have a guaranteed rate of return on their funds. Vital has a large portfolio of held-to-maturity bonds which helps stabilise earnings. The company also has a considerable exposure to short-term bonds generating yields in excess of the money market rate. These factors, coupled with dynamic risk management, help increase the probability that the company will meet the annual guaranteed rate of return.

Earnings in DnB NOR Asset Management are directly affected by a reduction in assets under management. Competition from alternative savings products has slowed considerably following negative publicity concerning, among other things, structured products. Consequently, greater interest is expected in saving in traditional mutual fund and insurance products.

Life and Asset Management will implement cost-cutting measures in 2009 to ensure that the business area's products are perceived as attractive and correctly priced in the market. DnB NOR Asset Management reduced staff levels by approximately 15 per cent in 2008, and operations are being streamlined to make the company well prepared to deliver attractive products with competitive returns in future.

Thomas Bürkle
DnB NORD
Group CEO

DnB NORD

DnB NORD, in which DnB NOR has a 51 per cent ownership interest, had a network of 180 branch offices and some 870 000 customers in six countries at year-end 2008.

2008 was a challenging year for DnB NORD as it felt the effects of the global financial crisis. A pre-tax operating loss of NOK 637 million was recorded, compared with pre-tax operating profits of NOK 469 million in 2007.

Financial performance

Income statement in NOK million	*2008*	*2007*	*Change*
Net interest income	1 682	1 255	427
Other operating income	754	631	123
Total income	2 436	1 886	550
Operating expenses	1 704	1 310	394
Pre-tax operating profit before write-downs	732	576	156
Net gains on fixed assets	19	14	5
Net write-downs on loans	1 388	121	1 266
Pre-tax operating profit	**(637)**	**469**	**(1 106)**
Average balance sheet items in NOK billion			
Net lending to customers	75.1	49.5	25.6
Deposits from customers	22.1	19.5	2.6
Key figures in per cent			
Return on BIS capital	(8.8)	8.5	
RORAC	(7.4)	9.1	
Cost/income ratio	70.0	69.5	
Ratio of deposits to lending	29.4	39.4	

Average growth in lending remained strong, resulting in an increase in net interest income from 2007 despite higher funding costs. Lending rose steeply during the first two quarters of 2008. However, during the second half of the year, the underlying growth in lending declined significantly in all countries where DnB NORD is represented, and this trend is expected to continue into 2009. The market for customer deposits was characterised by fierce competition and narrow spreads, which resulted in relatively weak deposit growth.

Other operating income reflected a decline in value of the bond portfolio of NOK 94 million during 2008. DnB NORD has applied a mark-to-model approach in the valuation.

The increase in expenses was primarily due to higher personnel expenses following a rise in staff numbers at new offices. The number of full-time positions rose by 361 during the year, to 3 597 at year-end 2008. Impairment losses for goodwill relating to the subsidiary bank in Lithuania came to EUR 15 million in 2008, which represented a cost of NOK 133 million.

DnB NORD's financial performance was marked by a steep increase in write-downs on loans in the second half of 2008, particularly in the Danish property loan portfolio and in Latvia and Lithuania. Net write-downs on loans represented 1.85 per cent of average lending for the year, up from 0.24 per cent in 2007. The increase was a result of the general economic downturn, and write-downs are expected to remain at a relatively high level for some time. Write-downs in Denmark, primarily related to property loans, accounted for NOK 832 million of total write-downs, whereas write-downs in Latvia and Lithuania came to NOK 218 million and NOK 241 million, respectively,

Operations

DnB NORD wishes to offer efficient customer service through straightforward and flexible solutions. DnB NORD has 180 branches and subsidiaries in six countries: Denmark, Finland, Estonia, Latvia, Lithuania and Poland. The bank provides a broad range of products to both the retail and corporate markets and is committed to developing a strong brand as a full-service bank.

During 2008, DnB NORD opened a total of nine new branches in the Baltic States and Poland. The subsidiary in Poland moved into a new head office, and this marked the completion of the integration of BISE Bank, which was acquired and merged into DnB NORD in 2007.

At year-end 2008, DnB NORD had some 870 000 customers, an increase of 100 000 during the year.

In 2008, DnB NORD was the third largest bank in Lithuania and number four in Latvia, measured by total assets. In Estonia, the bank was number five in terms of total lending.

In a challenging market situation and faced with fierce competition for deposits, DnB NORD succeeded in increasing deposit volumes in the Baltic States in 2008. Deposit campaigns were implemented in the various countries, with positive results. Customers valued the bank's business model, strong market position and the backing from its sound owner banks.

Cross-border services

DnB NORD is committed to developing solutions for efficient cross-border customer service. In 2007, DnB NORD and its owner banks entered into an agreement giving customers of the three banks the possibility to open current accounts in Denmark, Norway, Sweden, Finland, Estonia, Latvia, Lithuania, Poland and Germany from their home country.

In November 2008, DnB NORD in Poland signed a corresponding cooperation agreement with the East German Savings Banks Association. The agreement entails that DnB NORD will be the preferred partner when customers of East German savings banks conduct business in Poland. The specific needs of these customers will thus be met when they establish operations in Poland, including account opening, free use of ATMs in Germany and Poland and pre-approved credit in DnB NORD Poland based on guarantees from the customers' German savings banks.

DnB NORD's project to merge the core banking systems in all six countries where the bank is represented continued in 2008 and is scheduled for completion in 2010. The system will simplify customer service and the legal aspects of conducting cross-border business, and will reinforce customer relationship management, increase the existing product range within areas such as trade finance, international cash management services and electronic banking services, while also opening up new opportunities for future product development. The project also aims to lower transaction costs and reduce the overall cost/income ratio of the DnB NORD Group.

A multicultural organisation

At year-end 2008, DnB NORD had 3 597 full-time positions. DnB NORD is a multicultural organisation and the head office in Copenhagen had employees from 18 different nations.

In 2008, the DnB NORD Academy, a wide-ranging employee training programme, was established. Emphasis is placed on sharing expertise across national borders, and during the year, a number of key employees from DnB NOR taught at the academy.

Future prospects

After several years of strong economic growth, far above average growth levels in the EU area, the Baltic economies experienced a steep downturn during 2008, and it is expected that this will continue into 2009. DnB NORD will focus on consolidating its operations and improving cost-efficiency in 2009. In the longer term, DnB NORD expects that growth in the region will again exceed average European levels.

At present, the financial crisis has had a relatively milder effect on the Polish economy, and DnB NORD will continue to develop new products and services for retail customers, combined with an expansion of the branch network.

DnB NORD expects high write-downs on loans also in 2009, with a rising trend in the Baltic region. However, write-downs in the company's Danish operations are expected to be at a lower level than in the fourth quarter of 2008.

Support units

Operations

Operations will contribute to lasting competitive advantages for DnB NOR through its role as a supplier of cost-effective production and group functions in DnB NOR. Activity levels were high through 2008, and a strong increase in productivity was achieved.

Operations consists of production units such as collateral and credit administration, account administration and payment services for banking operations in Norway. Operations also comprises group services such as facility management, procurement and various operational functions. In the fourth quarter of 2008, some of the production functions in the bank in Sweden were organised under Operations. The unit will be demand-driven and will adapt its production capacity to agreed purchases.

Implementing activities in connection with the Group's cost programme was a core priority for Operations in 2008. Early in the year, it was decided to reduce the number of geographic operating units in Norway from fourteen to five. The process is ahead of schedule, and at the end of 2008, production was based at eleven locations. In addition, the unit has completed the streamlining of important processes with positive results, and the experience gained will form the basis for further measures.

Streamlining initiatives in 2008 resulted in a significant reduction in the number of full-time positions in Operations. At the end of the year, the number of full-time positions was 1 242, a reduction of 140 compared with end-December 2007.

IT

IT is responsible for drawing up the Group's IT strategy based on the Group's business strategy. The unit is also responsible for procuring, developing and following up the Group's IT services on a commercial and competitive basis.

The highest priority is given to developing systems which support the Group's ambitions for efficient and stable operations. The need for new solutions will be met partly by capitalising on investments made in existing systems and partly by choosing standard solutions where this is possible.

In 2008, IT made a number of successful deliveries in accordance with statutory requirements and ongoing business development. By improving existing web-based solutions, DnB NOR and Postbanken have been able to launch new, innovative mobile banking services for retail customers. Furthermore, the corporate online bank has been customised for use in international markets, and there has been strong focus on adapting solutions for Basel II, the Single Euro Payment Area, SEPA, and Anti-Money Laundering, AML. In addition, a project to standardise and modernise IT operations in the Group, which will run for several years, has been given high priority. This project will provide a platform for secure and stable operations, more flexible new development and a more stable and effective work platform for the Group's employees.

The coordination and simplification of solutions, combined with demand and supplier management at group level, will contribute to improved control of IT resources and costs.

The Group had a total of 750 full-time positions working with IT at the end of 2008, with 433 full-time positions in the central IT unit.

HR

Human Resources, HR, will contribute to organisational, staff and management development by being involved in the strategy processes of the business areas and support units.

HR has group-wide responsibilities relating to important personnel policy issues such as employer strategy, health, safety and environment (HS&E), management and competence strategy, employee satisfaction surveys and personnel systems. In addition, HR assists the Group's business areas and support units in identifying resource requirements, attracting, recruiting and meeting the needs of new employees, as well as developing and retaining current employees.

The need to upgrade skills and increase mobility presented important challenges for HR in 2008. Talent development and management training were also key priority areas in addition to restructuring projects.

HR had 124 full-time positions at the end of 2008.

Staff units

Group Finance and Risk Management

Group Finance and Risk Management is responsible for group functions within specialist areas such as investor relations, funding, financial reporting, risk management, legal services and group security. Further areas of responsibility include the development of the Group's models and processes to measure and manage risk, risk analyses and reports, as well as the Group's credit process.

Group Finance and Risk Management also includes the Investment Division, which is responsible for managing the Group's equity investments. The portfolios consist of listed and unlisted companies, private equity investments, various mutual funds, strategic subsidiaries and strategic financial investments. There were negative portfolio returns in 2008, reflecting the developments in financial and securities markets.

Bjørn Erik Næss took over as new CEO and head of Group Finance and Risk Management in March 2008. Full-time positions in this unit numbered 185 at year-end 2008.

Corporate Communications

Corporate Communications provides communication services and draws up communication guidelines for the entire organisation. Internal and external communication in DnB NOR should be open, accessible and clear. The unit has overall responsibility for the Group's media contact, external communications, corporate social responsibility, brands, sponsoring, translation services as well as Internet communication. Corporate Communications is also responsible for DnB NOR's intranet, which is accessible to the entire Group.

Full-time positions in Corporate Communications numbered 32 at year-end 2008.

During the spring of 2009, all marketing functions in the Group will be coordinated and included in the unit, which will then be called Marketing and Communications. After the integration process has been completed, the unit will also have overall responsibility for all market communication in the DnB NOR Group.

Corporate Centre

The Corporate Centre is an important contributor to group projects and will work to promote the right strategic choices for the Group. Important group projects initiated in 2008 related to process and cost efficiency.

The Corporate Centre consists of the units Structural Growth, M&A, DnB NOR Consulting and the Group Secretariat. M&A has operational responsibility in the Group for the purchase and sale of areas of operation and is a key player in the Group's work on issues concerning structural strategy. DnB NOR Consulting is the Group's internal consulting unit and provides services within strategic consulting and project implementation, combining strong specialist competence with in-depth knowledge about DnB NOR. The Group Secretariat is the secretariat for the governing bodies in the DnB NOR Group and ensures effective and rational administrative procedures.

The Corporate Centre had 31 full-time positions at year-end 2008.

One team

DnB NOR has management systems to safeguard impartiality, equal treatment of shareholders, internal control and risk and capital management. The aim is to minimise risk factors such as loss of confidence and a damaged reputation.

Management in DnB NOR

Group management

From the left:
Leif Teksum (born 1952) *Group executive vice president Corporate Banking and Payment Services*
Teksum has been head of Corporate Banking and Payment Services since the merger in 2003. He has experience from the petroleum industry and from various executive positions in DnB and Bergen Bank. In the Group, he has, among other things, been in charge of DnB Markets, Asset Management, IT and staff functions. Teksum is a graduate of the Norwegian School of Economics and Business Administration.

Cathrine Klouman (born 1962) *Group executive vice president IT*
Klouman has been head of IT since June 2007. Former positions include head of Business Development and head of the Telephone and Internet Banking division in Retail Banking in DnB NOR. She has previous management experience from Union Bank of Norway, ICA Banken, BankAxept and IBM. Klouman has an M. Sc. in business administration from BI Norwegian School of Management.

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

Kari Olrud Moen (born 1969) *Acting group executive vice president HR*
Olrud Moen assumed the position as acting head of HR in October 2008, which comes in addition to her position as head of the Corporate Centre, held since June 2007. Prior to this, she was a project manager in Finance/Group Staff and a senior DnB NOR trainee. She has previously been state secretary in the Ministry of Finance (2001-2005) and worked in McKinsey & Co and in the Conservative Party's parliamentary group. Olrud Moen is a graduate of the Norwegian School of Economics and Business Administration and has an MBA from the University of California, Berkeley.

Rune Bjerke (born 1960) *Group chief executive*
Bjerke took up the position as group chief executive of DnB NOR in January 2007. He was formerly president and CEO of Hafslund ASA and has also been president and CEO of Scancem International. Bjerke has held a number of board positions in large companies. He has also served as finance commissioner of the Oslo City Council and as political adviser in

Norway's Ministry of Petroleum and Energy. He holds an economics degree from the University of Oslo and a master's degree in public administration from Harvard University.

Bjørn Erik Næss (born 1954) *CFO*
Næss assumed the position as CFO in March 2008, leaving his position as EVP & CFO of Aker Kværner ASA. Prior to this, he held similar positions in Orkla and Carlsberg (Denmark). Næss has extensive experience from executive positions both in Norway and abroad over the past 25 years. He is a graduate of the Norwegian School of Economics and Business Administration and completed an executive programme at Darden Business School in the USA.

Trond Bentestuen (born 1970) *Group executive vice president Corporate Communications, entitled to attend group management meetings*
Bentestuen assumed the position as head of Corporate Communications in January 2008, leaving his position as head of Marketing and Communications in Expert. He previously worked as a press officer and communications adviser in Telenor. Bentestuen has a bachelor of arts degree in journalism and political science from Temple University, California, and training from the Armed Forces.

Jarle Mortensen (born 1963) *Acting group executive vice president Retail Banking (from 15 February 2009)*
Mortensen has been acting head of Retail Banking from 15 February 2009. He has been head of the Postbanken division in Retail Banking since 2004. Mortensen also holds a number of board positions within the DnB NOR Group. He headed the process leading to the establishment of DnB NOR Skadeforsikring. Mortensen has a bachelor's degree in business administration from BI Norwegian School of Management.

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

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

Board of Directors

Anne Carine Tanum (born 1954)
Chairman of the board in DnB NOR and DnB NOR Bank (board member since 1999)
Former board member in DnB Holding, Den norske Bank and Vital Forsikring. Board chairman in the House of Literature Foundation. Board member in the South-Eastern Norway Regional Health Authority, Cappelen Damm AS, Try AS, the Henie Onstad Art Centre, IRIS and the WWF. Former board chairman in the Norwegian Broadcasting Corporation (NRK), board vice-chairman in the Norwegian National Opera and long-standing managing director and owner of Tanum AS. Tanum holds a law degree from the University of Oslo.

Bjørn Sund (born 1945)
Board vice-chairman in DnB NOR (board member since 1999)
Sund headed the work of building the new university hospital in Akershus. Managing director and board chairman in Advansia, a company specialising in project and construction management for large and complex projects. Board member in Gassnova SF. Former board chairman in Gjensidige NOR and board member in Union Bank of Norway. Sund headed the development of the Winter Olympics site at Lillehammer, the Gardermoen airport project and the Telenor project at Fornebu. He is a graduate of the Norwegian University of Technology in Trondheim.

Per Hoffmann (born 1951)
Board employee representative in DnB NOR and DnB NOR Bank
(board member since 1999)
Employee representative in DnB NOR Bank. Former board member in DnB Holding and Den norske Bank.

Jørn O. Kvilhaug (born 1951)
Board employee representative in DnB NOR and Vital Forsikring
(board member since 1999)
Full-time employee representative since 2005. Chief employee representative in Vital Forsikring. Former board member in DnB Holding. Kvilhaug previously worked as an insurance agent in the corporate market in Vital Forsikring.

Bent Pedersen (born 1942)
Board member in DnB NOR and board vice-chairman in DnB NOR Bank
(board member since 1999)
Pedersen serves on the boards of several Danish companies. Former board member in DnB Holding and board vice-chairman in Den norske Bank. Managing director of KIRKBI A/S in Billund, Denmark from 1995 to 2006. He previously held executive positions in Privatbanken in Denmark and was a member of the group management team in Unibank in Denmark. He holds a cand.merc. degree from Copenhagen Business School.

Tore Olaf Rimmereid (born 1962)
Board member in DnB NOR (board member since 2008)
Former board member in DnB NOR Bank. Head of the Finance and Administration Department in NRK (the Norwegian Broadcasting Corporation). Has previously been group executive vice president, Financial Reporting and Finance, in the SpareBank 1 Group and held various positions in Christiania Bank. Former political adviser for the Conservative Party's parliamentary group. Board chairman in E-CO Energi AS and NRK Aktivum AS. Board member in Norges televisjon AS and RiksTV AS. Rimmereid has a master's degree in business administration from the Norwegian School of Economics and Business Administration and is an authorised financial analyst.

Trine Sæther Romuld (born 1968)
Board member in DnB NOR (board member since 2007)
Executive vice president in Aker ASA as from 12 January 2009. Former director of finance in Aker Drilling ASA. She worked as chief financial officer in Pan Fish ASA and Marine Harvest ASA for four years and has nine years' experience from Arthur Andersen & Co and Ernst & Young. In addition, she worked in the rig industry from 1997 to 2001. Former board member in EMGS ASA and Technor ASA. She is a state authorised public accountant from the Norwegian School of Economics and Business Administration.

Ingjerd Skjeldrum (born 1957)
Board employee representative in DnB NOR and DnB NOR Bank (board member since 2002)
Full-time employee representative since the Union Bank of Norway merger, chief group employee representative for the savings bank since 1 February 2000 and group employee representative in DnB NOR since 2003. Member of the national board of the Finance Sector Union. She is a former board member in Union Bank of Norway and Gjensidige NOR and has previously held positions within the retail market in Gjensidige NOR.

Siri Pettersen Strandenes (born 1949)
Board member in DnB NOR (board member since 2007)
Board member in Vital Forsikring since 1999. Prior to this, she was vice-chairman of the Control Committee in DnB for several years. Previous board memberships include: TFDS ASA, Bergshav Shipholding AS, the Commercial Banks' Guarantee Fund, the Norwegian Guarantee Institute for Export Credits (GIEK) and Norges Bank. Chairman of the Programme Board for Maritime Activities and Offshore Operations at the Research Council of Norway and a member of the Corporate Assembly of Telenor ASA. Professor in Economics at the Norwegian School of Economics and Business Administration, specialising in international economics, shipping and air transport economics. She is a graduate of the Norwegian School of Economics and Business Administration.

Governing bodies in DnB NOR ASA

Supervisory Board

Members elected by shareholders
Nils Halvard Bastiansen, Bærum (0)
Jan-Erik Dyvi, Oslo (27 664)
Toril Eidesvik, Bergen (0)
Anne Cathrine Frøstrup, Hønefoss (424)
Elisabeth Grændsen, Lillehammer (200)
Herbjørn Hansson, Sandefjord (40 000)
Knut Hartvig Johannson, Snarøya (10 000)
Erik Sture Larre sr., Oslo (486 639)
Tomas Leire, Kristiansand (1 200)
Ole-Eirik Lerøy, Bergen (vice-chairman) (0)
Eldbjørg Løwer, Kongsberg (0)
Dag J. Opedal, Oslo (1 395)
Gudrun B. Rollefsen, Hammerfest (0)
Benedicte Berg Schilbred, Tromsø (chairman) (4 001)
Merethe Smith, Oslo (0)
Birger Solberg, Oslo (4 000)
Arthur Sletteberg, Stabekk (2 000)
Tove Storrødvann, Ski (209)
Gine Wang, Stavanger (0)
Hanne Rigmor Egenæss Wiig, Halden (1 705)

Deputies elected by shareholders
Lisbeth Berg-Hansen, Bindalseidet (0)
Erik Buchmann, Oslo (310)
Turid Dankertsen, Oslo (1 767)
Rolf Domstein, Måløy (0)
Harriet Hagan, Alta (200)
Bente Hagem, Ås (0)
Rolf Hodne, Stavanger (0)
Leif O. Høegh, London (0)
Liv Johannson, Oslo (2 480)
Herman Mehren, Nevlunghamn (10)
Aage Møst, Bærum (22 000)
Gry Nilsen, Drammen (0)
Einar Nistad, Rådal (1 000)
Asbjørn Olsen, Skedsmo (1 075)
Oddbjørn Paulsen, Bodø (10)
Anne Bjørg Thoen, Oslo (341)
Lars Wenaas, Måndalen (2 660 000)

Members elected by employees
Else Carlsen, Bødalen (1 291)
Bente H. Espenes, Oslo (379)
Yvonne Fjellvang, Oslo (408)
Svein Ove Kvalheim, Bergen (1 000)
Carl A. Løvvik, Bergen (95)
Marit Pettersvold, Oslo (88)
Anne Liv Reistad, Nesoddtangen (569)
Eli Solhaug, Oslo (293)
Marianne Steinsbu, Oslo (2 705)
Berit Ur, Sandnes (3 869)

Deputies elected by employees
Tore Müller Andresen, Bergen (0)
Terje Bakken, Alta (198)
Rune André Bernbo, Ås (0)
Morten Christoffersen, Oslo (749)
Lillian Hattrem, Oslo (1 078)
Bjørn Hennum, Drammen (882)
Erlend Brox Linge, Oslo (0)
Einar Pedersen, Kristiansund (1 069)
Kjell R. Rønningen, Dokka (0)
Siri Enger Stensrud, Oslo (1 179)
Astrid Waaler, Oslo (0)

Control Committee

Members
Svein Norvald Eriksen, Oslo (0)
Ingebjørg Harto, Oslo (0)
Frode Hassel, Trondheim (chairman) (0)
Thorstein Øverland, Oslo (0)

Deputies
Svein Brustad, Hvalstad (0)
Merete Smith, Oslo (0)

External auditor

Erik Mamelund (0)

Board of Directors

Members

Per Hoffmann, Oslo (1 492) [1]
Jørn O. Kvilhaug, Hokksund (563) [1]
Bent Pedersen, Stenløse (12 701)
Tore Olaf Rimmereid, Oslo (5 000)
Trine Sæther Romuld, Sandnes (0)
Ingjerd Skjeldrum, Drammen (4 434) [1]
Siri Pettersen Strandenes, Bergen (101)
Bjørn Sund, Lysaker (vice-chairman) (25 524)
Anne Carine Tanum, Rømskog (chairman) (200 000)

Deputies for the employee representatives

Sverre Finstad, Moelv (5 778) [1]
Jorunn Løvås, Fjell (0) [1]
Tor M. Nordvold, Skedsmokorset (1 911) [1]

Election Committee

Eldbjørg Løwer, Kongsberg (0)
Per Otterdahl Møller, Skien (0)
Benedicte Berg Schilbred, Tromsø (chairman) (4 001)
Arthur Sletteberg, Stabekk (2 000)
Reier Søberg, Oslo (observer) (0)

Audit Committee

Bent Pedersen, Stenløse (12 701)
Bjørn Sund, Lysaker (chairman) (25 524)
Trine Sæther Romuld, Sandnes (0)
Siri Pettersen Strandenes, Bergen (101)

Compensation Committee

Anne Carine Tanum, Rømskog (chairman) (200 000)
Bjørn Sund, Lysaker (25 524)
Tore Olaf Rimmereid, Oslo (5 000)

Group Audit

Harald Jægtnes (4 610)

Group management

Group chief executive
Rune Bjerke (10 371)

CFO
Bjørn Erik Næss (10 278)

Group executive vice president
Corporate Banking and Payment Services
Leif Teksum (26 363)

Group executive vice president
Retail Banking
Jarle Mortensen (3 578) (acting from 15 February 2009)
Åsmund Skår (6 541) (up until 15 February 2009)

Group executive vice president
DnB NOR Markets
Ottar Ertzeid (50 273)

Group executive vice president
Life and Asset Management
Tom Rathke (1 120)

Group executive vice president HR
Kari Olrud Moen (acting) (371)

Group executive vice president Operations
Liv Fiksdahl (598)

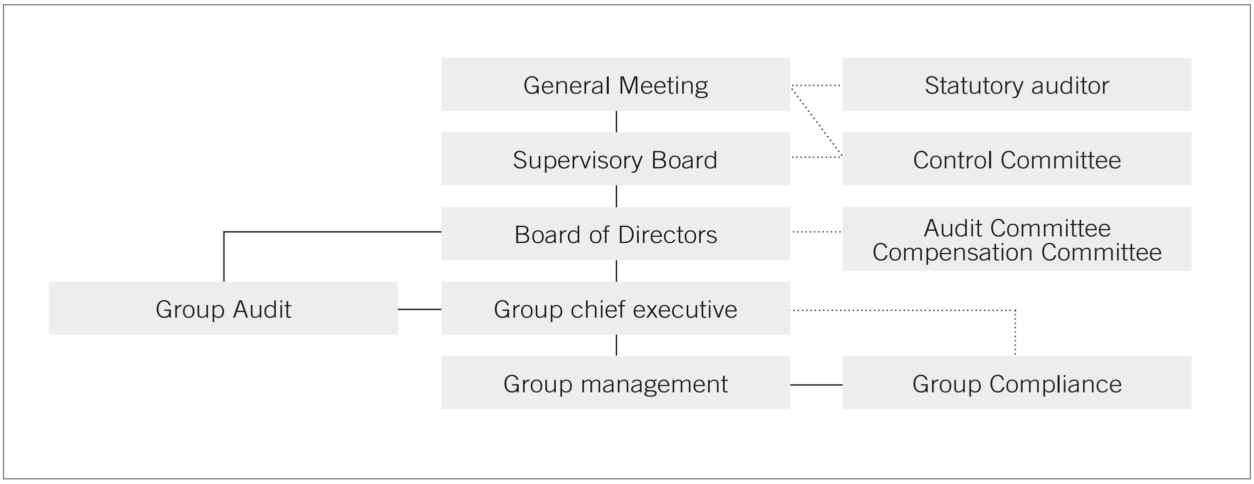
Group executive vice president IT
Cathrine Klouman (3 565)

1) Not independent, see page 52 under "Corporate governance".

The figures in parentheses indicate shareholdings in DnB NOR ASA as at 31 December 2008. Shares held by the immediate family and companies in which the shareholder has such influence as stated in Section 7-26 of the Act relating to annual accounts etc. are also included.

Corporate governance

DnB NOR's management and Board of Directors annually review the principles for corporate governance and how they are implemented in the Group. DnB NOR complies with the Norwegian Code of Practice for Corporate Governance [1] dated 4 December 2007. The description below accounts for DnB NOR's compliance with the 15 sections in the Code of Practice.



Section 1

Implementation of and reporting on corporate governance

There are no significant deviations between the Code of Practice and the way it is implemented in DnB NOR. One deviation has been accounted for below. In addition, DnB NOR takes account of the proposed principles for corporate governance from the Committee of European Banking Supervisors, CEBS, in connection with new international capital adequacy regulations and supervision of financial institutions. The regulations cover the Board of Directors' responsibility for determining the Group's risk profile, approving the organisation of operations, delegating responsibilities and assigning authority and stipulating reporting and internal control requirements.

DnB NOR wishes to promote sustainable development through responsible business operations. This mainly implies taking ethical, environmental and social aspects into consideration in investing and lending. Thus, DnB NOR has drawn up separate guidelines for corporate social responsibility for asset management and credit operations. In addition, DnB NOR's suppliers are required to meet certain requirements by signing a special declaration. Corporate social responsibility also means controlling business risk, keeping environmental order in our own house and being an attractive employer. DnB NOR wishes to be a partner for organisations, sports and cultural institutions. For more information, please refer to the chapter on corporate social responsibility in the annual report and the Group's web pages on corporate social responsibility, dnbnor.com/csr.

1) The Norwegian Code of Practice, issued by the Norwegian Corporate Governance Board, can be found on ncgb.no.

As a financial institution, DnB NOR is committed to curbing possible threats to its reputation and mitigating the risk of losing trust. A high ethical standard among employees and elected officers will strengthen the confidence that the Group enjoys in society at large.

DnB NOR's code of ethics addresses impartiality, conflicts of interest, relations with customers and suppliers, relations with the media, securities trading, insider trading and relevant financial interests of a personal nature. The code of ethics applies to all employees and members of governing bodies.

According to the DnB NOR Group's guidelines for the handling of information, employees and elected representatives have a duty not to disclose any information about the affairs of the Group or the Group's customers that may come to their knowledge by virtue of their position. The duty of confidentiality does not apply only to third parties, but also in relation to colleagues who do not need to be privy to such information in order to carry out their work. Furthermore, the rules apply to information about the Group's strategy and market plans and other aspects of competitive significance. The individual employee or elected representative is responsible for being fully updated on general and special confidentiality rules that apply to their areas of responsibility. Moreover, no DnB NOR employee is allowed to, via the computer systems or otherwise, actively seek information about colleagues, customers or third parties when they do not need to be privy to such information in order to carry out their work in the company.

The Group's code of ethics sets forth that employees must promptly inform their immediate superior or the group executive vice president, Group Audit, if they obtain knowledge about circumstances that are contrary to prevailing regulations issued by the authorities or represent major breaches of internal regulations. Employees who in a responsible manner notify reprehensible aspects pursuant to this item will be protected from any repercussions following such disclosure.

Violation of the code of ethics on the part of an employee could have consequences for his or her position in the Group. The complete code of ethics can be found on the Group's website, dnbnor.com.
No deviations from the Code of Practice.

Section 2
Business

The object of DnB NOR is to engage in banking, insurance or financing and any related activities within the scope of Norwegian legislation in force at any time. The complete Articles of Association can be found on the Group's website.

The directors' report describes the Group's targets and strategies, and the market is kept updated through investor presentations in connection with interim accounts and presentations on special subjects.

In annual strategy processes, the Board of Directors considers whether goals and guidelines established on the basis of the strategies are unambiguous, adequate, well operationalised and easily comprehensible for the employees. All key guidelines are available to the employees through DnB NOR's intranet.
No deviations from the Code of Practice.

Section 3
Equity and dividends

As at 31 December 2008, DnB NOR had total equity of NOK 81.6 billion. According to statutory capital adequacy regulations for financial institutions, the Group's capital adequacy ratio was 9.5 per cent of risk-weighted assets, while core capital represented 6.7 per cent. The Norwegian authorities' minimum capital adequacy requirements are eight and four per cent respectively. The Board of Directors continually reviews the capital situation in light of the company's targets, strategies and intended risk profile.
It is assumed that there will be a need to strengthen the core capital ratio to over 8 per cent by the end of 2010. DnB NOR will consider various measures to improve the Group's capital base, including building capital through operations. The Group will also consider the measures to improve the capital situation of the financial industry introduced by the Norwegian government in its stimulus package on 8 February 2009. This will provide the basis for a continued robust balance sheet and make the Group well prepared to handle the challenges presented by the economic downturn.

See the chapter on capital management and risk categories for a further description of the rules on capital adequacy and the principles applied by DnB NOR to estimate capital requirements.

Dividends

DnB NOR aims to manage group resources in a manner which will ensure shareholders a competitive return in the form of dividends and increases in share price relative to comparable investment alternatives. DnB NOR intends to distribute up to 50 per cent of net annual profits as dividends provided that capital adequacy is at a satisfactory level. Dividends will be determined on the basis of expected profit levels in a normalised market situation, external parameters and the need for Tier 1 capital.

Repurchase of shares

To ensure flexibility in the Group's capital management, over the past few years, the Board of Directors of DnB NOR ASA has asked the Annual General Meeting for an authorisation to repurchase own shares. According to the prevailing authorisation, the Board of Directors is authorised to acquire own shares for up to 10 per cent of share capital. The shares may be purchased through the stock market. Each share may be purchased at a price between NOK 10 and NOK 150. The authorisation is valid for a period of 12 months from 30 April 2008, the date the resolution was passed at the General Meeting. Acquired shares shall be redeemed in accordance with regulations on the reduction of capital. An agreement has been signed with the Ministry of Trade and Industry for the redemption of a proportional share of government holdings to ensure that the government's percentage ownership remains unchanged. As at 31 December 2008, the authorisation had not been used. At the General Meeting on 21 April 2009, the Board of Directors of DnB NOR ASA will ask for a renewal of the authorisation to repurchase up to 10 per cent of share capital. The authorisation will be subject to the same terms as the authorisation dated 30 April 2008.

Increases in share capital

As at 31 December 2008, no authorisation had been granted to the Board of Directors for an increase in DnB NOR's share capital.
No deviations from the Code of Practice.

Section 4
Equal treatment of shareholders and transactions with close associates

DnB NOR has one class of shares. The Articles of Association, the Board of Directors and group management emphasise that all shareholders will be treated equally and have the same opportunity to exert influence. All shares carry equal voting rights. In connection with increases in share capital, existing shareholders will be given pre-emptive rights, unless such rights are derogated from due to special circumstances. In such case, the reasons for such a derogation will be specified. Any execution of the Board of Directors' authorisation to repurchase own shares will take place by purchasing shares through the stock market or in some other way at market price.

Largest shareholders

The Norwegian government, represented by the Ministry of Trade and Industry, is DnB NOR's largest shareholder, owning 34 per cent of the shares. According to the State Ownership Report (White Paper no. 13 2006-2007) the purpose of the government's ownership in DnB NOR ASA is to ensure that the Group is headquartered in Norway and serves as a partner for Norwegian companies at home and in the export markets. This gives the business community access to a large, Norwegian-based financial services group with a high level of expertise. The State Ownership Report confirms that the Norwegian government's 34 per cent holding in DnB NOR will be retained, as required by the Norwegian parliament in Report no. 212 (2002-2003) to the Storting.

The shares held by the Ministry are managed by the Department of Ownership, subject to special management guidelines which among other things stipulate that the Norwegian government cannot have representatives on the boards of directors or supervisory boards of financial institutions, but that the government, through participation in election committees, must ensure that the governing bodies include representatives from all shareholder groups. The guidelines require that the Ministry act in a manner conducive to equal treatment of DnB NOR's shareholders. Furthermore, the Ministry is required not to instruct DnB NOR on how to manage its operations.

Sparebankstiftelsen DnB NOR (the Savings Bank Foundation) is the second largest shareholder, owning 11.4 per cent of the shares. The foundation was established in autumn 2002, when the former Gjensidige NOR Sparebank (Union Bank of Norway) was converted to a limited company. The Norwegian authorities have set a requirement that the foundation's shareholding in the Group must not fall below 10 per cent, and the foundation has a stated aim to have a holding of between 10 and 12 per cent. In addition to its objective to be a stable, long-term and active owner of DnB NOR ASA, the foundation has a financial aim to achieve the highest possible risk-adjusted return to ensure funds for its non-profit causes. More information is available on sparebankstiftelsen.no

Transactions with close associates

Instructions for the Board of Directors of DnB NOR ASA state that a board member must not participate in deliberations on or decisions relating to issues which would be of such significance, either personally or for close associates, that the member would be seen as having a direct or indirect personal or financial interest in the matter. The same principle is embodied in the Group's code of ethics. It is the duty of each board member to ensure that he or she is without prejudice in deliberations of specific matters. The Board of Directors must approve agreements between the company and a board member or the group chief executive. The Board must also approve agreements between the company and third parties where a board member or the group chief executive can be perceived to have a significant interest in the matter.

Board members must inform the Board of Directors if they have a direct, significant interest in an agreement entered into by the company or another company in the DnB NOR Group. The same applies if such agreement is signed by a company outside the DnB NOR Group in which the board member either has an ownership interest, serves on the board or has a senior management position. A notification should be sent to the board chairman, with a copy to the Group Secretariat.

Board members, or companies with which they are associated, should not take on special assignments for companies in the DnB NOR Group other than their board membership. If this occurs, however, the entire Board of Directors must be informed. Remuneration for such assignments is subject to approval by the Board of Directors.

With respect to the Group's other employees and elected officers, the Group's code of ethics lays down detailed rules regulating transactions with close associates. As a general rule, an employee or elected officer will be considered incompetent if circumstances exist that may lead others to believe that he or she promotes interests other than those of the DnB NOR Group.

Where a transaction is not immaterial for either the DnB NOR Group or the close associate involved, unless it is a matter for consideration by the general meeting according to stipulations in the Public Limited Companies Act, the Board of Directors will ensure that a valuation is made by an independent third party. This also applies to any transactions between companies in the DnB NOR Group where minority shareholders are involved.
No deviations from the Code of Practice.

Section 5

Freely negotiable shares

The shares are listed on Oslo Børs (the Oslo Stock Exchange) and are freely negotiable. The Articles of Association include no form of restriction on negotiability.
No deviations from Section 5 in the Code of Practice.

Section 6

General meetings and Control Committee

According to the Articles of Association, the annual general meeting shall be held before the end of April each year. The notice and agenda documents for the general meeting shall be sent to shareholders no later than two weeks before the meeting is to be held. Shareholders are entitled to appoint a proxy. The agenda, notice of the meeting and registration form will be available on the Group's website no later than 21 days prior to the date of the general meeting. The procedure for voting and for proposing resolutions are described in the notice of the general meeting.

According to the Articles of Association, the general meeting shall be chaired by the chairman of the Supervisory Board.

The members of the Board of Directors, at least one representative from the Control Committee, and the external auditor will attend general meetings. Representatives from group management will include the group chief executive, the chief financial officer, the group executive vice president, Group Audit and specialists in certain fields. The minutes of general meetings are available on the Group's website, dnbnor.com.

The general meeting will appoint an Election Committee which will present a well-founded recommendation on proposed shareholder-elected members to the Supervisory Board, the Board of Directors and the Control Committee.

The Control Committee shall ensure that the Group conducts its business in an appropriate and satisfactory manner in compliance with laws, regulations and guidelines. The committee shall also make sure that the Board of Directors and the group chief executive maintain adequate supervision and control of subsidiaries. To the extent the committee finds it necessary, it may examine the Group's records, books, correspondence and assets, those of the Group itself as well as those on deposit with the Group.
The Control Committee has four members and two deputies elected by the general meeting.

Decisions are generally made by simple majority. Decisions concerning the disposal of shares, mergers, demergers, the sale of a material part of DnB NOR Bank ASA's business or the issuing of shares in the bank to parties other than DnB NOR ASA, require the approval of at least two-thirds of the votes cast and of the share capital represented at the general meeting.

The voting procedure gives shareholders the opportunity to vote separately for each individual candidate nominated for election to the various governing bodies.
No deviations from the Code of Practice.

Section 7

Election Committee

In accordance with DnB NOR's Articles of Association, the general meeting and the Supervisory Board have established an Election Committee consisting of five members. The members must be shareholders or representatives for shareholders. No member of the Board of Directors or representative from group management is a member of the Election Committee. The committee is chaired by the chairman of the Supervisory Board, and members are elected by the general meeting for a term of two years.

The Election Committee submits recommendations to the general meeting for the election of members to the Supervisory Board and the Control Committee. The Election Committee also submits recommendations to the Supervisory Board for the election of members of the Board of Directors. The recommendation should include relevant information on each candidate's background and independence. Furthermore, the committee proposes remuneration to members of the Board of Directors and the Supervisory Board. Information about the Election Committee and closing dates for proposing candidates can be found on the Group's website, dnbnor.com.
No deviations from the Code of Practice.

Section 8

Supervisory Board and Board of Directors, composition and independence

The main responsibility of the Supervisory Board is to supervise the Board of Directors' and the group chief executive's management of the company. The Supervisory Board has 30 members, 20 of whom are elected by the shareholders at the general meeting. Emphasis is placed on ensuring broad representation from the company's shareholders. In addition, ten representatives are elected by and among the employees. Elections are supervised by an election board appointed by the Board of Directors.

The Board of Directors has up to twelve members, eight of whom are elected by the shareholders and four are representatives for the employees. Members are elected for terms of up to two years. As at 31 December 2008, the Board had nine members, six of whom were elected by the shareholders and three were representatives for the employees. Four of the members were women, three of whom were elected by the shareholders and one represented the employees.

The curricula vitae of the individual board members are found in the annual report and on the Group's website. The Board of Directors will consider the independence of its members, and their conclusion is presented in the listing of board members, along with a specification of the number of DnB NOR shares held by members of governing bodies as at 31 December 2008.
No deviations from the Code of Practice.

Section 9
The work of the Board of Directors
The duties of the Board of Directors
The Board of Directors has approved instructions governing its work and administrative procedures, including matters to be considered by the Board, the group chief executive's tasks and obligations towards the Board and rules on convening and conducting meetings. The Board of Directors draws up an annual plan for its activities, covering duties stipulated in laws, regulations, resolutions passed by the authorities, the Articles of Association and decisions made by the general meeting and the Supervisory Board. The Board of Directors has also issued instructions for the group chief executive.

The Board evaluates its own work and work methods annually, and the evaluation forms the basis for adjustments and measures. In addition, the Board's competencies, overall and those of each board member, are evaluated.

The Board of Directors has the ultimate responsibility for the management of DnB NOR. Through the group chief executive, the Board shall ensure a sound organisation of business activities and ensure that it is continually updated on the company's financial position and development. Responsibilities encompass DnB NOR's annual plan process, stipulating principal goals and strategic choices for the Group as well as financial three-year plans, budgets and forecasts for the Group and the business areas. Furthermore, the Board should ensure that operations are subject to adequate control and that the Group's equity capital is at a satisfactory level relative to the risk and scale of operations. The Board of Directors' responsibility for reviewing and reporting risk management and internal control is described on page 55.

A vice-chairman has been elected to chair meetings of the Board of Directors in the event that the chairman cannot or should not lead the work of the Board.

Audit Committee
The Board of Directors in DnB NOR ASA has an Audit Committee that will consist of up to four board members, with meetings normally held seven to eight times a year. Members are elected for a term of two years, and the chairman is appointed annually. At least one of the committee members should have relevant accounting or auditing expertise. The purpose, responsibilities and functions of the Audit Committee are in compliance with international rules and standards as well as draft legislation resulting from the implementation of the EU Audit Directive. The Audit Committee reviews drafts of quarterly and annual accounts before these are presented to the Board of Directors. In connection with its review of the accounts, the Committee has discussions with management, Group Audit and the statutory auditor.

One of the Audit Committee's responsibilities is to ensure that the Group has independent and effective internal and external audit procedures. At least once a year, the Committee has separate meetings with the statutory and internal auditors without any members from management present.

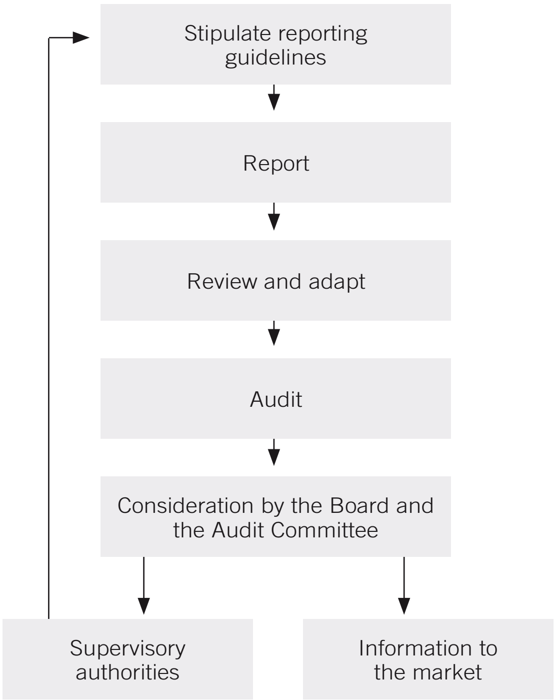
Compensation Committee
The Board of Directors of DnB NOR ASA has a Compensation Committee consisting of three members of the company's Board of Directors. The committee normally meets three to four times a year. The committee draws up proposals and issues recommendations to the Board of Directors regarding the remuneration awarded to the group chief executive and acts in an advisory capacity to the group chief executive with respect to the remuneration and other key benefits awarded to members of the group management team and any others reporting to the group chief executive.

Meeting structure
The group chief executive will prepare matters to be considered by the Board of Directors in consultation with the chairman of the Board. Each matter must be prepared and presented in a manner which provides a satisfactory basis for discussion.

Board proceedings will be presided over by the board chairman. If neither the board chairman nor the vice-chairman participates, the Board must select a member to chair the meeting.
No deviations from the Code of Practice.

Section 10 and Section 13
Risk management and internal control and Information and communications
The Board of Directors carries out a quarterly review of developments within the Group's most significant risk areas and makes an annual review of its internal control system. See page 55 for a description of the Board of Directors' responsibilities and implementation and monitoring aspects.

Key elements in internal control and risk management systems related to financial reporting



Stipulation of guidelines for financial reporting

The Board of Directors of DnB NOR ASA has prepared guidelines to ensure reliable, relevant, timely and uniform reporting to shareholders and other capital market participants in line with relevant requirements, hereinafter referred to as financial reporting. The guidelines also cover the Group's contact with investors outside general meetings and are available on the Group's website, dnbnor.com.

The Board of Directors determines the Group's return on equity target, which forms the basis for the group chief executive's return targets for the business areas. These targets are based on the risk-adjusted capital required by each business area.

Group Financial Reporting is headed by the chief financial officer and is organised independently of the business areas and prepares guidelines for monthly, quarterly and annual reporting from the business areas and subsidiaries on the basis of internal and external requirements.

The business areas are responsible for monthly financial monitoring and reporting. All business areas have management teams and accounting units adapted to their organisation and operations. All units within the Group make an annual evaluation of whether control activities function optimally.

Review and adaptation

Group Financial Reporting prepares financial reports for the DnB NOR Group and ensures that such reporting is in line with prevailing legislation, accounting standards, current accounting principles and guidelines from the Board of Directors. A number of control measures have been prepared in connection with the finalisation of such information, including both general reasonableness and probability tests and detailed reconciliation controls.

Group Financial Reporting has established processes to ensure that financial reporting is of high quality and that any errors or deficiencies are followed up and corrected.

The group management team will review monthly financial reporting, including trends in profit and loss and balance sheet items, the current status relative to statutory enactments, results for legal units and analyses of and comments to the financial performance of business areas and support units.

The chief financial officer will continually consider the financial results and target attainment of the business areas and support units as well as critical aspects and events which will affect their future performance and optimal resource utilisation. At least on a quarterly basis, a thorough review covering, inter alia, these subjects, will be made in cooperation with the individual business areas and support units.

Audit

Financial reporting for the DnB NOR Group, the DnB NOR Bank Group and Vital Forsikring ASA is audited by the internal auditors on a quarterly basis. The annual accounts of all the companies in the DnB NOR Group are audited by external auditors. Their audit is partly based on work carried out by the internal auditors in the largest group companies.

The internal audit carries out operational and financial audits of units in the DnB NOR Group. An audit plan is prepared, which is discussed with group management, reviewed by the Audit Committee and approved by the Board of Directors. The internal audit's risk assessments form the basis for determining which units should be given priority in the auditing process. Special audit reports are prepared, which include the results of the audit, a description of any identified errors, proposed measures, a specification of responsible persons and deadlines. The audit reports are sent to the heads of the relevant companies, while the companies' Boards of Directors receive a summary report. An audit summary, reviewing all of the units in the DnB NOR Group, is presented to the Board of Directors of DnB NOR ASA once every six months. The Board of Directors of DnB NOR Bank ASA receives a monthly summary of the audit reports for the units in the DnB NOR Bank Group. The Boards of Directors of Vital Forsikring ASA and DnB NOR Kapitalforvaltning Holding AS receive quarterly summaries of audit reports for their respective units. The results of the financial audit of the DnB NOR Group, the DnB NOR Bank Group and Vital Forsikring ASA are reported to the Audit Committee each quarter.

Consideration by the Board and the Audit Committee
The Audit Committee reviews quarterly financial reporting for the DnB NOR Group and presents a recommendation to the Board of Directors. The committee makes a thorough review of discretionary assessments and estimates in addition to any changes in accounting practice. After the quarterly accounts and proposed annual accounts for the respective companies have been reviewed by the executive management and the Audit Committee, they are considered by the Boards of Directors of DnB NOR ASA and DnB NOR Bank ASA. The annual accounts are approved by the general meeting. The Board of Directors of Vital Forsikring considers the quarterly accounts and the proposed annual accounts, which are approved by the general meeting.

Information to the market
The Group presents the Norwegian and international markets with extensive analytical information in connection with the quarterly reporting of financial information and presentations on particular topics. Parallel to this, the same information is made available to all interested parties on the websites of Oslo Børs and the Group.

Supervisory authorities
The operations of the DnB NOR Group are supervised by Kredittilsynet (the Financial Supervisory Authority of Norway). Among other things, the Authority reviews the Group's annual and interim reports. The Board of Directors aims to have an open and constructive dialogue with Kredittilsynet.
No deviations from the Code of Practice.

Section 11
Remuneration of the Board of Directors
Remuneration paid to members of the Board of Directors, proposed by the Election Committee and approved by the Supervisory Board, is not performance-based or linked to options in DnB NOR ASA. The Board of Directors must approve any remuneration from the company to members of the Board of Directors other than ordinary remuneration for their service on the Board of Directors, Audit Committee and Compensation Committee and inform the Supervisory Board of such matters. Note 52 to the annual accounts for the DnB NOR Group shows remunerations to senior executives and elected officers in DnB NOR ASA.
No deviations from the Code of Practice.

Section 12
Remuneration of the executive management
The group chief executive stipulates the remuneration paid to senior executives based on guidelines prepared by the Board of Directors, cf. description of the Board of Directors' Compensation Committee under section 9. An extraordinary emolument may be awarded to senior employees in the DnB NOR Group on a discretionary basis. The criteria for such awards relate to results achieved and are established on the basis of ordinary compensation schemes in the different business areas. They are intended to promote the company's competitiveness in the relevant labour market, the Group's profitability and the desired trend in income, costs and risk levels, while furthering cooperation and team spirit throughout the Group. It is DnB NOR's aim that such schemes should be performance-based without encouraging undue risk and that they do not pose a threat to DnB NOR's reputation. At the present time, no employees in the DnB NOR Group have any outstanding subscription rights etc. Note 52 to the annual accounts for the DnB NOR Group shows the remunerations of senior executives and elected representatives in DnB NOR.
No deviations from the Code of Practice.

Section 14
Corporate take-overs
DnB NOR's Board of Directors will handle any take-over bids in compliance with the principle of equal treatment of shareholders. Parallel to this, the Board will help ensure that shareholders are given adequate information in all situations that will affect shareholder interests. Cf. item 4, which gives an account of the Norwegian government's intention to retain its 34 per cent holding in DnB NOR, as required by the Norwegian parliament.
Deviations from Section 14 in the Code of Practice: The Board of Directors has thus far chosen not to work out explicit guiding principles for how it will act in the event of a take-over bid, but otherwise endorses the wording in this section of the Code.

Section 15
Auditor
The external auditor annually submits a plan for the audit to the Audit Committee and Control Committee. Guidelines have been drawn up in respect of relations with the statutory auditor, including restrictions on what additional services can be undertaken, approval of fees and a policy to invite tenders for external audit services at least every five years. The guidelines can be found on the Group's website. At least once a year, the Audit Committee holds a meeting with the auditors at which neither the group chief executive nor any other member of executive management is present.

The Audit Committee submits a recommendation regarding the selection of statutory auditor and the statutory auditor's remuneration to the Board of Directors, which presents the remuneration proposal to the Annual General Meeting for approval, while the proposal for the selection of auditor is presented to the Supervisory Board, which submits a recommendation to the general meeting.
No deviations from the Code of Practice.

Risk management and internal control

Monitoring and managing risk is an integral part of financial operations. In DnB NOR, sound risk management is a strategic tool to enhance value generation. Internal control should ensure effective operations and prudent management of risks that could prevent the Group from attaining its business targets. The Group's work within risk management and internal control is based on the principles in the framework from the Committee of Sponsoring Organizations of the Treadway Commission, COSO. Internal and external reporting shall be of high quality, and the Group shall comply with relevant laws, regulations and internal guidelines, including the Group's values and code of ethics. The organisational structure of DnB NOR aims to ensure independent risk reporting.

The profitability of DnB NOR will depend on the Group's ability to identify, manage and accurately price risk arising in connection with financial services. The Board of Directors of DnB NOR ASA has a clearly stated goal to maintain a low risk profile. The banking group aims to maintain an Aa level rating for ordinary long-term debt. The Group's risk is measured in the form of risk-adjusted capital requirements, calculated for main risk categories and for all of the Group's business areas. A further description of capital management and risk categories in the Group can be found under "Capital management and risk categories". In addition, risk is followed up through supplementary risk measures adapted to operations in the various business areas, for example monitoring of exposure relative to limits, key figures and portfolio risk targets.

Boards of Directors

Organisation and responsibilities

The Board of Directors of DnB NOR ASA, the holding company board, has principal responsibility for the Group's business operations, including all ongoing management and control. The board has approved a code of ethics which should help raise awareness of and ensure compliance with the ethical standards required in the Group. The holding company board carries responsibility for ensuring that the Group is adequately capitalised relative to the risk and scope of operations and that capital requirements stipulated in laws and regulations are met. Policies have also been worked out for internal control and operational risk management at group level.

The Audit Committee will supervise the preparation of the accounts, review draft financial reports and ensure that the Group's internal control, including the internal audit and risk management systems, functions effectively. The Audit Committee reports the results of its assessments to the holding company board.

The Group's credit policy and credit strategies are laid down by the Board of Directors of DnB NOR Bank ASA. The Board sets annual limits for liquidity risk and market risk for the banking group. Market risk reflects equity, currency, interest rate and commodity exposure.

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

Implementation and monitoring

The holding company board annually reviews the Group's principal risk areas and internal control. The review, which is based on reporting from the group chief executive, aims to document the quality of the work performed in key risk areas and to identify any weaknesses and needs for improvement. The review should ensure that changes in the risk situation are identified, so that the necessary improvement measures can be implemented. The Audit Committee also evaluates the quality of the work performed by the internal auditors. The Boards of Directors of DnB NOR Bank ASA, Vital Forsikring ASA and other significant subsidiaries annually evaluate the companies' key risk areas and internal control.

Each quarter, the Audit Committee and the holding company board receive a report on developments in the Group's risk categories. The bank's Board of Directors receives a report on developments in credit risk for the banking group each quarter. The Board of Directors of Vital receives periodic reports analysing the company's risk situation.

Information about the Group's risk situation is made available to the market, shareholders and the authorities through quarterly reports. In addition, information is released about DnB NOR's adaptation to and compliance with the capital adequacy regulations, including information on processes and models and quantitative information about the various risk categories. Information is made available on the Group's website, dnbnor.com.

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

Group chief executive and executive bodies

Organisation and responsibilities

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

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

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

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

Group Security, which is organised independently of the business areas, focuses primarily on advisory services and preventive measures and plays a key role in reporting and measuring operational risk.

Implementation and monitoring

The basis for risk management in DnB NOR is that individual managers in the Group must make sure that they are acquainted with all material risks within their areas of responsibility, thus ensuring that the management of such risk is financially and administratively sound.

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

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

All units carry out an annual risk review which includes:

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

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

Group Finance and Risk Management

Organisation and responsibilities

Group Finance and Risk Management has overall responsibility for risk management and internal control and for assessing and reporting the Group's overall risk situation.

Implementation and monitoring

Each quarter, Group Finance and Risk Management, represented by Group Risk Analysis, prepares a report to the holding company board regarding developments in the various risk categories as well as a report to the Board of Directors of DnB NOR Bank ASA regarding the trend in the banking group's credit risk. The Group's risk is measured in the form of risk-adjusted capital requirements. Calculations of the business areas' capital requirements are based on the Group's internal risk model. See "Capital management and risk categories" in the annual report. Return on risk-adjusted capital is a key factor in product pricing, profit calculations and in monitoring performance in the business areas.

Group Compliance

Organisation and responsibilities

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

Implementation and monitoring

The group compliance officer, GCO, is responsible for the Group's overall control of and reporting of compliance risk and any breach of laws and regulations pertaining to the Group. The GCO reports to the Board of Directors through the group chief executive at least once a year. Compliance officers in the business areas and support units issue periodic reports on the current status and on any violations of regulations to the heads of the respective units.

Audit

Organisation and responsibilities

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

Implementation and monitoring

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

Capital management and risk categories

Basel II and the IRB system

The Basel II regulations entered into force on 1 January 2007. The capital adequacy regulations ensue from an EU directive, with parallel introduction in Norway through the EEA agreement. The regulations imply greater consistency between the authorities' capital adequacy requirements for financial institutions and the methods applied by the institutions themselves in calculating capital requirements. The regulations are divided into three so-called pillars: 1. minimum capital requirements, 2. banks' own assessment of their risk profile and capital requirements, and 3. demand for disclosure of financial information.

The IRB system in DnB NOR

The DnB NOR Group has been granted permission to use the IRB approach (IRB, Internal Rating Based) for credit risk to calculate capital adequacy for that part of the portfolio for which use of the IRB approach has been approved. The approval implies that the Group's own classification systems are used as a basis for the calculations. The portfolio for which use of the IRB approach has been approved represented 43 per cent of DnB NOR's lending volume at year-end 2008. Risk-weighted volume for this portfolio has been reduced by 59 per cent relative to risk-weighted volume reported according to the Basel I regulations. No similar reduction in capital can be expected, as the framework also takes other factors into account, see description of Pillar 2 below.

Use of the Group's own classification systems for capital adequacy reporting is part of the IRB system, defined as the models, work processes, decision-making processes, control mechanisms, IT systems and internal guidelines and routines used to classify and quantify credit risk.

The IRB system thus affects a major part of the Group's operations, also across business areas and staff units. The implementation of the IRB system is a challenging process, and extensive efforts have been made over a number of years to establish the system. In addition, the bank has long and extensive experience from the use of risk models and systems and maintains sound credit control. The introduction of the IRB system has contributed to better credit risk management through improved follow-up systems.

Pillar 1

Pillar 1 is about minimum capital adequacy requirements for credit risk, market risk and operational risk.

With respect to credit risk, an introduction plan has been prepared for the portfolios which are to be reported according to the IRB approach. As at 31 December 2008, the IRB portfolio comprised loans to small and medium-sized companies as well as loans secured by real property. The Group has applied for permission to use the IRB approach in 2009 for DnB NOR Kort's retail credit card portfolio and a portfolio in DnB NOR Finans which includes leasing and loans in Norway but not the portfolio from SkandiaBanken Bilfinans. Once Kredittilsynet (the Financial Supervisory Authority of Norway) has given its approval, this portfolio will be reported according to the advanced IRB approach.

The Group has also applied for permission to use the advanced IRB approach for credit risk for small and medium-sized corporate customers in Norwegian regions as from 2009 instead of the foundation IRB approach, which was used in 2008. The application is under consideration by Kredittilsynet. If approved, this will imply that the bank's models for severity and credit exposure, as well as internal classification systems, will be used for reporting purposes.

DnB NOR Bank ASA reported operational risk according to the standardised approach in 2008, while some subsidiaries used the basic indicator approach. A shift to the most advanced reporting standard, Avanced Measurement Approaches, AMA, will be considered at a later date.

The shift from Basel I to Basel II has a more limited impact on the treatment of market risk. DnB NOR reports market risk according to the standardised approach.

A major reduction in risk-weighted volume included in capital adequacy calculations is expected upon implementation of the IRB system for all portfolios. For 2009, the risk-weighted volume in the capital adequacy report cannot be reduced below 80 per cent of the Basel I requirements, but the actual reduction will depend on the risk-weighted volume measured at year-end. The mini-

Reporting methods for capital adequacy as at 31 December

	2008			*2009*			*2010*		
Portfolios/approaches	Standardised	Foundation IRB	Advanced IRB	Standardised	Foundation IRB	Advanced IRB	Standardised	Foundation IRB	Advanced IRB
Mortgage loans, DnB NOR Bank and DnB NOR Boligkreditt			x			x			x
Retail small and medium-sized entities in DnB NOR Bank		x				x			x
Qualifying revolving retail exposure, DnB NOR Kort	x					x			x
Corporates, leasing and loans in Norway in DnB NOR Finans excluding the portfolio from SkandiaBanken Bilfinans	x					x			x
Corporates, factoring and large clients in Norway in DnB NOR Finans plus the car portfolio in Sweden	x			x					x
Corporates, large corporate customers in Norway in DnB NOR Bank	x			x					x
Corporates, other corporate clients in DnB NOR Bank	x			x					x
Institutions, banks and financial institutions	x			x					x
Mortgage loans, retail small and medium-sized entities, other portfolios, Nordlandsbanken	x			x					x
Approved exceptions: government and municipalities, equity positions, commercial paper	x			x			x		
Temporary exceptions: DnB NORD, DnB NOR Luxembourg, Monchebank and various other portfolios	x			x			x		

mum capital adequacy requirement is still 8 per cent of risk-weighted volume, with 50 per cent representing Tier 1 capital. The actual capital requirement will be higher, see description below concerning the Group's own assessment under Pillar 2.

The above table shows the time schedule for the portfolios to be reported according to the IRB approach up to and including 2010. The portfolios which have not been approved as IRB portfolios are reported according to the standardised approach.

Pillar 2

Pillar 2 requires the Group to have a process to assess its overall capital requirements relative to its risk profile as well as a strategy for maintaining the level of capital. Pillar 2 also describes Kredittilsynet's review and evaluation process.

DnB NOR's risk and capital assessment process includes the Group and subsidiaries and results in an assessment of capital levels. DnB NOR's assessment is reported to Kredittilsynet and includes an evaluation of capital requirements for risks not encompassed by the minimum requirement in Pillar 1, capital requirements for future growth and an overall capital adequacy assessment.

As part of its supervisory process, Kredittilsynet prepares an annual overall risk assessment for the Group, including feedback on the capitalisation of the Group. These assessments play a significant part when determining the actual effect of the transfer to new capital adequacy regulations.

Pillar 3
Pillar 3 presents specific requirements concerning the disclosure of financial information. DnB NOR's adaptation to and compliance with the capital adequacy regulations are available on DnB NOR's website dnbnor.com.

Validation
Validation is a key element in assuring the quality of the IRB system and can be divided into quantitative and qualitative validation. The quantitative validation tests the risk models, whereas the qualitative validation tests the structure of the IRB system and whether it is used as intended. At least once a year, the Board of Directors should be presented with a validation report providing them with a basis for considering whether the Group's credit risk is adequately classified and quantified. Responsibility for all validation has been assigned to the chief financial officer, while Group Credit Risk Management has responsibility for carrying out the validation process. In 2008, Kredittilsynet received validation reports for the portfolios for which the Group has received permission to use the IRB approach and the portfolios for which it has applied for permission to use this approach.

Audits
The auditors will perform audits of the IRB system and monitor how it is used at least once a year, including verifying compliance with the capital adequacy regulations.

Capital management

Risk categories
For risk management purposes, DnB NOR distinguishes between the following risk categories:
- Credit risk is the risk of losses due to failure on the part of the Group's counterparties or customers to meet their payment obligations towards the DnB NOR Group. Credit risk refers to all claims against counterparties or customers, mainly loans, but also liabilities in the form of other extended credits, guarantees, leasing, factoring, interest-bearing securities, approved, undrawn credits, as well as counterparty risk arising through derivatives and foreign exchange contracts. Settlement risk, which arises in connection with payment transfers as not all transactions take place in real time, also involves credit risk.
- Market risk arises as a consequence of the bank's unhedged positions and exposure in the foreign exchange, interest rate, commodity and equity markets. The risk is linked to variations in financial results due to fluctuations in market prices or exchange rates.
- Liquidity risk is the risk that the Group will be unable to meet its payment obligations.
- Risk in Vital Forsikring ASA comprises financial risk and insurance risk, in addition to operational risk and business risk. Financial risk comprises credit and market risk, which is the risk that the return on financial assets will not be sufficient to meet the obligations specified in insurance policies. Insurance risk relates to changes in future insurance payments due to changes in life expectancy and disability rates.
- Operational risk is the risk of losses due to deficiencies or errors in processes and systems, errors made by employees or external events.
- Business risk is the risk of losses due to external factors such as the market situation or government regulations. Business risk includes reputational risk.

Risk measurement and risk-adjusted capital
DnB NOR measures risk by calculating risk-adjusted capital, which represents estimated capital requirements relative to the risk of losses generated by various business operations. Risk-adjusted capital makes it possible to compare risk across risk categories and business areas. Calculations of risk-adjusted capital are based on statistical methods. Nevertheless, calculations require a certain level of discretion and estimation.

DnB NOR quantifies risk-adjusted capital for the following

Developments in risk-adjusted capital

Amounts in NOK billion	*31 Dec. 2008*	*31 Dec. 2007*
Credit risk	59.2	42.6
Market risk	4.2	3.6
Ownership risk for Vital	7.1	8.5
Operational risk	6.7	5.2
Business risk	3.7	2.5
Gross risk-adjusted capital	81.0	62.4
Diversification effect [1)]	(12.9)	(13.6)
Net risk-adjusted capital	68.1	48.8
Diversification effect in per cent of gross risk-adjusted capital [1)]	15.9	21.8

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

risk categories: credit risk, market risk, ownership risk for Vital, operational risk and business risk. A significant diversification or portfolio effect arises when the various risks are considered together, as it is unlikely that all losses will occur at the same time. An economic downturn will normally have a negative effect on most areas, but there will be a diversification effect, as not all areas will be hit equally hard. The diversification effect between risk categories and business areas implies that the Group's risk-adjusted capital will be much lower than if the business areas had been independent companies. The risk-adjusted capital for the various risk categories is calculated separately. In addition, risk-adjusted capital is calculated for each business area. Risk-adjusted capital is used in profitability measurement and as decision support for risk management.

Average losses over a normal business cycle represent expected costs which should primarily be covered through correct pricing. Risk-adjusted capital should cover unexpected losses. The quantification is based on statistical probability calculations for the various risk categories on the basis of historical data. As it is impossible to guard against all potential losses, DnB NOR has stipulated that risk-adjusted capital should cover 99.97 per cent of potential losses within a one-year horizon. This level is in accordance with an AA level rating for ordinary long-term debt.

Estimated risk level

The table on page 60 shows developments in risk-adjusted capital from 2007 to 2008.

As at 31 December 2008, risk-adjusted capital for the Group was NOK 68 billion after the diversification effects between risk categories had been taken into account. There was a NOK 19 billion increase during the year, which was largely attributable to the increase in credit risk. The first half of 2008 saw rapid credit growth, but this slowed down considerably towards the end of the year. However, due to a major weakening of the Norwegian krone in the fourth quarter, credit exposure increased significantly during the last few months of the year. In addition, impaired credit quality resulted in a rise in risk-adjusted capital in the second half of the year.

Assessment of risk and capital requirements

Various processes have been established in DnB NOR to assess capital requirements relative to the Group's risk profile and the quality of established risk management and control systems. Developments in the level of capital is a key factor which is taken into account in long-term financial planning. The Board of Directors of DnB NOR ASA approved a new capitalisation policy for the Group on 20 January 2009.

The capitalisation policy is aimed at ensuring that group equity is adequate to secure effective and optimal use of equity relative to the scope and risk profile of operations.

The equity of DnB NOR should enable the Group to achieve a competitive return on equity and obtain competitive terms in funding markets. Also, it should put the Group in a position to exploit growth opportunities through either organic growth or acquisitions.

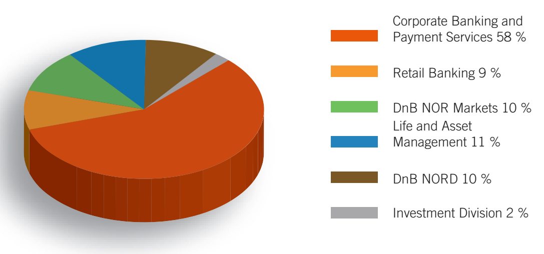
The policy entails that the Group's Tier 1 capital, as part of the Group's risk-weighted volume, shall be minimum 8 per cent upon full implementation of the IRB system. As risk-weighted volume is affected by cyclical fluctuations, this means that the Tier 1 capital ratio must be well over 8 per cent in good economic times and minimum 8 per cent during an economic downturn. This policy will be operationalised by aiming for a Tier 1 capital ratio of 8 per cent for the Group by year-end 2010.

The capitalisation policy is reviewed annually as part of the Group's budget and strategy process.

Use in risk management and monitoring

Risk-adjusted return is a key financial management parameter in the internal management of the DnB NOR Group. Risk-adjusted capital for individual business areas reflects the inherent risk in operations. The return on equity is continually monitored.

Risk-adjusted capital requirement in the Group
as at 31 December 2008



Credit risk

Credit risk represents the chief risk category for the Group and refers to all claims against customers, mainly loans.

Credit risk management

According to the Group's credit policy, approved by the Boards of Directors of DnB NOR ASA and DnB NOR Bank ASA, the primary aim of credit operations is to maintain credit portfolios with a composition and quality that ensure the Group's short and long-term profitability. The quality of the credit portfolio should be consistent with DnB NOR's low risk profile target.

Credit strategies are worked out for all business areas carrying credit risk. The strategies have been approved by the Board of Directors and are reviewed on an annual basis. Credit approval authorisations are personal and graded on the basis of customers' risk category. For large credits, there is a two-layered decision-making procedure where credit approval authority rests with the business units subject to approval by Group Credit Risk Management. All corporate commitments are subject to annual risk classification and review.

The Group aims to avoid large risk concentrations, including large exposures to a customer or customer group as well as clusters of commitments in high-risk categories, industries and geographical areas. Developments in risk concentrations are monitored closely with respect to volume, risk category and allocated risk-adjusted capital. Exposures to large customers and customer groups are followed up based on risk category and allocated risk-adjusted capital.

The risk classification systems are used as decision support and for continual risk monitoring and reporting. Probability of default, expected losses and allocated risk-adjusted capital for commitments on an individual and portfolio basis are an integrate part of the credit process and ongoing monitoring, including the follow-up of credit strategies.

Retail Banking, which has a large number of customers, aims to make the majority of credit decisions on the basis of automated scoring and decision support systems.

DnB NOR owns 51 per cent of DnB NORD, which is headquartered in Copenhagen and has a network of banks and branches in the Baltic region, Poland, Finland and Denmark. DnB NOR's governance requirements are fulfilled through direct participation on the Boards of Directors of DnB NORD and the individual subsidiary banks. As in DnB NOR, credit operations in DnB NORD are regulated through a credit policy that applies to the whole bank. In addition, credit strategies have been prepared for DnB NORD's various business areas.

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

Credit risk measurement

The Group's credit risk models provide a basis for statistically based calculations of expected losses in a long-term perspective and risk-adjusted capital in a portfolio perspective.

Calculations are based on several key risk parameters, the most important being PD - probability of default, EAD - exposure at default and LGD - loss given default. Calculations of risk parameters are based on statistical models. Data and analytical tools are an integrated part of risk management, and the DnB NOR Group has extensive experience with classification systems as support for credit decisions and monitoring. The classification models for loans secured by real property and loans to Norwegian small and medium-sized companies have been approved by Kredittilsynet and satisfy the requirements for IRB models. During 2009, loans to large corporates will be classified by using revised models for which IRB approval has been requested.

Estimated probability of default is used to measure quality. The counterparty, i.e. the customer, is classified according to a scale of ten risk categories based on the probability of default. In addition, impaired and non-performing commitments are placed in categories 11 and 12 respectively for reporting purposes. The risk categories are defined on the basis of the scales used by international rating agencies. If an external rating has been given, such rating may be taken into consideration when classifying individual commitments. The classification of institutional and country risk is based on classifications by external rating agencies.

DnB NOR's models for risk classification of customers are subject to continual improvement and testing. The models are adapted to different industries and segments and are regularly upgraded to ensure that the variables used in the models have high explanatory power at all times based on key risk drivers for the individual parameters included in the models. The IRB models are implemented as and when they are approved by Kredittilsynet.

Exposure at default is an estimated figure which includes amounts drawn under credit limits or loans as well as a percentage share of committed, undrawn credit lines.

Loss given default indicates how much the Group expects to lose if the customer fails to meet his obligations, taking the collateral provided by the customer and other relevant factors into consideration.

The models' calculations of estimated probability of default should show the average probability of default during a business cycle. However, no model is completely unaffected by cyclical fluctuations. Consequently, stress testing is used to assess the effects of a recession on capital requirements. The stress tests should identify possible future changes in economic conditions which could have a negative impact on the Group's credit exposure and ability to withstand such changes. These assessments are taken into account in the Group's risk and capital assessment process to determine the correct level of capital.

Developments in credit risk during 2008

There was a significant increase in the Group's total credit exposure through 2008, especially in Corporate Banking and Payment Services and DnB NORD. Credit quality was impaired during the second half of the year due to the strong shift in the global economy. In the course of the year, syndicates for a total credit volume of approximately

Value-at-Risk [1)]

	31 Dec. 2008	2008		
Amounts in NOK thousand	*Actual*	*Average*	*Maximum*	*Minimum*
Currency risk	51 710	14 573	55 630	1 160
Interest rate risk	98 850	46 573	175 000	9 990
Equity risk	892	2 810	7 965	30
Diversification effects [2)]	(32 430)	(11 618)		
Total	119 022	52 338		

1) Value-at-Risk is the maximum loss that could be incurred on trading positions from one day to the next at a 99 per cent confidence level.

2) Diversification effects refer to currency and interest rate risk only.

NOK 69 billion were arranged, of which NOK 30 billion was syndicated to other banks, leaving DnB NOR with approximately NOK 39 billion on its books. Syndication activity was particularly high in the shipping, offshore and maritime logistics sectors, where DnB NOR is one of the world's largest lead managers. The syndication market reflected the international financial turmoil, and there was a virtual halt in activity towards the end of the year.

Market risk

Overall, market risk represents a small share of the Group's total risk. Market risk arises through trading activities, long-term investments in equity instruments within banking operations and customer lending and deposits. With respect to the last-mentioned, market risk may stem from differences in fixed-rate periods for assets and liabilities as well as currency exposure.

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

Market risk that arises in Vital Forsikring ASA is included under ownership risk in DnB NOR ASA.

Market risk management

Responsibility for all trading activities in the DnB NOR Bank Group, with the exception of DnB NORD, rests with DnB NOR Markets. Limits for market risk are reviewed at least once a year and are determined by the bank's Board of Directors. The guiding principle is that the sum of allocated limits at lower levels should not exceed the limit one level higher. Limits for foreign exchange, equity and commodity risk represent nominal amounts for individual positions, while limits for interest rate risk represent changes in value resulting from an interest rate adjustment of one basis point. In addition, sensitivity limits have been defined for options. A unit independent of brokerage operations checks positions in relation to limits and results on a daily basis.

The Treasury function in the DnB NOR Bank Group handles interest rate risk on the banking book. As for trading activities, limits are reviewed by the bank's Board of Directors once a year. Principles, methods, limits and follow-ups are based on the same guidelines as trading activities, which includes daily measurement of interest rate risk.

Interest rate and currency risk in the banking group is centralised, as all units in the banking group, with the exception of DnB NORD and DnB NOR Monchebank, must hedge their positions through the Treasury function. DnB NORD and DnB NOR Monchebank have their own risk limits. This ensures the quality and transparency of position-taking both locally and in the Group as a whole.

Responsibility for following up and managing the Group's equity investment portfolio rests with the Investment Division, which is part of Group Finance and Risk Management. Limits for equity instruments are determined by the Board of Directors of DnB NOR Bank ASA.

Market risk measurement

Market risk is measured in the form of risk-adjusted capital. In addition, stress scenarios, sensitivity testing and daily Value-at-Risk calculations are used in operational management and control in DnB NOR Markets.

Developments in market risk during 2008

Risk-adjusted capital for market risk rose from NOK 3.6 billion at the end of 2007 to NOK 4.2 billion at end-December 2008. The increase mainly reflected higher exposure to equity instruments. At year-end 2008, the DnB NOR Bank Group, excluding DnB NORD, carried interest rate risk which would have corresponded to a NOK 2.8 million decline in value in the event of a parallel one basis point shift in the interest curve in an unfavourable direction in all currencies.

Liquidity risk

Liquidity risk is the risk that the Group will be unable to meet its payment obligations. In a broader perspective, liquidity can be defined as the Group's ability to finance increases in assets and meet its obligations as its funding requirements rise.

Liquidity risk management
The Treasury function is responsible for operational liquidity management. The IR/Long-term Funding unit, which is organised under Group Finance and Risk Management, is responsible for establishing principles and limits for liquidity management and for arranging long-term funding. Overall liquidity management in the DnB NOR Bank Group is based on DnB NOR Bank ASA providing funding for subsidiaries such as Nordlandsbanken and DnB NOR Finans as well as international branches and subsidiaries. The funding of DnB NORD corresponds to the percentage ownership of the DnB NOR Group in the bank.

Liquidity management in DnB NOR implies maintaining a diversified funding structure, including a broad deposit base representing both retail and corporate customers. As an element in this strategy, a number of funding programmes have been established in different markets. DnB NOR has a commercial paper programme of USD 14 billion in the US and a commercial paper programme of EUR 10 billion in Europe. In 2008, the short-term funding sources were further diversified through the establishment of a so-called Yankee CD programme, where commercial paper are issued by DnB NOR's New York branch. The bank also has a European Medium Term Note Programme of EUR 35 billion and a USD 8 billion long-term funding programme in the US market.

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

As an element in ongoing liquidity management, DnB NOR Bank needs to have a holding of securities that can be used in various ways to regulate the Group's liquidity requirements and serve as collateral for operations outside Norway. The securities are used, among other things, as collateral for short and long-term loans in a number of central banks and serve as liquidity buffers to fulfil regulatory requirements. The bank has chosen to meet its need for liquid securities by investing in high-quality international bonds. At end-December 2008, DnB NOR Markets' liquidity portfolio totalled NOK 102 billion, of which 99 per cent were securities with an AAA rating. Only two securities had a rating below AA, representing 0.1 per cent of the portfolio.

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

Liquidity risk measurement
Liquidity risk is managed and measured using various measurement techniques. The Board of Directors has established limits which restrict the volumes to be refinanced within various time brackets. In addition, limits have been approved for structural liquidity risk, whereby minimum 90 per cent of lending to the general public should be financed through customer deposits, long-term funding and primary capital.

Liquidity risk management includes stress testing, simulating the liquidity effect of a downgrading of the bank's international credit rating following one or more negative events. The results of such stress testing are included in the banking group's contingency plan for liquidity management during a financial crisis.

Developments in liquidity risk during 2008
In spite of the significant turmoil in international financial markets throughout 2008, long-term funding corresponding to NOK 170 billion was raised during the year, mainly in foreign currencies. Included in this figure are subordinated loans for NOK 8 billion. After Lehman Brothers filed for bankruptcy protection on 15 September, the financial turmoil intensified, and at times, the money and capital markets ceased to function. After coordinated, extensive government measures in a number of countries, including guarantees for interbank loans in the euro zone, capital injections in European and US banks, reductions in central bank interest rates and special schemes securing banks access to long-term liquidity, there was a gradual recovery in money markets towards the end of the year. Another important measure implemented in late 2008 was the establishment of the Money Market Investor Funding Facility, MMIFF, by the US authorities. The facility was set up by the Federal Reserve Bank of New York, FED, to improve the liquidity situation in the money market by giving US money market funds greater options for selling their investments. DnB NOR was included on the list of eligible securities under this scheme.

During the fourth quarter of 2008, the Norwegian authorities introduced a scheme for long-term funding whereby government securities are exchanged for covered bonds issued by banks and secured by residential mortgages. In addition to liquidity injections in Norwegian kroner and foreign currencies, the scheme included two-year F-loans (fixed-rate lending facility) aimed at small banks and an easing of banks' collateral requirements for borrowing in Norges Bank.

Due to the extensive raising of capital and measures initiated by the authorities, DnB NOR's liquidity situation at year-end 2008 can be characterised as sound. In consequence of wider credit margins in financial markets, however, costs relating to capital market funding have increased. At end-December 2008, the average remaining term to maturity for the portfolio of senior bond debt was 2.7 years, an increase from 2.4 years a year earlier.

The Group aims to achieve a sound and stable maturity structure for funding over the next five years.

Risk in Vital Forsikring ASA – life insurance

DnB NOR regards risk in Vital Forsikring ASA from an ownership perspective, measured as ownership risk for Vital. Risk in life insurance companies comprises financial risk, insurance risk, operational risk and business risk. The two first-mentioned risk categories are special in life insurance operations. Financial risk comprises credit and market risk, which is the risk that the return on financial assets will not be sufficient to meet the obligations specified in insurance policies. Insurance risk relates to changes in future insurance payments due to changes in life expectancy and disability rates.

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

Management of life insurance risk

Risk management in Vital is part of the company's strategy, which has been approved by Vital's Board of Directors. Through regular assessments by the Group's Asset and Liability Committee, ALCO, the risk situation in Vital is reviewed relative to the Group's overall risk profile. Vital's chief executive and Board of Directors will help ensure that Vital's risk management and strategy are consistent with the Group's risk profile.

Limits for financial risk are stipulated as nominal amounts on an annual basis. In order to comply with the need for minimum diversification, limits have been set for each asset class. In addition, limits have been set for concentration risk relative to individual issuers. Separate limits have been established for derivatives. Vital's unit for risk analysis and control monitors and follows up limits and guidelines.

Market risk is managed by continually adapting the portfolios to the company's capital in excess of the minimum capital requirement determined by Kredittilsynet. Analyses have shown that in the longer term, this will improve risk-adjusted returns. The probability of a highly negative outcome is reduced, while there are good chances of benefiting from an upswing in stock markets.

The capital management strategy aims to reduce variability in earnings.

Measurement of life insurance risk

Vital has developed a stress test which is used to measure the company's risk tolerance. The result of the stress is measured against the company's capital in excess of the minimum captal requirement. The result is used as a basis for risk measurement and for determining risk limits for capital management.

Developments in life insurance risk during 2008

At the end of 2008, the average annual guaranteed return was 3.5 per cent.

The yield on Norwegian 10-year government bonds decreased from 4.7 per cent at year-end 2007 to 3.8 per cent at end-December 2008. In consequence, overall long-term financial risk in Vital increased somewhat.

The DnB NOR Group reported risk-adjusted capital for ownership risk related to Vital of NOK 7.1 billion at the end of 2008 and NOK 8.5 billion at end-December 2007. A significant reduction in the company's equity exposure contributed to reducing risk-adjusted capital. Use of the securities adjustment reserve and additional allocations in 2008 reduced the company's buffer capital and risk capacity. Ownership risk in Vital is followed up on a quarterly basis.

The DnB NOR Group allocates NOK 7.1 billion for ownership risk related to Vital, while operational risk and business risk represent NOK 1.3 billion and NOK 0.7 billion respectively.

Changes in external parameters

Premium rates for individual pensions were adjusted during 2008 to reflect longer average life expectancy. This has created a need to increase insurance provisions for individual pensions by approximately NOK 2.0 billion. The industry is in dialogue with the authorities regarding provisioning levels.

New regulations were introduced for Norwegian life insurance companies as from 1 January 2008. The main objectives behind the new regulations were a clearer distinction between policyholders' funds and company funds and a clearer division of risk between policyholders and the company. The changes imply, among other things, that buffers and funds are allocated to a greater extent among policyholders. Also, pricing has become more transparent, which means that the guaranteed rate of return on the common portfolio and new individual contracts, approximately 50 per cent of the portfolio, will be priced in advance. Overall, these changes resulted in a somewhat lower risk for the DnB NOR Group.

Operational risk

Operational risk is a consequence of DnB NOR's operations. Errors can be made by employees, weaknesses can occur in products, processes or systems, and DnB NOR can suffer losses due to external events such as fraud, fires etc.

Operational risk management
The Board of Directors has determined a framework for the management of operational risk in the Group. There should be low operational risk in DnB NOR, and there are clear guidelines outlining the responsibilities, organisational aspects and working methods necessary to manage this type of risk. The basic principle is that all managers must have sound knowledge of operational risk within their own area of responsibility. This is to be ensured through ongoing risk assessments of everyday operations, of all major changes in operations as well as of particularly critical functions. When a need for improvement measures is identified, special follow-ups are initiated. Operational loss events are registered in an event register and represent an important experience base for operational risk.

In order to limit the consequences of serious events, operational disruptions etc., comprehensive emergency, contingency and business continuity plans have been worked out and are regularly tested and updated.

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

The Board of Directors is kept updated on the status for operational risk through the Group's quarterly risk report, from ongoing reporting as required, as well as from an extensive annual report summarising the risk assessments of the various group executive vice presidents. In addition to a presentation of key risks and relevant improvement measures, the report includes a detailed assessment of the current status of the individual business areas' ongoing management and control. The assessment is also part of a calculation which influences risk-adjusted capital for the business areas.

The implementation of the group quality system, KRAFT, continued through 2008. KRAFT is based on a process-oriented database tool and gives a structured documentation of the Group's work and management processes. The system will be an effective tool in quality and risk management as well as in the Group's ongoing streamlining and improvement processes.

The Group's insurance programme provides wide coverage against the greater part of losses in the event of large-scale catastrophes such as fires, serious operational disruptions, criminal attacks etc. Losses resulting from major indemnity suits are also covered. The insurance programmes are highly cost-effective and primarily aim to cover serious loss events. The deductible risk is handled through the Group's captive company, DnB NOR Reinsurance SA.

Operational risk measurement
The calculation of risk-adjusted capital for operational risk is based on external capital requirements, but is adjusted upward to reflect DnB NOR's risk tolerance. An internal distribution formula for risk-adjusted capital has been introduced which better reflects differences in the real risk situation in the various business areas.

The Group participates in a research project at the University of Stavanger aimed at developing a capital calculation model for the Norwegian financial services industry that can be used in the advanced reporting method, Advanced Measurement Approaches, AMA.

Developments in operational risk during 2008
A total of 530 operational loss events were registered during 2008, causing an overall loss for the Group of just under NOK 190 million. Half of the events are characterised as processing and routine errors associated with the Group's products and services. In the course of 2008, the operational stability of the Group's IT systems improved considerably. At end-December 2008, risk-adjusted capital for operational risk was estimated at NOK 6.7 billion. During the 2005-2008 period, the annual cost resulting from such losses was below 5 per cent of risk-adjusted capital. The loss figures thus reflect the low operational risk of DnB NOR. The financial turmoil and the strong contraction in the global economy have nevertheless demonstrated that weaknesses in the organisation tend to be more visible during a downturn.

An issue that has attracted much media attention is past sales of loan-backed structured savings products. In this connection, the Norwegian Banking Complaints Board has issued a statement in DnB NOR's disfavour. As this is a matter of principle, DnB NOR wishes to have the case tried in the ordinary courts of law.

Business risk
Business risk arises due to unexpected changes in income or expenses resulting from external factors such as competitive forces causing a reduction in volumes and pressure on prices, or regulations that impair profitability due to a shortfall in income or rise in costs. Losses are incurred if the Group fails to adapt to these changes.

Changes in the Group's reputation may be a consequence of other risk factors, but are handled as business risk in

DnB NOR. A damaged reputation can have an adverse impact on all business areas, independent of where in the Group or in the rest of the financial industry the original incident occurred.

Business risk management

Sound strategic planning is the key tool to reducing business risk.

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

Business risk measurement

Calculations of risk-adjusted capital for business risk are based on estimated fluctuations in income and expenses adjusted for effects that could be linked to other risk categories. In addition to calculations of risk-adjusted capital, monitoring media coverage and market shares is part of business risk measurement.

Business risk in 2008

Risk-adjusted capital for business risk represented NOK 3.7 billion at year-end 2008.

The DnB NOR share

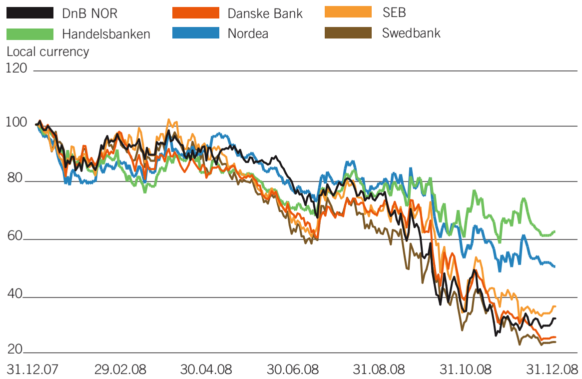
In consequence of the financial market turmoil, 2008 turned out to be a weak year for the stock markets in general, and financial shares were no exception. Morgan Stanley's MSCI European Financial Sector Indices fell by 60 per cent, while DJ Euro Stoxx TMI Financials declined by 59 per cent.

Adjusted for dividends, the value of the DnB NOR share was reduced by 62 per cent by end-2008, which represented a somewhat sharper fall than the unweighted average decline for the Group's Nordic peers, at 56 per cent. DnB NOR had a market capitalisation of NOK 36 billion at end-December 2008 and is the fifth largest company listed on Oslo Børs (the Oslo Stock Exchange).

As at 31 December 2008, DnB NOR had 1 332.7 million shares divided between approximately 47 300 shareholders. The DnB NOR share is covered by 16 Nordic-based and 11 international brokerage houses. It is in the interests of DnB NOR that high-quality equity analyses are published. Emphasis is placed on providing relevant, complete and high-quality information and on ensuring that all analysts, regardless of their assessments of the DnB NOR share, receive equal treatment at all times. A list of analysts following the DnB NOR share can be found on dnbnor.com. Daily contact with investors and analysts is handled by the Investor Relations division. A further description of DnB NOR's shareholder and dividend policy can be found in the chapter "Corporate governance".

Share price development in 2008

31 December 2007 = 100



Returns and share turnover

The price of the DnB NOR share fell by 67.5 per cent during 2008. Including dividends, the aggregate return [1] was negative at 62 per cent. The Board of Directors recommends no dividend distribution for 2008. The total trading volume for all shares listed on Oslo Børs declined by 22 per cent in 2008 compared with 2007, to NOK 2 138 billion, while the number of transactions increased by 56 per cent to 13.3 million. The average daily trading volume for the DnB NOR share was approximately 6.2 million shares in 2008 (table 2), which represented approximately 4 per cent of the total trading volume on Oslo Børs.

1) Aggregate return is defined as the closing price in 2008 less the closing price in 2007, adjusted for dividends paid in 2008 and divided by the closing price in 2007.

At the beginning of 2009, the DnB NOR share is weighted on all relevant Oslo Børs indices, with 4.8, 3.8, 5.3 and 4.5 per cent respectively on the benchmark, all-share, OBX and mutual fund indices. DnB NOR is also represented on various global indices, but with relatively low weights. It is possible to trade standardised derivative contracts on the DnB NOR share, and DnB NOR derivatives were sold on 231 of the 252 trading days on Oslo Børs in 2008. Around 227 000 contracts were sold at a total value of NOK 117 million.

Table 1: Total annual return as at 31 December 2008

Total annual return (%)	*Last year*	*Last two years*	*Last three years*
DnB NOR	(62.0)	(36.7)	(18.5)
Nordic average [1)]	(55.9)	(35.9)	(19.7)

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

Table 2: The DnB NOR share in 2006, 2007 and 2008

In NOK unless otherwise indicated	*2008*	*2007*	*2006*
Highest closing price	84.00	94.70	91.50
Lowest cosing price	22.00	75.00	72.00
Closing price as at 31 December	27.00	83.00	88.50
Market capitalisation as at 31 December (NOK million)	35 982	110 610	118 313
Tax value as at 1 January the following year	27.75	83.50	89.00
Dividends for the accounting year [1)]	0.00	4.50	4.00
Annual turnover (in 1 000)	1 549 935	1 456 095	930 954
Average daily turnover (in 1 000)	6 150	5 824	3 709
Annual turnover (NOK million)	91 586	121 134	75 421
Turnover rate (%)	116	109	70

1) Proposed dividend for 2008.

Share capital and shareholder structure

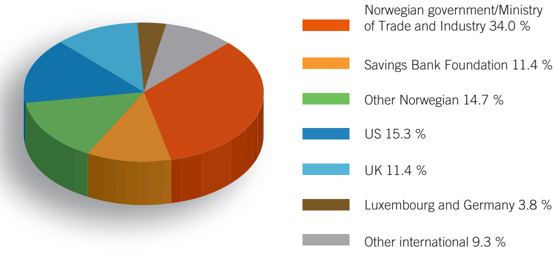
At end-December 2008, the share capital of the company was NOK 13 327 million divided into 1 332.7 million shares. DnB NOR has approximately 47 300 private and institutional shareholders, of which the largest are the Norwegian government, represented by the Ministry of Trade and Industry, and Sparebankstiftelsen DnB NOR (the Savings Bank Foundation). A further description of the government's ownership can be found in the chapter "Corporate governance" under the heading "Equal treatment of shareholders".

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

Table 3: Largest shareholders as at 31 December 2008

	Per cent
Norwegian government/Ministry of Trade and Industry	34.0
Savings Bank Foundation	11.4
National Insurance Scheme Fund	3.0
Capital Research/Capital International	2.0
Barclays Global Investors	1.9
Jupiter Asset Management	1.6
DnB NOR Funds	1.0
People's Bank of China	1.0
Putnam	0.9
Orkla ASA	0.7
State of New Jersey Com Pension Fund	0.6
Blackrock Funds	0.6
Canada Life Funds	0.6
Dexia Bank	0.5
Neuberger Berman	0.5
Deutsche Bank AG/DWS Investments	0.5
State Street Global Advisors	0.5
Inv. Danske Invest	0.5
Frank Mohn AS	0.5
L&G Legal and General Funds	0.4
Other shareholders	37.2
Total	100.0

Ownership according to investor category
as at 31 December 2008



Norwegian investors: 60 %
International investors: 40 %

Shareholders according to number of shares and percentage ownership
as at 31 December 2008

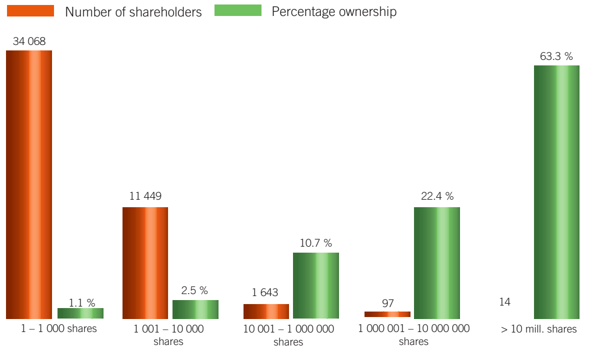


Table 4: Number of shares in 2006, 2007 and 2008			
No. of shares	*2008*	*2007*	*2006*
Outstanding as at 1 January	1 332 653 615	1 336 874 898	1 336 874 898
No. of shares cancelled	0	4 221 283	0
Share issue (subscription rights)	0	0	0
Shares for conversion	0	0	0
Outstanding as at 31 December	1 332 653 615	1 332 653 615	1 334 088 851
Holdings of own shares	0	0	2 786 047
No. of shares outstanding as at 31 December, incl. own shares	1 332 653 615	1 332 653 615	1 336 874 898
No. of subscription rights outstanding as at 31 December	0	0	0
No. of shares outstanding, fully diluted	1 332 653 615	1 332 653 615	1 336 874 898

Rating

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

Table 5: Credit ratings (DnB NOR Bank ASA's credit ratings in bold type)					
Standard & Poor's short-term	*Standard & Poor's long-term*	*Moody's short-term*	*Moody's long-term*	*Dominion Bond Rating Service short-term*	*Dominion Bond Rating Service long-term*
A-1+	AAA	**P-1**	Aaa	**R-1 (high)**	AAA
A-1	AA+	P-2	**Aa1**	R-1 (middle)	AA (high)
A-2	AA	P-3	Aa2	R-1 (low)	**AA**
A-3	**AA-**	Not prime	Aa3	R-2 (high)	AA (low)
B	A+		A1	R-2 (middle)	A (high)
C	A		A2	R-2 (low)	A
	A-		A3	R-3	A (low)
	BBB+		Baa1	R-4	BBB (high)

In November 2008, Moody's changed its outlook on DnB NOR Bank's Aa1 long-term rating to negative. In January 2009, Standard and Poor's revised its outlook on DnB NOR's AA- long-term rating to negative.

Taxation of shareholders

Corporate shareholders

In 2004, the tax exemption model for the taxation of income on shares was introduced for corporate shareholders. A new rule was introduced as from 7 October 2008 whereby 3 per cent of tax-exempt income on shares under the exemption model will nevertheless be regarded as taxable income. Thus, 0.84 per cent of such income will be taxable. When calculating the 3 per cent taxable income, total gains comprised by the exemption model for the 2008 fiscal year will be netted against total losses from and including 7 October 2008. Dividends and capital gains on shares received prior to 7 October 2008 will still be exempt from tax for the 2008 fiscal year.

Foreign corporate shareholders within the EEA which correspond to Norwegian companies in accordance with Section 2-38 of the Taxation Act and are thus comprised by the exemption model, will not be subject to the new rules.

Losses on the sale of shares are still not tax deductible.

Norwegian private shareholders

The shareholder model was introduced for private shareholders as from 2006. This model implies that dividends on shares and gains on the sale of shares in excess of a shielded amount are taxed at a rate of 28 per cent, with a corresponding deduction right for losses. Thus the entire income on shares is not liable for taxation. The tax base is dividends received plus any gain on the realisation of the shares, minus an amount shielded from taxation, the so-called shielding deduction.

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

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

The shielding interest should reflect the return on an alternative risk-free investment, equalling the average three-month yield on Treasury bills after taxes. The Norwegian Directorate of Taxes calculates and announces the yield for each fiscal year in January/February the year after the fiscal year in question.

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

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

Foreign shareholders

Dividends to foreign shareholders will as a general rule be subject to Norwegian withholding tax at a rate of 25 per cent. If the shareholder is resident in a country which has a tax treaty with Norway, the withholding tax will often be reduced, normally to 15 per cent. Dividends are normally taxable in the country in which the shareholder is resident.

After the introduction of the tax exemption model, dividends earned by corporate shareholders resident in EEA countries will generally be exempt from withholding tax.

Private shareholders resident in EEA countries are taxed according to the shareholder model. These shareholders will in principle be subject to withholding tax on dividends at a rate of 25 per cent. However, according to tax treaties between Norway and EEA countries, the withholding tax rate is often limited, normally to 15 per cent. Shielding is not taken into account when deducting withholding tax. When the withholding tax deducted is higher than the tax payable on dividends after the shielding deduction, the shareholder may reclaim the excess withholding tax.

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

Good dialogue

DnB NOR seeks to find solutions which take both human and environment considerations into account. Constructive dialogue with customers and partners is important to reach this target.

Corporate social responsibility

Corporate social responsibility in DnB NOR

DnB NOR wishes to promote sustainable development through business operations emphasising environmental, ethical and social considerations.

The Group's role in society

DnB NOR is Norway's most important source of finance for companies and households, a role which has become more visible due to the global financial crisis. In this situation, DnB NOR has given priority to continuing to meet the financial needs of its retail customers, while also helping small and large companies throughout Norway to secure jobs and develop good projects.

In addition to providing credit, DnB NOR offers payment services and manages financial values. The Group is also continually developing and improving its tailor-made savings and investment advisory services.

How the financial industry chooses to commit itself to its stakeholders will be vital in maintaining and building confidence in the financial sector. Continually refining the Group's corporate social responsibility initiatives is part of a long-term commitment to customers, employees, shareholders and society at large.

Customers and suppliers

In May 2008, DnB NOR adopted the Equator Principles, a voluntary set of guidelines for managing environmental and social issues in project finance. The principles were drawn up by private sector banks in 2003 and are based on the World Bank's environmental standards and the social policies of the International Finance Corporation, IFC.

All loans from DnB NOR follow guidelines stating that risk related to environmental, ethical and social factors must be assessed on a par with other risk factors.

During the year, ethical guidelines for asset management in DnB NOR were revised and coordinated. The guidelines build on the UN Global Compact, OECD's guidelines for multinational companies, the Ottawa Convention on anti-personnel mines, the UN Principles for Responsible Investment and the UNEP FI principles. In addition, manufacturers and distributors of strategic components to be used in weapons of mass destruction, anti-personnel mines and cluster weapons are excluded from the Group's investment universe.

The guidelines imply that DnB NOR will not invest in companies in breach of the UN Global Compact, the OECD's guidelines for multinational companies or the Ottawa Convention on anti-personnel mines. In addition, Vital Forsikring, a subsidiary in the Group, does not invest in companies which manufacture tobacco or pornography.

During 2008, DnB NOR was, as part of its ownership strategy, in dialogue with 24 companies suspected of acting contrary to the Group's ethical guidelines. DnB NOR thus employs active ownership to influence companies in the desired direction. DnB NOR's ethics committee monitors investments and gives advice to managers in Vital and DnB NOR Asset Management on the exclusion of companies from the investment portfolio. Details on the number of companies excluded and the criteria upon which the exclusions are based can be viewed on dnbnor.com/csr.

DnB NOR is part of the investor initiative Sustainable Value Creation, which seeks to influence Norwegian listed companies to generate financial, environmental and social values. A survey of the companies listed on the Oslo Børs Benchmark Index, commissioned by the initiative, shows that the progress of companies in achieving responsible and sustainable business operations varies, and that there is room for improvement in all of the companies.

Customer satisfaction surveys among DnB NOR's corporate and retail customers in Norway are carried out on a regular basis. A survey conducted among corporate customers in the first half of 2008 showed a positive trend in customer satisfaction compared with the previous year. However, in the fourth quarter, there was a pronounced fall in satisfaction scores. Among retail customers, satisfaction with DnB NOR in the autumn of 2008 was at its lowest level registered since the merger in 2003. The negative trend can be ascribed to general aspects linked to the financial crisis as well as particular factors relating to DnB NOR.

DnB NOR requests that suppliers of goods and services to the Group sign a declaration form stating that they do not contribute to human or labour rights violations, environmental harm or corruption. 523 such declaration forms were registered at the end of 2008.

The climate challenge

Questions regarding the environment and climate changes received a great deal of public attention in 2008. DnB NOR emphasises environmental criteria in both its investment and lending policy.

DnB NOR also meets the climate challenge by offering products with an environmental profile. For example, the Group offers reduced lending rates to environmentally aware car buyers, and leasing customers have the opportunity to make cars and car fleets carbon neutral through the purchase of UN-approved CO_2 quotas.

DnB NOR offers two equity funds with an environmental profile in the retail market: DnB NOR Renewable Energy and DnB NOR Grønt Norden. Renewable energy is one of DnB NOR's international priority areas, and the Group has established a unit to serve corporate customers within the power and renewable energy sectors.

In 2008, the Group participated in two climate initiatives: Climate Benefit and the Norwegian CEO Climate Policy Forum.

The energy consumption at DnB NOR's planned new headquarters in Oslo will be less than 120 kWh per square metre, which is the equivalent of energy class B in the EU building energy directive. This represents a fifty per cent reduction compared with DnB NOR's average energy consumption today.

The impact of DnB NOR's products and services on the environment has been lessened through a gradual conversion to electronic communication with customers. The Group will facilitate an increase in the use of video conferencing equipment to further reduce business travel by its employees.

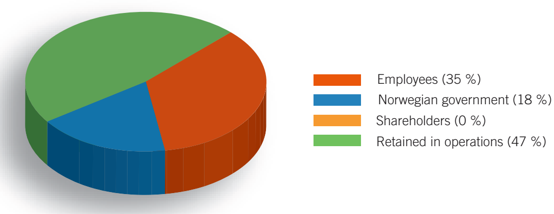
Consumption and procurement

	2008	2007
Energy consumption (Gwh) [1]	62.9	62.3
Purchased paper (tons)	1 077.0	1 146.5
Waste recycling ratio (%) [1]	56	50
Number of eco-lighthouse certified buildings	23	21
Domestic air travel (Norway) (1 000 km)	21 264	24 281
International air travel (1 000 km)	8 260	6 655

1) Applies to the Group's banking operations in Norway, with the exception of Nordlandsbanken.

Contribution to society

Distribution of value creation in 2008 [1]

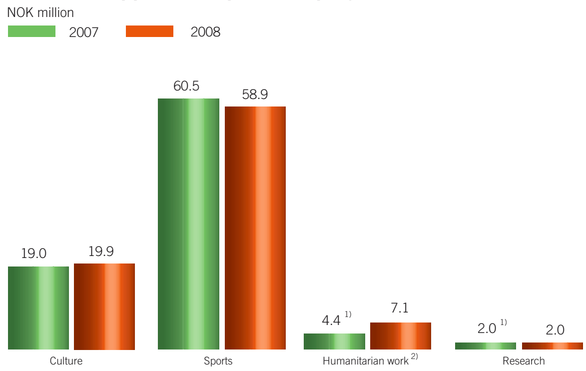


1) The Group's pre-tax profits in 2008 channelled to salaries and social costs, direct and indirect taxes, shareholder dividends and funds retained in operations to strengthen capital adequacy and future growth opportunities.

The Group has dedicated economic crime units to combat and investigate economic crime, including fraud, the laundering of proceeds from criminal acts and the financing of terrorism. An important preventive measure is to hold training courses dealing with the various forms of economic crime for account officers in the organisation, and in 2008, 676 employees attended such courses. An additional tool is the e-learning programme "Too hot to handle", which is mandatory for all employees, including their managers, who deal with customers and transactions. There was a 18 per cent reduction in the number of notifications of suspicions of money laundering sent to Økokrim (the Norwegian National Authority for Investigation and Prosecution of Economic and Environmental Crime) from 2007 to 2008.

The aim of DnB NOR's contact with Norwegian authorities is to strengthen relations, share expertise and influence both the focus of attention and decisions in the best interest of the Group and its stakeholders. DnB NOR also has extensive contact with voluntary organisations. In 2008, representatives for the Group participated in meetings with members of the Norwegian government and parliament, the

Financial support and sponsorship agreements 2007-2008



1) Adjusted relative to figures in DnB NOR's 2007 corporate social responsibility report.
2) Humanitarian work and other non-profit causes.

civil service, supervisory authorities and various voluntary organisations.

The Savings Bank Foundation, Sparebankstiftelsen DnB NOR, is the second largest shareholder in the DnB NOR Group and can use up to 25 per cent of profits to support non-profit projects. In 2008, the foundation made donations totalling NOK 90 million.

Through various microfinance initiatives, disadvantaged people gain access to financial services. As a financial institution, DnB NOR believes it is a natural part of its operations to support microfinance projects and chose to play a role in the following ways in 2008:
- through financial support to humanitarian organisations involved in microfinance
- by investing NOK 75 million in Norwegian microfinance initiatives through Vital Forsikring

DnB NOR employees have also raised funds in aid of microfinance. For example, in February 2008, DnB NOR's trainees invited guests from Norway's largest companies to attend an evening seminar about microfinance and corporate social responsibility. NOK 80 000 was raised from the seminar fee and the sale of refreshments, which was donated in full to CARE Norway's microfinance project in Rwanda.

DnB NOR is committed to developing products which increase the availability of financial services. Since the end of 2008, currently on a limited scale, the Group has offered a bank debit card which can be used by persons who, for a variety of reasons, do not have a bank account. These cards can only be used to withdraw benefit payments, and the card account will be opened in the name of the payer and not the payee. Provided that there are sufficient funds in the account, the card can be used to withdraw cash, receive balance updates from ATMs and to pay for goods and services.

The sixth DnB NOR Innovation Award was presented in 2008. The competition rewards the best ideas within knowledge-based business development and aims to stimulate innovation in Norwegian businesses and promote good ideas. The main prize of NOK 1 million was won by Sub Sea Water AS with a concept which makes it possible to establish the existence of and exploit large subsea freshwater reservoirs for water supply.

Employees

Employee-related issues are also an important part of the Group's CSR policy.

DnB NOR wishes to give each employee development opportunities adapted to individual needs. The Group seeks to prevent injuries caused by robberies and threats through extensive security routines and training measures. In 2008, 27 courses in coping with robberies were held. In addition, 113 employees in the Group's Norwegian operations completed courses in threat management and 129 participated in security courses. Other training measures are described in the chapter on the Group's employees.

In 2008, 129 employees changed jobs across legal units in the Group, a decline of 22.8 per cent compared with the previous year. The average retirement age rose from 61.3 to 61.8 years. The Group aims to have an average retirement age above 62 years.

The percentage of women executives, i.e. the percentage holding positions from management levels one to five in the organisation, is 30 per cent, unchanged from the previous year. The Group's ambition for 2009 is to retain the same percentage. The average fixed salary for women and men in the Group's Norwegian operations in 2008 was NOK 420 000 and NOK 543 000 respectively.

Employees in DnB NOR have, without exception, the right to form and join the political parties and employee organisations of their choice. 63 per cent of the Group's employees in Norway are members of a trade union.

Transparency

DnB NOR is committed to having an organisation characterised by high ethical standards. Transparency is an important element in the Group's business operations, products and services. Corporate governance shall be in line with internationally recognised principles. The Group's corporate governance practices are described in a separate chapter in the annual report.

DnB NOR's corporate social responsibility is based on internationally recognised guidelines, primarily the UN Global Compact's ten principles for CSR in the business community. These principles cover human rights, labour standards, the environment and anti-corruption. In addition, the Group bases its work within corporate social responsibility on the OECD's guidelines for multinational companies, the UNEP FI principles and UN Principles for Responsible Investment.

Reporting within CSR complies with guidelines laid down in the internationally recognised Global Reporting Initiative. DnB NOR endorses several initiatives, including the Carbon Disclosure Project and the UN Global Compact, which entails annual reporting related to the environmental and social aspects of the Group's operations. In 2008, DnB NOR published a CSR report with results for 2007 and targets for the period 2008 to 2009. The next CSR report will be published in the spring of 2010. Updated information on how DnB NOR exercises corporate social responsibility can be viewed on dnbnor.com/csr.

DnB NOR will comply with all laws and regulations applying to the Group's operations. Read more about DnB NOR's compliance function on page 57.

THE GLOBAL COMPACT

WE SUPPORT

Evaluation of target achievement in 2008	Implemented	In progress
Review governing documents concerning corporate social responsibility	x	
Achieve a score of 85 for knowledge of the Group's code of ethics in the employee satisfaction survey		x
Continue to be qualified for inclusion in FTSE4Good	x	
Qualify for inclusion in Dow Jones Sustainability Index		x
Be one of the four largest private contributors to the Norwegian Microfinance Initiative	x	
Present DnB NOR's annual regional and national innovation awards for 2008	x	
Certify all investment and financial advisers in Retail Banking [1]		x
Introduce the Equator Principles for project financing	x	
Continue to screen all investments managed by DnB NOR in relation to international standards, and exclude controversial weapons	x	
Reduce purchased paper quantities by 3 per cent from the 2007 level	x	
Certify an additional nine buildings under the eco-lighthouse programme – in total 30 buildings		x
Introduce a system for measuring the use of telephone, web-based and video conferencing equipment		x
Achieve an employee satisfaction score above 70 points [1]	x	
Achieve an average sickness absence level below 5 per cent [1]		x
Achieve an average retirement age above 62 years		x

1) For more information, see the chapter on the Group's employees.

Promoting sustainability in the maritime sector

Dag Arne Kristensen, head of External Relations in DnB NOR

In 2008, DnB NOR became a member of the World Business Council for Sustainable Development, WBCSD, a global association of some 200 international companies committed to sustainable development through economic growth, ecological balance and social progress.

As one of the world's lead arrangers of syndicated loans in the ship financing market, DnB NOR is particularly involved in WBCSD's maritime initiative, which will look at environmental challenges within international shipping.

The issues the participants in the initiative are working on include the development of a method to calculate emissions from the maritime sector and the establishment of reporting routines and parameters. Other topics relate to the life cycle of shipping vessels, the use and disposal of water and bunker oil, biodiversity and health, environmental and safety considerations for maritime personnel.

"By participating in this initiative, we will learn even more about the social and environmental conditions in a sector which is very important for us as a financial services group. We hope that our sound industry expertise and international shipping network will benefit the initiative," says Dag Arne Kristensen, head of External Relations in DnB NOR.

Our people

As Norway's largest financial services group, DnB NOR is committed to attracting and retaining the best people. Good development opportunities, professional skills and personal qualities enable the Group's employees to create values for customers.

Employees

DnB NOR's employees

DnB NOR has competent and dynamic employees, and the Group is regarded as an attractive workplace.

DnB NOR maintains its position among Norway's most attractive employers. In a survey conducted by Universum in 2008, business students ranked DnB NOR as the fourth most attractive workplace, an improvement from fifth place in 2007. Such a ranking is an important element in attracting the best candidates to the Group.

The recruitment campaign "Good with people" repeated its success in 2008. It resulted in 59 new employees with an average age of 28 years, of whom 17 per cent have a non-Norwegian ethnic background. In 2008, the Group had 4 598 applicants for various vacant positions, and a total of 835 external applicants were employed. Through 2008, the number of applicants per vacant position increased. The increase was partly due to the extended use of digital media, which also contributed to a reduction in advertising costs. DnB NOR uses interviews together with aptitude and ability tests to ensure that the right candidates are appointed.

Developing managers and employees

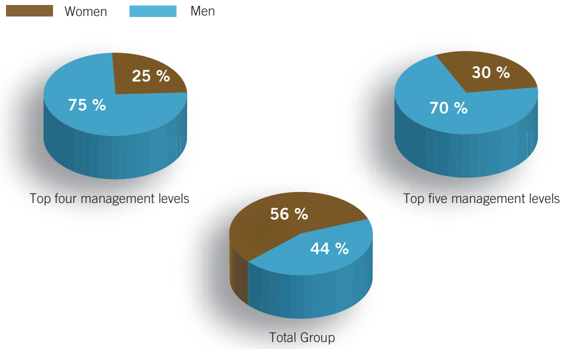
The purpose of the Group's development and career programmes is to attract, develop and retain good employees. DnB NOR is committed to giving clear career opportunities and facilitating professional and personal development to enhance expertise and promote mobility within the Group.

A new management development strategy was drawn up in 2008. Together with the Group's leadership principles, the strategy will contribute to developing performance-oriented managers who encourage effective interaction across group units.

In 2008, a total of 83 managers completed the Group's core practical management training programme. In addition a number of courses were arranged based on the concept "Thinking Together". The concept aims to promote good communication techniques and extend networks across the DnB NOR organisation. The training of new managers in the Group was also given priority in 2008. In total, 16 managers completed the programme "Practical Management".

Five employees from the Group completed FUTURA, the Norwegian Financial Services Association's programme to train women management talents within the financial industry. A third of the members of the group management team were women at the end of 2008. At the top four management levels, female representation was 25 per cent in 2008, i.e. unchanged from 2007. When the figures for management level five are included, the figure was 30 per cent in 2008, the same as in 2007.

Gender distribution
as at 31 December 2008 [1)]



1) Comparable figures for 2007 were at the same level.

"Grow" is the Group's talent programme for particularly skilled employees within management, specialised fields and project work. Based on previous experience, the programme has been developed to also comprise participants from DnB NOR's international offices. A total of 109 participants have completed the programme since it was established in 2006. A new programme was commenced in January 2009.

The trainee programme is a central part of the Group's talent development strategy. Since 2007, the opportunity to spend part of the trainee period outside Norway has given trainees valuable experience. In 2008, the Group appointed seven trainees, and thus far, a total of 159 employees have completed the programme since it started in 1994.

In 2008, the Group held four seminars for 329 new employees in Norway and abroad, introducing them to the Group and making them familiar with DnB NOR's core values.

Approximately 22 000 participants completed various training measures in the Group in 2008, an increase of 6.4 per cent from 2007.

Priority was given to the Group's internal certification of its financial and investment advisers. In total, 824 advisers were certified in 2008. The certification scheme is a major initiative to raise competency levels and contributes to an increasing awareness of the requirements applying to financial advisory services. Starting in 2009, a national authorisation scheme has been introduced for financial advisers in Norway. The new scheme replaces DnB NOR's internal certification scheme.

High ethical standards are important for DnB NOR. A new e-learning course on money laundering was launched in 2008. The target group for the programme is all employees who work with customers.

Employee satisfaction

The employee satisfaction survey conducted in January 2009 confirmed that there is a good level of employee satisfaction in DnB NOR. There was an increase from 70 points in 2008 to 74 in 2009. The results are followed up through measures in each individual unit.

The topic with the best average score was the evaluation of one's immediate superior with 79 points, compared with 77 points in 2007. The survey also showed that managers who had completed the Group's management development programme received a better score for their leadership skills than those who had not participated.

The 2009 employee satisfaction survey showed that the employees felt a greater sense of shared responsibility for contributing towards improvements, changes and results than was previously the case. This is very positive and in line with DnB NOR's personnel policy.

The results from the survey confirmed that there is high correlation between achieved results and the involvement of employees in determining targets for their unit and for each employee. The units which delivered very good financial results also cooperate well.

The survey showed that employees believe that it is important to be good ambassadors for the Group. Such an attitude was particularly important in the autumn of 2008, in the midst of the global financial crisis, interest rate turbulence and negative media coverage. During this period, the Group gave priority to giving in-depth and factual internal information which the employees could pass on to others.

The loyalty of the employees was also manifested in an internal intranet meeting in October 2008. The group chief executive answered questions from dedicated employees and received many votes of confidence and praise for his actions during this difficult period.

Remuneration

In January 2008, a new remuneration policy for employees in the DnB NOR Group was adopted. The new policy will contribute to a performance and profit-oriented culture and promote interaction and mobility.

The purpose of the remuneration policy is to support the Group's prevailing strategy and core values, and help the Group reach its targets. It should also reinforce DnB NOR's ambition to be an attractive employer which rewards conduct promoting sound financial performance and developments in line with the Group's targets.

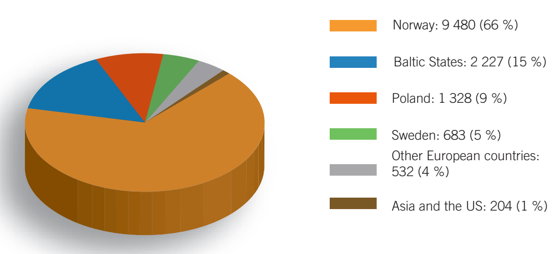
As part of the new remuneration policy, a concept was established in 2008 for variable remuneration. As a main principle, variable remuneration should be given for extraordinary performance, exceeding what is already covered by each employee's fixed salary. Variable salary should be given based on a total evaluation of the Group's financial performance, the unit's financial performance and each employee's contribution to value creation. All variable salary systems should contain an assessment of consequences and risk, including reputational risk.

In 2008, DnB NOR's employee benefits were reviewed. This resulted in a decision whereby the Group's pension and employee insurance schemes, employee terms on financial products and services, and development and career programmes were defined as key employee benefits.

Internationalisation

DnB NOR's expansion outside Norway has resulted in a growing number of short and long-term international assignments for managers and other employees in the Group. An increase in the number of employees stationed abroad and stricter requirements from international authorities regarding compliance with laws and regulations related to taxation and work and residence permits, created a need to strengthen the Group's HR expertise. DnB NOR therefore

Number of employees according to country
as at 31 December 2008



established a separate unit with responsibility for policy and guidelines for international assignments in the Group. The unit is also responsible for giving advice and providing practical assistance to managers and other employees on short or long-term assignments to or from Norway. The main purpose is to ensure professional handling of international assignments and to promote greater mobility across group units.

A rise in international operations poses challenges for the Group within management, language skills and cultural understanding. In 2008, initiatives were implemented to meet these challenges, such as training courses in multicultural communication for employees in the Group and seminars on business culture in the various countries where DnB NOR is represented.

Mobility and restructuring

It is the responsibility of DnB NOR's managers to encourage internal mobility and address the issue of job changes as part of employees' personal development and career plan.

DnB NOR's Career Change Centre is an important resource in this work. The Career Change Centre assists employees seeking new challenges and provides advice on career planning and how to become aware of own skills and personal qualities. In 2008, there was an increase in the number of employees wishing to draw up a plan for their future career in DnB NOR. In the fourth quarter of 2008, there was a rise in demand for assistance in connection with restructuring processes. Internal changes and workforce reductions will continue in 2009.

164 candidates completed their stay at the Career Change Centre in 2008, of whom 42 took up new positions in the Group, 49 found work outside the Group and 59 returned to their former jobs. In addition, the Career Change Centre assisted 12 employees returning from long-term sick leave in 2008. Some wished to test their capacity for work, while others required assistance because the position they held before they fell ill no longer existed or had been changed upon their return.

Health, safety and environment

Health, safety and environment (HS&E) issues are given high priority by the Group, and initiatives in this field are implemented in close cooperation between managers and the Group's safety representatives.

In 2008, the Group established a crisis centre for next of kin and colleagues. The centre will become operative in the event of a catastrophe or accident. The main tasks of the crisis centre will be to meet the information requirements of next of kin and colleagues. In total, 25 employees have been trained in how to cope with enquiries in the event of an accident or catastrophe involving employees and/or customers.

DnB NOR has an internal programme to implement statutory working environment training for managers with personnel responsibility, safety representatives and members of the working environment committees. The aim of the training is to provide the necessary insight and knowledge to comply with the Working Environment Act and DnB NOR's HS&E requirements. In 2008, 38 managers and 22 safety representatives completed this training.

As part of the Group's working environment training, DnB NOR developed in 2008, together with Nordea and Gyldendal, an electronic course designed for the financial industry. The e-learning course, combined with a seminar, will satisfy the requirement for statutory working environment training.

DnB NOR's HS&E policy comprises measures to motivate employees to take responsibility for their own health through preventive activities. This has been given priority for many years, for example by making exercise rooms available at certain office locations in Norway and by having active sports clubs within the Group offering a wide range of physical activities. In 2008, a nationwide cooperation was established between DnB NOR and the Norway Orienteering Association, resulting in more than 200 "DnB NOR walks" in several towns and cities in Norway.

Fitness programmes during working hours in 2008 served as preventive working environment measures for employees at risk of repetitive strain injuries. The measures contribute to keeping the employees motivated and also result in a reduction in such injuries and other health problems. Approximately 450 employees in the Group participate in these programmes.

Absence due to illness in the DnB NOR Group has stabilised in recent years and was 5.35 per cent in Norwegian operations in 2008, and 5.36 per cent in 2007. This is the same as the general level within the financial industry and is considered satisfactory given the major changes undergone by the Group in recent years.

In 2008, employees were given information on how to use DnB NOR's health insurance to receive swifter treatment and thus reduce absence due to illness.

New national authorisation scheme

A united financial industry introduced a new national authorisation scheme for financial advisers with effect from 2009. "Authorisation is a stamp of quality and has helped raise competence levels considerably within financial advisory services," says Turid Ødegaard, executive vice president in DnB NOR.

TURID ØDEGÅRD, EXECUTIVE VICE PRESIDENT IN HR

Thanks to experience gained over several years through the Group's own certification scheme, DnB NOR has played a leading role in the development of the new national authorisation scheme for financial advisers. In the autumn of 2008, a major implementation process was completed, where DnB NOR was an active contributor.

"DnB NOR's certification of financial advisers has improved the quality of advice given to customers by ensuring that the necessary knowledge, skills and proper attitudes are in place," says Turid Ødegaard.

DnB NOR's certification scheme has provided a good platform for the development of a single national authorisation scheme.

"The competence requirements are generally in line with the requirements in DnB NOR's previous scheme, but updates have been made within the areas of personal finance, legislation, ethics and good advisory practice," says Ødegaard, who has headed the financial industry's steering group.

The greatest difference from DnB NOR's certification scheme is that monitoring will be conducted by a neutral third party. A central authorisation board will ensure that the general public regards the scheme as trustworthy, legitimate and credible.

A demanding implementation plan will make sure that all relevant employees complete the training and are authorised during a transitional period of two years.

"Approximately 400 managers and 550 investment and financial advisers in the DnB NOR Group will be authorised in 2009, whereas approximately 1 250 will be authorised in 2010. The first tests will be held as early as April 2009, and we are looking forward to this with great anticipation," concludes Ødegaard.

Value creation

Challenges, but also opportunities, were created during the financial turmoil in 2008. 2009 will be a demanding year, but the Group has sound earnings from existing operations, firm control over expenses and a solid platform for meeting future challenges.

Review of operations and financial performance

Directors' report

In accordance with the provisions of the Norwegian Accounting Act, the Board of Directors confirms that the accounts have been prepared on a going concern basis.

DnB NOR is engaged in financial operations within banking, insurance and asset management. Operations are mainly related to Norway, but the Group also has branches in important financial centres outside Norway.

Pursuant to Section 3-9 of the Norwegian Accounting Act, DnB NOR prepares consolidated annual accounts in accordance with IFRS, International Financial Reporting Standards. The statutory accounts of DnB NOR ASA have been prepared in accordance with Norwegian IFRS regulations.

Operations in 2008

Operations in the DnB NOR Group in 2008 were strongly affected by the prolonged financial turmoil, which culminated when Lehman Brothers filed for bankruptcy protection in September, following which a number of other financial institutions encountered problems. Extraordinary measures for the financial services industry were implemented in a number of countries, including Norway. Given these circumstances, the Group's profits for 2008 of NOK 8 918 million, down from NOK 15 022 million in 2007, must be characterised as good. Return on equity was 12.4 per cent, down from 22.0 per cent in 2007.

In consequence of the financial sector bankruptcies and the subsequent lack of confidence in financial markets, the Group, for all practical purposes, only had access to short-term funding in the ordinary financial markets during parts of the year. The funding transactions that were completed, involved very high costs. The Norwegian authorities' crisis package for the finance industry contributed positively to meeting the need for long-term funding towards the end of 2008. The transfer of mortgage portfolios from Retail Banking to DnB NOR Boligkreditt AS was decisive for these funding transactions. DnB NOR enjoyed a sound liquidity situation at year-end 2008.

The stimulus package presented by the government on 8 February 2009 is also expected to enhance banks' lending capacity and capital position, while improving the situation in the Norwegian bond market.

Due to the difficult funding situation in 2008, competition for deposits sharpened parallel to pressure on deposit spreads. There was a sharp rise in lending volumes in the first three quarters of the year, especially due to brisk growth in the corporate market and exchange rate effects, while the growth abated during the fourth quarter. Lending spreads widened during the second half of the year. Net interest income totalled NOK 21 910 million in 2008, up from NOK 17 866 million in 2007.

The significant financial turmoil affected the real economy and resulted in a rise in write-downs towards the end of 2008. The most pronounced increase in write-downs took place in DnB NORD's operations in Denmark, though there was also a rise in write-downs attributable to small and medium-sized enterprises in Norway and in DnB NOR Finans. Changes in economic conditions gave a NOK 1 032 million rise in group write-downs recorded in the accounts from 2007 to 2008. Write-downs totalled NOK 3 509 million in 2008, of which NOK 2 314 million referred to the fourth quarter of the year.

The financial market turmoil had a considerable impact on the Group's other operating income through 2008, resulting in a decline from NOK 13 732 million in 2007 to NOK 12 438 million in 2008. Widening credit risk margins reduced the value of loans carried at fair value. In addition, declining bond values generated large mark-to-market losses in the accounts for the first half of the year. With effect from the third quarter accounts, the liquidity portfolio in DnB NOR Markets was reclassified from a trading portfolio to held-to-maturity investments, whereby the portfolio was carried at amortised cost in the second half of the year. Following the reclassification, the accounting treatment of the portfolio will be more in keeping with the portfolio's characteristics, as it is used for collateral in central banks, inter alia in connection with securities settlements. Accumulated mark-to-market losses in the January through June period of 2008 were NOK 2 586 million, which will be reversed over the residual maturity of the portfolio, which averages three years.

The Group's operations were sound through 2008. Compared with 2007, operating expenses increased by 10.6 per cent adjusted for impairment losses for goodwill in 2008 and allocations to employees in 2007. The rise mainly reflected strong international expansion during the first half of the year. The Group's cost programme helped bring down expenses by NOK 241 million in 2008.

Due to the strong volume growth in the first three quarters of the year, the core capital ratio declined from 7.2 per cent at year-end 2007 to 6.7 per cent at end-December 2008. Exchange rate movements were a major factor behind the rise in risk-weighted volume. The Group is considered to be adequately capitalised relative to the risk level in the loan portfolios and other operations. In consequence of the financial turmoil, however, the market, rating agencies and the authorities require a higher capital adequacy ratio. The Group aims to increase capital adequacy in future.

Due to the decline in profits compared with 2007 and the need to increase the Group's capital base in future, the Board of Directors will propose not to distribute dividends to shareholders for 2008. Dividends of NOK 4.50 per share were paid for 2007. The Group's long-term dividend policy remains unchanged.

During 2008, the Group was subject to negative media coverage on a number of occasions. Among other things, a notified interest rate increase became effective immediately after Norges Bank cut its key policy rate. The Group's funding costs in the turbulent, poorly functioning financial market towards the end of 2008 were also considerably higher than Norges Bank's key policy rate. This presented a number of communication challenges.

Another issue that attracted much media attention was past sales of loan-backed structured savings products. In this connection, the Norwegian Banking Complaints Board issued a statement in DnB NOR's disfavour. As this is a matter of principle, DnB NOR wishes to have the case tried in the ordinary courts of law.

Earnings per share stood at NOK 6.91 and NOK 11.08 respectively in 2008 and 2007. The cost/income ratio, excluding allocations to employees in 2007 and impairment losses for goodwill in 2008, was 51.4 per cent in 2008 and 50.6 per cent in 2007.

At year-end 2008, DnB NOR was the fifth largest company listed on Oslo Børs with a market capitalisation of NOK 36 billion.

In the second quarter, DnB NOR Bank's long-term rating was raised to AA- by the rating agency Standard & Poor's.

With effect from 19 June 2008, Anne Carine Tanum succeeded Olav Hytta as chairman of DnB NOR's Board of Directors.

The Board wishes to thank all of the Group's employees for their committed efforts during a year characterised by many major challenges. The Board would like to draw special attention to the employees' ability to stand united in demanding situations, which provides a sound platform for bringing the Group through difficult times.

Targets and strategy

In the short term, the Group will give priority to achieving continued sound earnings before write-downs and limiting the scope of write-downs in consequence of the ongoing global recession. The Group's operations are aimed at ensuring a continued high level of activity, especially in the retail market and among small and medium-sized enterprises. Parallel to this, the Group will implement the streamlining measures defined in the Group's cost programme. Simplification and streamlining of production and support processes will help reduce costs and strengthen the Group's capital adequacy. Both investors, rating agencies and the authorities will require higher capitalisation levels in future. DnB NOR's target is to have a core capital ratio of minimum 8 per cent by the end of 2010.

DnB NOR's ambition to generate further growth by developing and strengthening relations to Norwegian customers remains unchanged. New products and services, effective distribution and increased cross-sales in Norway will be priority areas. Previously communicated ambitions regarding international growth in defined industries and geographic areas will continue to be part of the Group's long-term strategy.

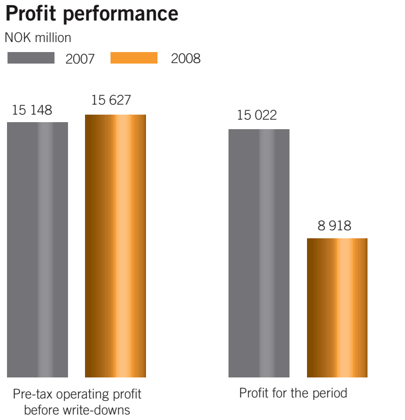
Review of the annual accounts

Full year results 2008

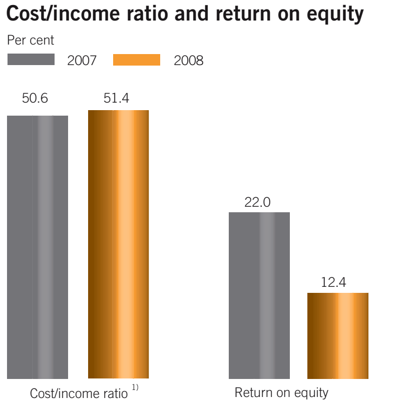
The DnB NOR Group's profits for the year came to NOK 8 918 million in 2008, down NOK 6 104 million from the previous year. The financial turmoil had a negative impact on profits. There was a 20.3 per cent rise in average lending from 2007 to 2008, while average deposits grew by 8.3 per cent. Income increased by 8.7 per cent, while costs rose by 13.8 per cent. Adjusted for impairment losses for goodwill in 2008 and allocations to employees in 2007, there was a 10.6 per cent increase in costs.

The parent company, DnB NOR ASA, recorded a loss

Profit performance

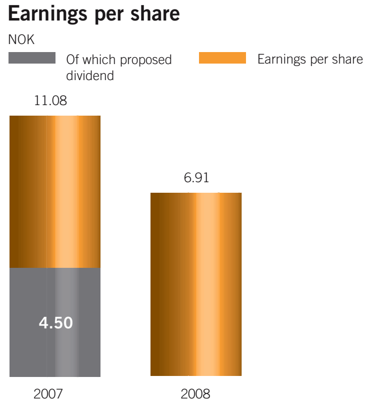


Cost/income ratio and return on equity



1) Excluding allocations to employees in 2007 and impairment losses for goodwill in 2008.

Earnings per share



of NOK 465 million in 2008, compared with profits of NOK 2 652 million in 2007. Dividends and group contributions received were reduced from NOK 3 268 million to NOK 179 million, which was mainly due to the decision made by DnB NOR Bank ASA to retain profits to strengthen the bank's capital adequacy.

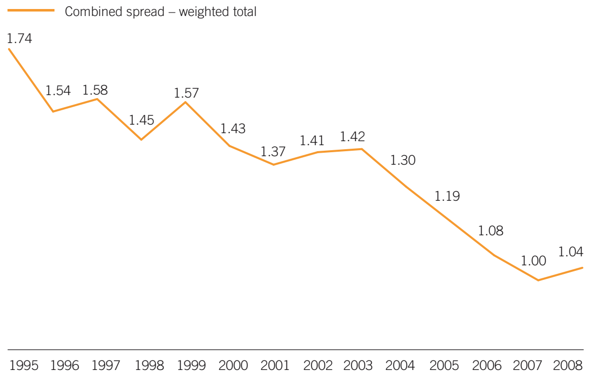
Net interest income

Amounts in NOK million	*2008*	*Change*	*2007*
Net interest income	21 910	4 043	17 866
Lending and deposit volumes		2 393	
Lending and deposit spreads		641	
Amortisation effects in the liquidity portfolio		486	
Exchange rate movements		(189)	
Guarantee fund levy		(214)	
Other net interest income		927	

Net interest income was NOK 21 910 million in 2008, a rise of 22.6 per cent compared with 2007. The increase was mainly due to rising lending volumes. Lending growth was particularly brisk in the corporate market, but clearly levelled off towards the end of the year. The combined spread widened somewhat relative to the three-month money market rate through 2008, with a rise in lending spreads and a contraction in deposit spreads. However, actual funding costs were considerably higher than comparisons with money market rates indicate, as it was impossible to obtain long-term funding at this price due to the significant financial turmoil. Based on internal requirements for a sound liquidity structure, the bank should finance 88 per cent of loans through stable deposits and long-term funding in 2008. Access to such funds gradually became very limited, while the costs were high. The requirement has been increased to 90 per cent in 2009 in order to further strengthen long-term funding.

Developments in interest rate spreads

Per cent



Net other operating income

Net other operating income totalled NOK 12 438 million in 2008, down NOK 1 294 million from 2007. There were significant variations in other operating income due to the turbulent financial market situation throughout 2008, which resulted in both actual changes in income and temporary

Amounts in NOK million	*2008*	*Change*	*2007*
Net other operating income	12 438	(1 294)	13 732
Net financial and risk result from Vital [1]		(1 758)	
Net gains on foreign exchange and interest rate instruments [2]		2 116	
Stock-market related income including financial instruments		(2 582)	
Net other commissions and fees		510	
Real estate broking		(124)	
Changes in credit margins		495	
Other operating income		50	

1) Excluding guaranteed returns and allocations to policyholders.
2) Excluding guarantees.

adjustments of portfolio values. During the first half of the year, sizeable mark-to-market losses on the Group's liquidity portfolios were recorded as a result of changes in credit margins. These losses reflected the decline in bond values resulting from the financial market turmoil and were recorded in the accounts, but not realised. With effect from 1 July 2008, the liquidity portfolio in DnB NOR Markets was reclassified from a trading portfolio to held-to-maturity investments after this became an option in new guidelines from the Ministry of Finance. Previously recorded losses will be reversed over the residual maturity of the portfolio, which is three years.

At year-end 2008, spreads on new loans had increased considerably. This resulted in mark-to-market losses of NOK 292 million on loans carried at fair value in the bank's balance sheet. For the same reason, the fair value of loans in the associated company Eksportfinans was reduced.

Net other operating income represented 36.2 per cent of total income in 2008, compared with 43.5 per cent in 2007.

Operating expenses

Operating expenses totalled NOK 18 721 million in 2008, an increase of NOK 2 271 million or 13.8 per cent from 2007. Excluding impairment losses for goodwill in 2008 and allocations to employees in 2007, there was an increase of 10.6 per cent.

The Group introduced a cost programme in 2008 which will encure cost reductions with a total annual effect estimated at NOK 1.4 billion through 2010. The accounting effect of the cost savings resulting from the cost programme in 2008 was estimated at NOK 241 million. On an annual basis, the cost level at end-December 2008 was NOK 456 million lower than would have been the case if the cost programme had not been introduced. Restructuring costs in 2008 totalled NOK 144 million.

The key factors behind the rise in costs from 2007, apart from impairment losses for goodwill and allocations to employees, were higher activity levels both in Norway and internationally, relatively high wage settlements and increased focus on modernising the Group's IT solutions.

The number of full-time positions in Norwegian operations increased by 15 from year-end 2007 to end-December 2008, while the number of full-time positions in international operations rose by 587 during the same period.

Amounts in NOK million	*2008*	*Change*	*2007*
Operating expenses	18 721	2 271	16 450
Impairment loss for goodwill and allocations to employees	1 058	583	476
Total ordinary operating expenses		1 688	
Norwegian units		889	
Of which:			
IT expenses		347	
Wage settlements		204	
Properties		193	
Operational leasing		190	
Cost programme		(241)	
Restructuring expenses, cost programme		144	
Other operating expenses		53	
International units		799	
Of which:			
DnB NORD		261	
SalusAnsvar		197	
Banking operations in Sweden		188	
DnB NOR Finans in Sweden, new operations		77	
Other units		76	

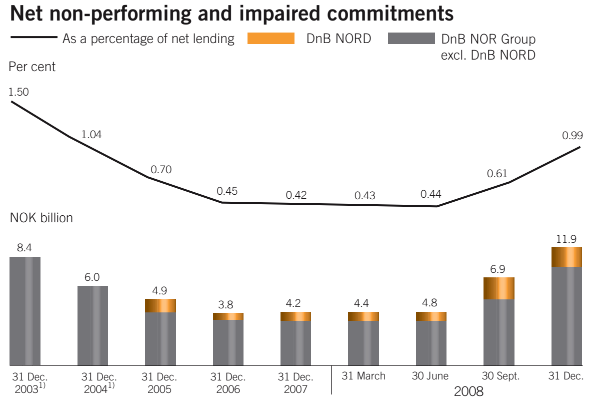
Net gains on fixed and intangible assets

Net gains on fixed and intangible assets came to NOK 52 million in 2008 and NOK 2 481 million in 2007. The reduction was mainly due to the sale of the Group's bank buildings in 2007, generating gains of NOK 2.4 billion.

Write-downs on commitments

The financial turmoil affected the real economy towards the end of 2008, resulting in a rise in write-downs. DnB NORD's operations in Denmark generated the largest write-downs, though write-downs attributable to small and medium-sized enterprises in Norway and in DnB NOR Finans also showed a rising trend. Net write-downs on loans and guarantees totalled NOK 3 509 million in 2008, compared with NOK 220 million in 2007. Due to the economic situation and changes in macroeconomic forecasts, group write-downs of NOK 830 million were recorded in 2008, of which DnB NORD accounted for NOK 210 million. In 2007, group write-downs of NOK 202 million were reversed. There was a rise in group write-downs in the balance sheet from NOK 712 million at year-end 2007 to NOK 1 625 million at year-end 2008.

Net non-performing and impaired commitments



1) Pro forma figures prior to 2005.

Taxes

The DnB NOR Group's total tax charge for 2008 was NOK 3 252 million, a rise of NOK 865 million from 2007. Relative to pre-tax operating profits, the tax charge increased from 13.7 to 26.7 per cent from 2007 to 2008, reflecting, among other things, non-tax-deductible losses on equities and impairment losses for goodwill. In 2007, the tax charge was NOK 2 387 million.

Balance sheet, liquidity and funding

At end-December 2008, total combined assets in the DnB NOR Group were NOK 2 141 billion, an increase of NOK 307 billion or 16.7 per cent from a year earlier. Total assets in the Group's balance sheet were NOK 1 832 billion at year-end 2008 and NOK 1 474 billion a year earlier. Total assets in Vital were NOK 224 billion as at 31 December 2008 and NOK 233 billion a year earlier.

The Group's liquidity situation was sound throughout 2008, but liquidity risk increased during the fourth quarter due to the significant financial turmoil. Like most other financial institutions, the Group had limited access to long-term funding in the ordinary financial markets during this period. The funding transactions that were completed, involved high costs. The Norwegian authorities' measures aimed at the financial sector were instrumental in ensuring long-term funding of the bank towards the end of 2008. The measures gave Norwegian banks the opportunity to exchange mortgage bonds backed by sound collateral for Treasury bills. The Treasury bills could be sold in the ordinary financial markets and provided DnB NOR with a much better funding base. The transfer of mortgage portfolios from Retail Banking to DnB NOR Boligkreditt AS was decisive for these transactions.

In order to keep the Group's liquidity risk at a low level, the majority of loans are financed through customer deposits, long-term securities, subordinated loan capital and equity. The Group's self-imposed 88 per cent long-term funding limit remained unchanged through 2008, but was raised to 90 per cent as from 2009. With respect to short-term funding, conservative limits have been set for refunding requirements. In spite of the financial turmoil, the Group stayed within the established liquidity limits through 2008.

Net lending to customers rose by NOK 221.1 billion or 22.8 per cent from end-2007 to end-2008. Customer deposits rose by NOK 59.1 billion or 11.0 per cent during the twelve-month period. Due to the difficult funding situation, competition for deposits sharpened parallel to pressure on deposit spreads. The Group's ratio of customer deposits to net lending to customers narrowed somewhat, from 55.5 per cent at end-December 2007 to 50.1 per cent a year later. During the same period, the ratio of deposits to lending in the bank increased from 66.9 to 69.2 per cent, partly due to the transfer of loans from the bank to DnB NOR Boligkreditt for funding through the securities market. In light of the financial turmoil, the Group aims to increase the ratio of deposits to lending in future.

Securities issued by the Group increased by NOK 234.4 billion or 63.1 per cent from 2007, totalling NOK 606.2 billion at end-December 2008.

Corporate governance

The management of DnB NOR is based on the principles contained in the Norwegian Code of Practice for Corporate Governance. There are no significant deviations between the Code of Practice and the way it is implemented in the DnB NOR Group.

During the year, the Board of Directors held 18 meetings. Important items on the agenda were the Group's strategy, future development and structure, and the Board gave particular attention to risk management and capitalisation in light of the significant market turmoil. On 19 June 2008, Anne Carine Tanum succeeded Olav Hytta as chairman of DnB NOR's Board of Directors.

The Board of Directors has two sub-committees. The Audit Committee, which is composed of four of the Board's members, held eight meetings in 2008. The committee reviewed the quarterly and annual accounts, risk reporting and the work of the internal and statutory auditors. The Compensation Committee consists of three members of the Board of Directors and held five meetings in 2008. The committee draws up proposals and issues recommendations to the Board of Directors regarding the remuneration awarded to the group chief executive and acts in an advisory capacity to the group chief executive with respect to the remuneration and other key benefits awarded to members of the group management team and any others reporting to the group chief executive.

Corporate governance in DnB NOR is described in greater detail in the chapter "Management in DnB NOR".

Risk and capitalisation

DnB NOR quantifies risk by measuring risk-adjusted capital, which is a guiding factor for the Group's capital requirement relative to financial risk. Net risk-adjusted capital increased by NOK 19.3 billion to NOK 68.1 billion from year-end 2007 to end-December 2008. The rise mainly reflected an increase in credit volumes, though strong income growth also resulted in significant increases in measured operational risk and business risk.

Developments in risk-adjusted capital

Amounts in NOK million	*31 Dec. 2008*	*31 Dec. 2007*
Credit risk	59.2	42.6
Market risk	4.2	3.6
Ownership risk for Vital	7.1	8.5
Operational risk	6.7	5.2
Business risk	3.7	2.5
Gross risk-adjusted capital	81.0	62.4
Diversification effect [1)]	(12.9)	(13.6)
Net risk-adjusted capital	68.1	48.8
Diversification effect in per cent of gross risk-adjusted capital [1)]	15.9	21.8

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

Credit growth was brisk in the first half of 2008, but slowed down considerably towards the end of the year. However, due to a major weakening of the Norwegian krone against the US dollar and euro in the second half of the year, lending measured in Norwegian kroner increased markedly. Credit quality was impaired in the second half of the year due to the strong shift in the global economy. Commitments in DnB NORD in Denmark showed the greatest deterioration, though commitments in the Baltic region are also considered to represent a higher risk. At the end of 2008, there was a sharp reduction in freight rates, especially within the dry bulk and container segments. Even if commitments originally are of sound quality, there will be a gradual increase in risk as long as these rate levels prevail. Freight rates have risen somewhat in 2009. Due to sinking values of, among other things, properties and ships, breaches of loan conditions related to the value of collateral relative to exposure have increased. These conditions have been set to ensure that the bank enters into dialogue with customers at an early stage to be able to safeguard the bank's interests before customers experience payment problems.

In the retail market, the rise in lending volumes abated during the year. On the whole, credit quality remained stable. Developments in DnB NOR Kort, which offers consumer finance, is an important indicator of future developments in the entire retail market. Non-performing loans in DnB NOR Kort represented 4.4 per cent of lending volume at end-December 2008, against 3.6 per cent at the beginning of the year. The most pronounced increase took place in the fourth quarter, at 0.5 percentage points.

Market risk varied considerably during the year, mainly due to changes in the Group's equity positions, including ownership interests in and guarantees issued for Eksportfinans. The Group's limits for equity, currency and interest rate positions generally remained unchanged. However, the utilisation of currency and interest rate limits was higher than normal in the second half of the year. The risk associated with changes in the value of the Group's portfolio of bonds held to ensure access to short-term funding from Norges Bank and other central banks or as security for foreign exchange settlement, is treated as credit risk. This portfolio is classified as held-to-maturity investments, entailing that short-term changes in value are not reflected in the accounts after 1 July 2008.

Ownership risk for Vital was reduced during the year in spite of a significant fall in stock markets. This was attributable to dynamic, successful risk management, where risk levels were continually adapted to Vital's buffer capital. Up until autumn 2008, major parts of the equity exposure were hedged against significant negative price fluctuations. The company's equity exposure was later reduced through direct sales, representing just over 3 per cent at end-December 2008. Since year-end 2007, the entire securities adjustment reserve of NOK 3.3 billion has been used. In addition, NOK 3.0 billion of additional allocations has been used to cover policyholders' guaranteed rate of return.

A total of 530 operational loss events were registered during 2008, causing an overall net loss for the Group of just under NOK 190 million. Half of the events are characterised as processing and routine errors associated with the Group's products and services. In addition, there were operational errors in connection with credit losses. There were still occasional service disruptions in the Internet banks and other IT systems. However, the situation improved considerably in the course of 2008.

The last few months of the year were challenging from a reputational point of view. The effectuation of an interest rate increase which had been announced six weeks in advance, coincided with Norges Bank's cut in its key policy rate, which generated a lot of negative attention. On subsequent occasions, the Group has been quick in announcing interest rate reductions when warranted by developments in money market rates. Consequently, this seems to have had little consequence for DnB NOR's market position. In connection with the authorities' stimulus package launched in October, the bank and two of its employees were charged with acting in breach of the provisions in the Securities Trading Act concerning the sale of securities. The Board of Directors assumes that all the facts of the case will be clarified, but has no reason to believe that a criminal offence has taken place. The outcome of the ongoing investigation is awaited.

Liquidity risk is not quantified when calculating risk-adjusted capital. During the first half of 2008, DnB NOR raised large bond loans, both through the issue of ordinary senior bank loans and through the use of covered bonds issued by DnB NOR Boligkreditt. These bonds are backed by well-secured housing loans. Thus, the Group's funding situation was relatively sound as the full impact of the financial crisis became apparent after Lehman Brothers filed for bankruptcy protection on 15 September 2008. Since then, the international markets for long-term unsecured funding for banks have contracted considerably. The authorities in a number of countries have therefore introduced various schemes with government guarantees to ensure funding for the banks. The model chosen in Norway entails that banks can exchange covered bonds for Treasury bills and thus obtain funding for three years. This scheme has functioned satisfactorily for DnB NOR and ensures the Group refinancing of the bonds reaching maturity in 2009. At year-end 2008, 93 per cent of the loan portfolio was financed by long-term, stable funding.

The Board of Directors approved a new capitalisation policy in connection with the transition to Basel II. The policy sets forth that core capital as part of risk-weighted volume shall be minimum 8 per cent upon full introduction of the IRB system. By the end of 2010, most of the IRB system will be in place. This target will be operationalised by aiming for a core capital ratio of 8 per cent for the Group by year-end 2010. The Group's capitalisation level shall support the bank's AA level rating target for ordinary long-term funding. Relative to the current risk-weighted volume, which is based on a combination of the standardised approach and the IRB approach, it has been estimated that measurement according to the IRB approach would have given a reduction in risk-weighted volume of approximately 30 per cent at year-end 2008. Cyclicality in the models based on an anticipated negative economic trend will probably result in a slightly lower reduction on the planned implementation date. The Board of Directors will continually review the capitalisation requirement in light of international developments.

Risk-weighted volume included in the calculation of the formal capital adequacy requirement was NOK 1 201 billion at end-December 2008, up 21 per cent from 2007. Risk-weighted volume reflected the transitional rules for Basel II, stipulating a reduction in risk-weighted volume of maximum 10 per cent in 2008 upon the transition from Basel I to the IRB system. Calculations of risk-weighted volume according to Basel II gave a reduction in the capital requirement relative to Basel I of 8.3 per cent in 2008. The core capital ratio was 6.7 per cent at end-December 2008 and 7.2 per cent at year-end 2007, while the capital adequacy ratio was 9.5 per cent at year-end 2008.

Business areas

At year-end 2008, activities in DnB NOR were organised in the business areas Corporate Banking and Payment Services, Retail Banking, DnB NOR Markets and Life and Asset Management. The business areas operate as independent profit centres and have responsibility for serving all of the Group's customers and for the total range of products. DnB NORD, which is owned 51 per cent by DnB NOR, is regarded as a separate profit centre.

Corporate Banking and Payment Services recorded healthy profits in 2008. Pre-tax operating profits totalled NOK 9 663 million, up NOK 1 535 million from the previous year. There was a strong rise in average lending at 30.3 per cent compared with 2007. The underlying growth rate declined towards the end of 2008, but a weakening of the Norwegian krone against the euro and the US dollar resulted in strong growth in the NOK value of foreign currency lending. Lending spreads measured against the money market rate widened in all segments. Widening spreads were necessary to compensate for the rise in funding costs and higher guarantee fund levies. Average deposits increased by 9.1 per cent. However, fierce competition for deposits led to narrowing deposit spreads. The quality of the loan portfolio was satisfactory in all segments, though there was a negative trend at the end of 2008 caused by the general market conditions. Net write-downs on loans and guarantees represented NOK 1 056 million in 2008, the equivalent of 0.19 per cent of average lending volume. The corresponding figures for 2007 were NOK 76 million and 0.02 per cent respectively. The cost/income ratio declined from 33.7 per cent in 2007 to 31.4 per cent in 2008.

Retail Banking recorded pre-tax operating profits of NOK 3 518 million in 2008, down NOK 663 million compared with 2007. Net interest income was NOK 7 674 million, on a level with 2007 in spite of the rise in funding costs and higher guarantee fund levies. Net interest income was also influenced by the transition to Basel II, which gave lower capital requirements for the housing loan portfolio and a decline in estimated interest on allocated capital. A sharp fall in interest rates towards the end of 2008 resulted in a temporary widening of lending spreads. The ratio of deposits to lending was stable through 2008. Lending growth abated towards the end of the year on account of reduced demand for housing loans, and average lending rose by 7.0 per cent compared with 2007. Other operating income was influenced by the turmoil in the financial markets, with a decline in income from the sale of mutual fund and insurance products and from real estate broking in Norway. Operating expenses rose by NOK 528 million, reflecting IT development and new activity in Sweden. Cost-reducing measures in Norwegian operations reduced staff numbers in Norway and ensured firm control over expenses.

DnB NOR Markets achieved pre-tax operating profits of NOK 4 016 million in 2008, compared with NOK 1 748 million in 2007. There was an increase in earnings from both customer activities and own-account trading in 2008, and total revenues were NOK 5 767 million, up 75 per cent from 2007. Customer-related revenues rose by 7.2 per cent from 2007. Strong demand for currency, interest-rate and commodity hedging products, combined with extraordinary price volatility, contributed to the increase in customer revenues, while other customer segments were negatively affected by the financial turmoil due to reduced values and lower capital market activity. High market volatility in relation to, for example, Norwegian kroner products contributed to the significant rise in income from market making and other proprietary trading. Costs increased by 15.3 per cent from 2007, resulting from new operations, new products, higher performance-based expenses and an increase in IT development activity. The cost/income ratio was 30.3 per cent in 2008, compared with 46.1 per cent in 2007.

Life and Asset Management consists of Vital Forsikring and DnB NOR Asset Management. Performance reflected the financial market turmoil, which reduced revenues within both life insurance and asset management operations. Pre-tax operating profits were NOK 953 million in 2008, a reduction of NOK 1 404 million from the previous year.

Vital recorded pre-tax operating profits of NOK 644 million in 2008, a NOK 1 242 million reduction from 2007. Performance reflected a fall in market values and property prices, but an extensive reallocation of assets from equities to fixed-income securities and declining interest rate levels gave good results in the fourth quarter of 2008. At the start of 2009, approximately 75 per cent of policyholders' funds were placed in fixed-income securities. The recorded and value-adjusted returns on capital were 1.9 and 0.3 per cent respectively for 2008, and with the exception of the high-risk portfolio, there were positive recorded returns in all sub-portfolios. There was a net decline in property values of NOK 2 395 million in 2008.

DnB NOR Asset Management recorded pre-tax operating profits of NOK 309 million in 2008, down NOK 162 million from 2007. Declining financial markets led to lower income owing to a reduction in assets under management and lower performance-based fees. Measures were implemented to reduce operating costs and the number of full-time positions. Reduced staff numbers and lower performance-based costs resulted in a reduction in costs of 15.8 per cent compared with 2007.

DnB NORD, in which DnB NOR has a 51 per cent ownership interest, was strongly influenced by the financial turmoil in 2008. A pre-tax operating loss of NOK 637 million was recorded, compared with pre-tax operating profits of NOK 469 million in 2007. Average lending was NOK 75.1 billion in 2008, up 51.7 per cent compared with 2007. Lending growth was significantly more sluggish towards the end of the year. DnB NORD's financial performance reflected a strong increase in write-downs on loans, particularly in the Danish property loan portfolio and in Latvia and Lithuania. Net write-downs totalled NOK 1 388 million in 2008, the equivalent of 1.85 per cent of average lending, up from 0.24 per cent in 2007. The Baltic economies experienced a sharp downturn during 2008, and it is expected that this will continue into 2009. DnB NORD expects high write-downs on loans also in 2009. In future, the company will concentrate on consolidating its operations and improving cost-effectiveness. The cost/income ratio was 70.0 per cent in 2008, compared with 69.5 per cent in 2007.

Cost programme

The DnB NOR Group's cost programme was somewhat ahead of schedule at year-end 2008. The programme target is annual cost savings of NOK 1.4 billion by the end of 2010. The programme consists of a number of projects aimed at reducing the number of full-time positions, the number of square metres of office space, letter dispatches, IT costs, procurement costs etc. Towards the end of 2008, the programme was extended to include a streamlining project for staff and support units across the Group.

At year-end 2008, annual cost reductions of NOK 456 million had been realised, representing 32.6 per cent of the overall target. NOK 144 million of restructuring funds were spent to achieve the cost savings.

The programme is closely monitored and has created greater focus on costs in the organisation.

Corporate social responsibility

DnB NOR is Norway's most important source of finance for companies and households, a role which has become more visible due to the global financial crisis. In addition, DnB NOR offers payment services and manages financial values. DnB NOR will promote sustainable development by giving priority to environmental, ethical and social considerations in its operations.

DnB NOR's corporate social responsibility, CSR, is based on internationally recognised guidelines, primarily the UN Global Compact's ten principles for corporate social responsibility in the business community. These principles comprise human rights, labour standards, the environment and anti-corruption. In addition, the Group bases its CSR efforts on the OECD's guidelines for multinational companies, the UNEP FI principles and the UN Principles for Responsible Investment.

A separate policy for corporate social responsibility in DnB NOR was revised and updated in 2008. The policy states that CSR efforts should concentrate on the Group's customer and supplier relations, the climate challenge, transparency, its contribution to society and employee relations.

In May 2008, DnB NOR adopted the Equator Principles, a voluntary set of guidelines for managing environmental and social issues in project finance. All loans from

DnB NOR follow guidelines stating that risk related to environmental, ethical and social factors must be assessed on a par with other risk factors.

During the year, ethical guidelines for asset management in DnB NOR were revised and coordinated. The guidelines imply that the Group will not invest in companies in breach of the UN Global Compact, the OECD's guidelines for multinational companies or the Ottawa Convention on anti-personnel mines. In addition, manufacturers and distributors of strategic components to be used in weapons of mass destruction, anti-personnel mines and cluster weapons are excluded from the Group's investment universe.

During 2008, DnB NOR was, as part of its ownership strategy, in dialogue with 24 companies suspected of acting contrary to the Group's ethical guidelines. Details on the number of companies excluded from DnB NOR's investment portfolio and the criteria upon which the exclusions are based are available on dnbnor.com/csr.

DnB NOR requests that suppliers of goods and services to the Group sign a declaration form stating that they do not contribute to human or labour rights violations, environmental harm or corruption. A total of 523 such declaration forms were registered at the end of 2008.

Through various microfinance initiatives, disadvantaged people gain access to financial services. DnB NOR contributed to microfinance projects in 2008 through financial support to humanitarian organisations involved in microfinance and by investing NOK 75 million in the Norwegian Microfinance Initiative through Vital Forsikring.

In 2008, a total of NOK 88 million was donated to sporting, cultural, research and humanitarian organisations and as gifts to non-profit causes.

The Savings Bank Foundation, Sparebankstiftelsen DnB NOR, is the second largest DnB NOR shareholder and can use up to 25 per cent of profits to support non-profit projects. In 2008, the foundation made donations totalling NOK 90 million to such causes.

External environment

DnB NOR influences the environment directly and indirectly. The Group's investments and lending activities have an indirect impact on the environment and are governed by CSR guidelines for credit and asset management operations. DnB NOR has a direct impact on the environment through its consumption of paper and energy, waste management, procurement and use of means of transport. Energy consumption in DnB NOR represented 62.9 GWh in 2008, while 1 077 tons of paper were consumed. The Group works continually to improve internal environmental efficiency.

DnB NOR also meets the climate challenge by offering products with an environmental profile. The Group offers reduced lending rates to environmentally aware car buyers, and leasing customers have the opportunity to make cars and car fleets carbon neutral through the purchase of UN-approved CO_2 quotas.

DnB NOR offers two equity funds with an environmental profile in the retail market: DnB NOR Renewable Energy and DnB NOR Grønt Norden. Renewable energy is one of DnB NOR's international priority areas in the corporate market, and the Group has established a unit to serve corporate customers within the power and renewable energy sectors.

In 2008, the Group participated in two external climate initiatives: Climate Benefit and the Norwegian CEO Climate Policy Forum.

Measures to reduce paper-based communication sent to customers have a positive environmental effect. The Group will facilitate an increase in the use of video conferencing equipment to further reduce business travel by its employees.

Employees and managers

DnB NOR is committed to having high ethical standards and a good corporate reputation. Earning the trust of the surrounding community and obtaining lasting commercial success is dependent on each individual employee maintaining high ethical standards. The Group's code of ethics applies to all employees and members of governing bodies, comprising aspects such as customer and supplier relations, duty of confidentiality, impartiality, gifts and services, trading in financial instruments and insider trading. Training and courses in handling ethical dilemmas are important instruments in making ethics an integrated part of the Group's daily operations. Therefore, in 2008, a new money laundering e-learning course was launched. The target group for the course is all employees who work with customers and transactions. In addition, a new ethical programme for managers and employees was developed in 2008 and will be launched in 2009.

Being an attractive workplace is an important objective for DnB NOR. The Group's personnel policy should ensure diversity and equality, the necessary restructuring measures, competence development, as well as sound health, safety and environmental standards. In 2008, the Group had 4 598 applicants for various vacant positions, and a total of 835 external applicants were employed.

The employee satisfaction survey conducted in January 2009 confirmed that there is a good level of employee satisfaction in DnB NOR. There was an increase from 70 points in 2008 to 74 in 2009. The results are followed up through measures in each individual unit.

Competent leadership and the training of good managers and employees are strategically important for DnB NOR. In 2008, 83 managers completed a practical management training programme based on the values team spirit, simplicity and value creation. The programme aims to promote relationship building and networking among managers in the Group. Focus was also given to the development of new managers in the Group, resulting in a tailor-made management programme which was completed by a total of 16 managers. In addition, four introduction courses were held for 329 new employees in the Group. The number of participants on various competency measures in the Group totalled approximately 22 000 in 2008, a 6.4 per cent increase from 2007.

Health, safety and environment (HS&E)

DnB NOR's health, safety and environment policy should contribute to motivating employees to take responsibility for their own health through preventive action. HS&E initiatives are an integral part of the Group's values, code of conduct and leadership principles, and measures within this field should be implemented in close cooperation between managers and the Group's safety representatives. Physical activity has been given priority for many years, for example by making exercise rooms available at a number of office locations in Norway and by having active sports clubs within the Group offering a wide range of physical activities. In 2008, a nationwide cooperation was established between DnB NOR and the Norway Orienteering Association, resulting in more than 200 "DnB NOR walks" in several towns and cities in Norway. Fitness programmes during working hours in 2008 served as preventive working environment measures for employees at risk of repetitive strain injuries. The measures contribute to keeping the employees motivated and also result in a reduction in such injuries and other health problems.

By facilitating and encouraging physical activity, DnB NOR wishes to promote team spirit and culture building across organisational and hierarchical lines, create a positive working environment and prevent absence due to illness.

The Ergonomics Committee is involved in preventive measures to reduce work-related health problems and ensure that DnB NOR has functional and user-friendly equipment in accordance with the Working Environment Act which also satisfies the Group's environmental requirements.

Sickness absence and an inclusive workplace

Sickness absence in the DnB NOR Group's Norwegian operations averaged 5.35 per cent in 2008, in comparison with 5.36 per cent in 2007. Priority is given to implementing preventive measures and to giving additional assistance to units with high levels of sickness absence. DnB NOR aims to reduce average sickness absence to below 5 per cent. It is also group policy to assist employees who, for different reasons, are unable to contribute to the same extent during certain periods of their working life.

In 2008, employees were given extensive information on how to use DnB NOR's health insurance to receive swifter treatment and thus reduce absence due to illness.

As an inclusive workplace, DnB NOR is committed to closely following up employees absent due to illness in cooperation with the Norwegian Labour and Welfare Organisation and to reducing, as far as possible, such periods of absence. Professional support in this area is provided by external occupational health services. DnB NOR seeks to adapt working hours to suit the different life phases and working situations of the employees.

HS&E and working environment training

DnB NOR endeavours to prevent injuries caused by robberies and threats through extensive security procedures and training programmes.

DnB NOR has an internal programme to implement statutory working environment training for managers with personnel responsibility, safety representatives and members of the working environment committees. The aim of the training is to provide the necessary insight and knowledge to comply with the HS&E requirements laid down in the Working Environment Act and by DnB NOR. In 2008, 38 managers and 22 safety representatives completed this training.

Employees and working environment

In 2008, a total of 26 employees were exposed to threats, but none due to robberies. However, several of the threats were very serious and also entailed physical injury. In addition, 14 accidents and injuries were registered during working hours or in connection with commuting to and from work.

The Group has several security training and aftercare programmes. Special courses and drills in coping with robberies are followed by staff in the branch network, including real estate brokers. The other security courses are adapted to various target groups in DnB NOR. In 2008, 27 courses in coping with robberies were held. In addition, 71 employees attended courses for evacuation officers, 113 completed courses in threat management and 129 participated in security courses.

Equality

DnB NOR is committed to gender equality in the Group and to giving the same opportunities for professional and personal development, career progression, salary levels and other benefits. The Group also has flexible schemes that make it easier to combine a career with family life. DnB NOR seeks a more equal gender balance in its management teams. The target set by the Board of Directors for equality at the four top management levels in the Group calls for a minimum of 30 per cent women by the end of 2009. At the end of 2008, the proportion of women at the four top management levels was 25 per cent, on a level with 2007. If figures for management level five are included, the total female representation was 30 per cent. The average fixed salary for women and men in the Group's Norwegian operations in 2008 was NOK 420 000 and NOK 543 000 respectively. At year-end 2008, 8 066 women and 6 388 men were employed in DnB NOR.

Equal opportunity measures in DnB NOR:

- Priority to be given to female applicants for management positions, subject to equal qualifications
- The best female candidate to be considered for positions in units where women are in a minority
- Equality and diversity to be on the agenda in management training programmes
- All vacancies to be advertised internally
- Own development programme to be implemented for women

Macroeconomic developments

At the start of 2008, there was still strong economic expansion in Norway after four years with a high annual average GDP growth rate for mainland Norway of 5 per cent. Strong income growth and several years with low interest rate levels gave a steep rise in household demand. The Norwegian economy also received a strong impetus through the international boom and rising petroleum investments, which were partly attributable to high and increasing oil prices.

Later in 2008, however, the Norwegian economy showed signs of slowing growth. The first sign of a turnaround was a fall in housing prices and housing investment, followed by a decline in purchases of consumer durables and in corporate investments. In spite of more sluggish economic growth, the labour market remained tight, resulting in high wage increases following the wage negotiations in April and May. Annual wage growth in 2008 is estimated at 6.0 per cent, up from 5.4 per cent the previous year. Along with rising inflation, this induced Norges Bank to raise its key policy rate by 0.25 percentage points to 5.75 per cent with effect from 26 June, the sixteenth interest rate increase since May 2005, when the policy rate was a low 1.75 per cent.

During the second half of the year, it became more evident that the significant international financial turmoil was starting to influence the Norwegian economy. Unemployment rose markedly during the autumn. In December, 52 200 persons were registered as fully unemployed on a seasonally adjusted basis, a rise of 11 000 since August. The inflationary pressure was strongly reduced in the course of the autumn, as the 12-month rise in the consumer price index declined from 5.5 per cent in October to 2.1 per cent in December. The decline in the inflation rate was largely due to falling petrol and electricity prices, though other prices also showed a decreasing trend. Along with increasingly negative economic prospects, this caused Norges Bank to reduce its key policy rate by a total of 2.75 percentage points during the October through December period, bringing this rate to 3.0 per cent at year-end 2008.

Future economic developments are far more uncertain than for many years. If market participants foresee a weak trend, they become more cautious, reducing their purchases of goods and services and postponing or cancelling their investment plans. In turn, this will result in a reduction in overall demand and a more pronounced downturn.

The deepest international recession for 60 years is now anticipated and will have the most pronounced impact on large parts of the Norwegian export industry. In addition, a weak trend is expected in household consumption and investments, though extensive interest rate cuts will probably prevent a significant reduction.

There was a marked decrease in household credit demand towards the end of 2008. This trend will probably continue, in spite of low interest rates. A sharp drop is expected in corporate investment due to a lack of good projects. This will reduce companies' credit demand from the high level seen in 2007. However, some investment projects might be postponed or cancelled due to insufficient access to equity and loans. Reduced private demand will be counteracted by increasing public investments and the application of other fiscal incentives. Nevertheless, there will probably be a reduction in GDP parallel to rising unemployment.

Future prospects

During 2008, international financial markets and the global economy underwent a transition from high activity levels and prosperity to significant financial turmoil and a steep downturn. The sudden shift has had serious repercussions, and future developments remain highly uncertain. This also applies to the Norwegian financial services industry, in spite of the extensive measures implemented by the authorities, which are expected to contribute to solving some of the greatest challenges. Both in Norway and internationally, the authorities have been active in introducing extensive measures which are aimed at stabilising financial markets and stimulating the economy. The new stimulus package presented by the Norwegian government on 8 February 2009 is also expected to improve banks' lending capacity and capital position, while improving the situation in the Norwegian bond market. Overall, the stimulus packages are expected to dampen the slowdown in the Norwegian real economy.

Due to its open economy, international developments have a profound impact on Norway. This applies not least to export-oriented industries, which only to a limited extent can be shielded from the international recession. The petroleum sector and petroleum-related activities are also affected by changes in demand and price levels. Moreover, great volatility in the foreign exchange market represents a challenge for Norwegian-based operations.

Developments in DnB NOR will be affected by external events, especially in Norway. In this connection, the Norwegian economy and Norway's financial strength will represent an advantage. Nevertheless, a not insignificant rise in losses and write-downs is also expected in Norwegian operations. On the other hand, the Group will be in a position to increase its initiatives aimed at Norwegian customers wishing to secure their financial positions and cash flows during these turbulent times. There is also reason to expect significant interest in bank savings and insurance products in future.

During the coming year, DnB NOR will give priority to extending credit to Norwegian and Norwegian-related operations. The Group has sufficient capacity to meet normal credit growth in its Norwegian customer base. There was significant growth in these operations in 2008. However, it cannot be excluded that the drought in the international financial and bond markets will prevail, so that customers who have used financing sources other than Norwegian banks, may face greater challenges in future.

Due to the economic downturn and higher volumes of non-performing commitments, DnB NOR will strengthen its follow-up of problem commitments and cooperate with customers to solve problems. More resources will be allocated to these efforts.

Interest rate levels are expected to fall in light of lower economic activity and a certain normalisation in financial markets. In the short term, this could result in a certain rise in gains on securities and higher net interest income. In the longer term, however, interest spreads could come under pressure. This is particularly relevant for deposit rates, where the combination of fierce competition for deposits and low interest rate levels could make it difficult to maintain the same level of earnings. A prolonged low interest rate level could also represent a challenge for insurance operations.

DnB NOR will meet these challenges by offering its customers the best total package of financial services. The economic situation will also require stronger focus on streamlining operations. The implementation of the Group's ongoing cost programme is a key element in these efforts. The programme will have total annual effects estimated at NOK 1.4 billion up until the end of 2010 and was ahead of schedule at year-end 2008. The process of upgrading the Group's IT systems is well under way, and measures to stabilise operations have yielded good results. However, major initiatives remain, which will require extensive investments over the coming years.

In light of the financial turmoil and the downturn in the real economy, the Group's strategic ambitions will have to be toned down somewhat in the short term. This applies in particular to growth ambitions outside Norway. Still, there will be scope for a high level of activity at the Group's international offices in terms of services that do not affect the Group's balance sheet. Growth in DnB NORD is expected to be scaled back. In the short term, the Group will aim to strengthen operations and limit losses and the need for write-downs through a proactive consolidation process. There is great uncertainty about future macroeconomic developments, but at the start of 2009, DnB NOR has no reason to believe that the level of write-downs on loans will be higher than in the fourth quarter of 2008.

DnB NOR presented financial target figures for the Group in October 2007. At the time, it was emphasised that the targets were conditional on a continued positive economic trend. In light of the pronounced shift in the Norwegian and global economy, it has been necessary to adjust these targets somewhat.

In the short term, write-downs on loans are expected to represent the key challenge for the Group. However, the Group expects to have sound loss-absorbing capacity through healthy current earnings. The target of NOK 20 billion in pre-tax operating profits before write-downs in 2010 thus remains in force, and profits from ongoing operations are expected to continue at a high level. The implementation of the cost programme is instrumental in this connection.

In light of recent developments and greater expectations from the authorities and the market, DnB NOR has defined a new capital adequacy target which implies that, in the long term, the core capital ratio must be well over 8 per cent in good economic times and minimum 8 per cent during an economic downturn. This target will be operationalised by aiming for a core capital ratio of minimum 8 per cent for the Group by year-end 2010. The Group will maintain its target to generate competitive returns and shareholder dividends within the framework of the current capital strategy.

Dividends and allocation of profits

The Group's capital adequacy has been affected by the rising write-downs, considerable financial market volatility and a weakening of the Norwegian krone relative to key currencies such as the US dollar and euro. Due to the decline in profits compared with 2007 and the need to increase the Group's capital base in future, the Board of Directors will propose not to distribute dividends to shareholders for 2008. Dividends of NOK 4.50 per share were paid for 2007.

The proposal not to distribute dividends for 2008 will strengthen the capital adequacy ratio. DnB NOR will continually build capital through operations and also consider other measures to improve the Group's capital base, including the measures to improve the capital situation of the financial industry introduced by the Norwegian government in its stimulus package on 8 February 2009. This could provide the basis for a continued robust balance sheet and help build a sound platform to handle the challenges presented by the economic downturn.

The Group's long-term dividend policy remains unchanged. However, the Group's need for capital and terms and conditions relating to the Norwegian government's stimulus package could affect dividend distributions over the coming years.

Oslo, 16 March 2009
The Board of Directors of DnB NOR ASA

Anne Carine Tanum
(chairman)

Bjørn Sund
(vice-chairman)

Per Hoffmann | Jørn O. Kvilhaug | Bent Pedersen | Tore Olaf Rimmereid

Trine Sæther Romuld | Ingjerd Skjeldrum | Siri Pettersen Strandenes

Rune Bjerke
(group chief executive)

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Income statement [1)]

Amounts in NOK million	Note	DnB NOR Group 2008	DnB NOR Group 2007
Total interest income	6	81 953	61 746
Total interest expenses	6	60 044	43 880
Net interest income	6	**21 910**	**17 866**
Commissions and fees receivable etc.	8	9 207	9 476
Commissions and fees payable etc.	8	2 313	2 392
Net gains on financial instruments at fair value	8, 9	3 339	3 185
Net gains on assets in Vital	8	(701)	23 883
Guaranteed returns and allocations to policyholders in Vital	8	(1 027)	17 005
Premium income etc. included in the risk result in Vital	8	4 543	4 249
Insurance claims etc. included in the risk result in Vital	8	4 407	8 907
Profit from companies accounted for by the equity method	8	632	9
Other income	8	1 111	1 234
Net other operating income	8	**12 438**	**13 732**
Total income		**34 347**	**31 598**
Salaries and other personnel expenses	10, 11	9 463	9 413
Other expenses	10	7 040	6 005
Depreciation and impairment of fixed and intangible assets	10	2 217	1 032
Total operating expenses	10	**18 721**	**16 450**
Net gains on fixed and intangible assets	13	52	2 481
Write-downs on loans and guarantees	14, 15	3 509	220
Pre-tax operating profit		**12 170**	**17 409**
Taxes	16	3 252	2 387
Profit from discontinuing operations after taxes		0	0
Profit for the year		**8 918**	**15 022**
Profit attributable to shareholders		9 211	14 780
Profit attributable to minority interests		(293)	242
Earnings per share (NOK) [2)]	54	6.91	11.08
Earnings per share for discontinuing operations (NOK) [2)]		0.00	0.00

1) See note 5 for a specification of income statement items in Vital.
2) DnB NOR has not issued options or other financial instruments that could cause dilution of earnings per share.

Balance sheet [1)]

Amounts in NOK million	Note	DnB NOR Group 31 Dec. 2008	31 Dec. 2007
Assets			
Cash and deposits with central banks		51 147	9 816
Lending to and deposits with credit institutions	19, 21, 22	59 717	64 379
Lending to customers	20, 21, 22	1 191 635	970 504
Commercial paper and bonds	25	125 571	161 162
Shareholdings	26, 27	36 839	65 122
Financial assets, customers bearing the risk	28	16 454	19 868
Financial derivatives	49	136 552	65 933
Commercial paper and bonds, held to maturity	29	155 156	59 641
Investment property	30	32 558	33 078
Investments in associated companies	31	2 517	1 435
Intangible assets	32	8 480	7 742
Deferred tax assets	16	263	136
Fixed assets	34	5 326	3 496
Discontinuing operations [2)]		246	225
Other assets	36	9 236	11 382
Total assets		**1 831 699**	**1 473 919**
Liabilities and equity			
Loans and deposits from credit institutions	37	178 822	144 198
Deposits from customers	38	597 242	538 151
Financial derivatives	49	95 498	62 741
Securities issued	39	606 222	371 784
Insurance liabilities, customers bearing the risk	28, 51	16 454	19 868
Liabilities to life insurance policyholders	51	184 791	191 626
Payable taxes		384	1 431
Deferred taxes	16	5 457	1 994
Other liabilities	42	15 410	27 717
Discontinuing operations		0	0
Provisions	41	4 918	5 207
Subordinated loan capital	40	45 225	33 226
Total liabilities		**1 750 424**	**1 397 944**
Minority interests		4 211	2 662
Share capital		13 327	13 327
Share premium reserve		11 697	11 697
Other equity		52 041	48 290
Total equity		**81 275**	**75 976**
Total liabilities and equity		**1 831 699**	**1 473 919**
Off-balance sheet transactions and contingencies	56		

1) *See note 5 for a specification of balance sheet items in Vital. See note 17 for a classification of financial instruments and note 18 for information on fair value of financial intruments.*
2) *Includes long-term assets held for sale.*

Statement of changes in equity

DnB NOR Group

Amounts in NOK million	Minority interests [1]	Share capital	Share premium reserve [2]	Other equity [1] [3]	Total equity [1]
Balance sheet as at 31 December 2006	**2 201**	**13 341**	**11 963**	**38 907**	**66 413**
Net change in currency translation reserve	(72)			(231)	(303)
Profit for the period	242			14 780	15 022
Net income for the period	171			14 549	14 719
Dividends 2006				(5 336)	(5 336)
Redemption of shares		(14)	(267)	173	(108)
Minority interests DnB NORD	261				261
Other minority interests	30				30
Balance sheet as at 31 December 2007	**2 662**	**13 327**	**11 697**	**48 290**	**75 976**
Net change in currency translation reserve	552			405	957
Profit for the period	(293)			9 211	8 918
Net income for the period	259			9 616	9 875
Dividends 2007				(5 997)	(5 997)
Minority interests DnB NORD	1 305				1 305
Other minority interests	(15)				(15)
New regulations for the life insurance industry				130	130
Balance sheet as at 31 December 2008	**4 211**	**13 327**	**11 697**	**52 041**	**81 275**

1) *Of which currency translation reserve:*

Balance sheet as at 31 December 2006	*44*			*(44)*	*0*
Net change	*(72)*			*(231)*	*(303)*
Balance sheet as at 31 December 2007	*(28)*			*(275)*	*(303)*
Adjustment to currency translation reserve DnB NORD				*20*	*20*
Net change	*552*			*405*	*957*
Balance sheet as at 31 December 2008	*524*			*150*	*674*

2) *The share premium reserve can be used to cover financial losses.*

3) *Other equity can be used in accordance with stipulations in the Public Limited Companies Act.*

The Board of Directors of DnB NOR ASA has proposed a dividend of NOK 0 per share for 2008. Earnings per share in 2008 were NOK 6.91.

Cash flow statement

Amounts in NOK million	DnB NOR Group 2008	2007
Operations		
Net payments on loans to customers	(147 274)	(147 421)
Net receipts on deposits from customers	36 919	65 651
Interest received from customers	71 011	50 211
Interest paid to customers	(24 850)	(17 733)
Net receipts/payments on the sale/acquisition of financial assets for investment or trading	(7 563)	22 440
Net receipts on commissions and fees	6 896	7 118
Payments to operations	(14 005)	(17 794)
Taxes paid	(928)	(3 980)
Receipts on premiums	14 482	13 295
Net receipts/payments on premium reserve transfers	(629)	(1 937)
Payments of insurance settlements	(18 959)	(19 621)
Other receipts	1 108	1 213
Net cash flow relating to operations	**(83 793)**	**(48 560)**
Investment activity		
Net receipts/payments on the sale/acquisition of fixed assets	(3 544)	3 087
Receipts on the sale of long-term investments in shares	139	9
Payments on the acquisition of long-term investments in shares	(2 724)	(4 080)
Dividends received on long-term investments in shares	147	248
Net cash flow relating to investment activity	**(5 981)**	**(736)**
Funding activity		
Net receipts/payments on loans to/from credit institutions	19 497	23 278
Net receipts/payments on other short-term liabilities	996	(10 622)
Net receipts on the issue of bonds and commercial paper 1)	143 956	58 281
Issue of subordinated loan capital	8 747	5 581
Redemptions of subordinated loan capital	(3 196)	(4 017)
Repurchase of own shares/share issue	0	(108)
Dividend payments	(5 997)	(5 336)
Net interest payments on funding activity	(32 977)	(20 420)
Net cash flow from funding activity	**131 027**	**46 637**
Net cash flow	**41 252**	**(2 659)**
Cash as at 1 January	15 935	18 594
Net receipts of cash	41 252	(2 659)
Cash as at 31 December *)	57 187	15 935
**) Of which: Cash and deposits with central banks*	*51 147*	*9 816*
Deposits with credit institutions with no agreed period of notice 2)	*6 040*	*6 119*

1) A significant share of the Group's operations was funded by issuing bonds and commercial paper in 2007 and 2008.
2) 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 year. The statement has been prepared in accordance with the direct method and has been adjusted for items that do not generate cash flows, such as accruals, depreciation and write-downs on loans and guarantees. Cash flows are classified as operating activities, investment activities or funding activities. Balance sheet items are adjusted for the effects of exchange rate movements. Cash is defined as cash and deposits with central banks, and deposits with credit institutions with no agreed period of notice.

Note 1 Accounting principles

CONTENTS

1. CORPORATE INFORMATION

DnB NOR ASA is a Norwegian public limited company listed on Oslo Børs (the Oslo Stock Exchange). The consolidated accounts for 2008 were approved by the Board of Directors on 16 March 2009. The visiting address to the Group's head office is Stranden 21, Oslo, Norway.

2. BASIS FOR PREPARING THE ACCOUNTS

DnB NOR has prepared consolidated accounts for 2008 in accordance with IFRS, International Financial Reporting Standards, as approved by the EU.

The consolidated accounts are based on the historic cost principle, with the following exceptions: financial assets available for sale, financial assets and liabilities (including financial derivatives) carried at fair value through profit or loss and investment property. The consolidated accounts are presented in Norwegian kroner. Unless otherwise specified, values are rounded off to the nearest million.

3. CHANGES IN ACCOUNTING PRINCIPLES

In October 2008, the International Accounting Standards Board, IASB, approved amendments to IAS 39 Financial Instruments: Recognition and Measurements and IFRS 7 Financial Instruments – Disclosure. The EU approved the amendments in October. Following the amendments, it is permitted to reclassify certain financial assets in the categories "fair value through profit or loss" and "available for sale" to other categories for financial assets. To qualify for reclassification, special circumstances must have occurred, and according to the IASB, the situation in the credit markets can be regarded as rare circumstances. The reclassification could be made with accounting effect from 1 July 2008.

The Group has reclassified the liquidity portfolio in DnB NOR Markets from "fair value through profit or loss" to the "held to maturity" category. The portfolio comprises highly rated securities which, among other things, are used as collateral for central bank loans. On initial recognition, the liquidity portfolio was listed in an active market and was included in the "fair value through profit or loss" category. During the ongoing financial turmoil, the bond markets, with the exception of the market for government paper, have gradually become inactive and illiquid. With effect from 1 July 2008, the Group intends to hold the liquidity portfolio to maturity. Amortised cost on the reclassification date represents fair value as at 1 July 2008.

The amendments to IFRS 7 require that the reclassification be described and that the value of the liquidity portfolio based on the principles applied before the reclassification be reported. See note 29 Commercial paper and bonds, held to maturity, for a description of the effects of the reclassification.

IFRS 8 Operating Segments entered into force on 1 January 2009, replacing IAS 14. The new standard places greater emphasis on management's internal review of operations. The Group has chosen early application of IFRS 8, taking the standard into use as from 2008. IFRS 8 has not resulted in changes in the number of segments presented.

4. CONSOLIDATION AND BUSINESS COMBINATIONS

The consolidated accounts for DnB NOR ASA ("DnB NOR") include DnB NOR Bank ASA, Vital Forsikring ASA, DnB NOR Kapitalforvaltning Holding AS, DnB NOR Skadeforsikring AS and Vital Skade AS including subsidiaries and associated companies.

The accounting principles are applied consistently when consolidating ownership interests in subsidiaries and associated companies and are based on the same reporting periods as those used for the parent company.

When preparing consolidated accounts, intra-group transactions and balances along with unrealised gains or losses on these transactions between group units are eliminated.

The purchase method is applied for acquisitions of operations. Cost is measured at fair value of the consideration, taking account of any equity instruments issued in addition to any direct costs relating to the transaction. Possible share issue expenses are not included in cost, but deducted from equity.

Acquired identifiable tangible and intangible assets and liabilities are recorded at fair value at the time of acquisition. If cost exceeds the fair value of identifiable assets and liabilities, the excess will be recorded as goodwill. Goodwill is not amortised, but is subject to impairment testing on an annual basis or more frequently if there are indications of impairment. If cost is lower than the fair value of identifiable assets and liabilities, the difference will be recognised in the income statement on the transaction date.

In connection with acquisitions of less than 100 per cent of assets, 100 per cent of excess fair value is recorded in the balance sheet, with the exception of goodwill, where only DnB NOR's share is included.

Insurance operations

Vital Forsikring ASA including subsidiaries, hereinafter referred to as Vital, are fully consolidated in the DnB NOR Group's accounts and shown as part of the Life and Asset Management business area.

Effective from 1 January 2008, new regulations were introduced for the life insurance industry. According to the new regulations, there is a clearer distinction between policyholders' funds and company funds, a clear division of risk between policyholders and the company, and more transparent pricing of life insurance products. The new regulations entail that equity and primary capital are managed in a special portfolio, separate from policyholders' funds. Another important change is that profit sharing is replaced by advance pricing of all services, including the annual guaranteed rate of return. The last-mentioned change does not, however, apply to paid-up policies and contracts on individual products with guaranteed returns signed prior to 1 January 2008, which will still be subject to various types of profit sharing.

As a consequence of the new regulations, the former combined portfolio in Vital has been divided into several sub-portfolios depending on the profit model and the buffer capital situation. The new regulations entail that approximately 50 per cent of Vital's policyholders' funds will still be subject to profit sharing between policyholders and the owner. This share is expected to gradually decline as the portfolio of individual products with guaranteed rates of return is phased out.

The new regulations will contribute to greater stability in Vital's earnings by reducing dependence on developments in the financial markets. For more information, see note 5 Life and Asset Management.

Subsidiaries and associated companies

Subsidiaries are defined as companies in which DnB NOR has control, directly or indirectly, through ownership or other means and a holding of more than 50 per cent of the voting share capital or primary capital. DnB NOR recognises the existence of de facto control, but generally assumes to have control when holding more than 50 per cent of the voting share capital or primary capital in another entity. With respect to companies where the Group's holding is less than 50 per cent, DnB NOR makes an assessment of whether other factors indicate de facto control. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. Subsidiaries that are sold are consolidated up till the time risk and control are transferred.

Associated companies are companies in which DnB NOR has a significant influence, that is the power to participate in the financial and operating policy decisions of the companies, but is not in control or joint control of the companies. An assumption of significant influence exists when DnB NOR holds between 20 and 50 per cent of the voting share capital or primary capital in another entity.

Associated companies are recognised in the group accounts according to the equity method. The investment is recorded at cost at the time of acquisition and is adjusted for subsequent changes in the Group's share of equity in the associated company. Any goodwill is included in the acquisition cost. The Group's share of profits or losses is recognised in the income statement and added to the balance sheet value of the investment along with other changes in equity which have not been reflected in the income statement. The Group's share of losses is not reflected in the income statement if the balance sheet value of the investment will then be negative, unless the Group has taken on commitments or issued guarantees for the commitments of the associated company.

The Group's share of unrealised gains on transactions between the Group and its associated companies is eliminated. The same applies to unrealised losses provided that the transaction indicates a need for a write-down of the transferred assets.

Conversion of transactions in foreign currency

Norwegian kroner serve as the reporting currency for the DnB NOR Group. The major entity in the Group, DnB NOR Bank ASA, has Norwegian kroner as its functional currency. Balance sheet items of foreign branches and subsidiaries are translated into Norwegian kroner according to exchange rates prevailing on the balance sheet date, while profit and loss items are translated according to exchange rates on the transaction date. Changes in net assets resulting from exchange rate movements are charged directly to equity.

Monetary assets and liabilities in foreign currency are translated at exchange rates prevailing on the balance sheet date. Changes in value of such assets due to exchange rate movements between the transaction date and the balance sheet date, are recognised in the income statement.

5. RECOGNITION IN THE INCOME STATEMENT

Interest income is recorded using the effective interest method. This implies that nominal interest is recorded when incurred, with the addition of amortised front-end fees less direct marginal establishment costs, e.g. paid credit broking commissions. Interest is recorded according to the effective interest method with respect to both balance sheet items carried at amortised cost and balance sheet items carried at fair value in the income statement. Interest taken to income on impaired commitments corresponds to the effective interest rate on the written-down value. Cf. "Measurement at fair value", "Measurement at amortised cost" and "Impairments on financial assets" in item 7.

Fees and commissions are included in the income statement when the services are rendered. Fees for the establishment of loan agreements are included in cash flows when calculating amortised cost and recorded under "Net interest income" using the effective interest method. Fees that are incurred when establishing financial guarantees are included in the valuation and recorded over the term of the contract under "Net gains on financial instruments at fair value". "Net other operating income" includes fees and commissions relating to money transfers, asset management, including success fees, credit broking, corporate finance, securities services, insurance products and lease income from investment properties. Such fees and commissions are recorded in the income statement when the services are rendered. Success fees are recorded when the fees with a high degree of uncertainty have been earned and can be measured in a reliable manner.

Unrealised gains and losses on interest rate hedges in connection with changes in market rates on fixed-rate deposits and borrowings in foreign currencies are recorded under "Net interest income".

Dividends on investments are recognised from the date the dividends were approved at the general meeting.

6. RECOGNITION OF ASSETS AND LIABILITIES

Assets and liabilities are recorded in the balance sheet of the DnB NOR Group at the time the Group assumes actual control of the rights to the assets and takes on a real commitment.

Assets are derecognised at the time actual risk relating to the assets is transferred and control of the rights to the assets is annulled or expired.

With respect to financial assets where either risk, control or returns have not been transferred, an assessment should be made of whether the asset should be derecognised. Upon the transfer to loan portfolios for which the Group retains the major part of the exposure, the assets are not derecognised. The asset's recorded value is limited to the amount for which the company still carries risk.

Upon the sale of assets or operations which are still in use within the Group, for example in connection with outsourcing, the transaction's effects on profits and future income and costs are assessed together.

7. FINANCIAL INSTRUMENTS

Classification of financial instruments

On initial recognition financial assets are classified in one of the following categories according to the purpose of the investment:

- Financial assets held for trading (trading portfolio), carried at fair value with changes in value recognised in profit or loss
- Financial instruments designated as at fair value with changes in value recognised in profit or loss
- Financial derivatives designated as hedging instruments
- Loans and receivables, carried at amortised cost
- Held-to-maturity investments, carried at amortised cost
- Available-for-sale financial instruments carried at fair value, with changes in value recorded against equity

On initial recognition financial liabilities are classified in one of the following categories:

- Financial liabilities held for trading (trading portfolio), carried at fair value with changes in value recognised in profit or loss
- Financial liabilities designated as at fair value with changes in value recognised in profit or loss
- Other financial liabilities carried at amortised cost

Guidelines for classification in the various portfolios of the DnB NOR Group are given below.

Financial assets and liabilities in the trading portfolio

Instruments in the trading portfolio are typically subject to frequent trading and positions are established with an aim to obtain short-term gains.

The trading portfolio mainly includes financial assets in DnB NOR Markets, financial derivatives excluding derivatives used for hedging and derivatives in Vital. The liquidity portfolio in DnB NOR Markets has been reclassified from the trading portfolio to the held-to-maturity category. In addition, the portfolio includes securities issued and deposits where instruments are used actively in interest rate and liquidity management and have a short remaining maturity.

Financial assets and liabilities designated as at fair value with changes in value recognised in profit or loss

These are assets and liabilities which on initial recognition are defined as designated as at fair value with changes in value recognised in profit or loss. These portfolios include commercial paper and bonds, equities, fixed-rate loans in Norwegian kroner, financial assets – customers bearing the risk, current financial assets within life insurance, fixed-rate securities issued in Norwegian kroner, such as index-linked bonds and equity-linked bank deposits and other fixed-rate deposits in Norwegian kroner, as well as financial guarantees.

Financial derivatives designated as hedging instruments

Financial derivatives used in hedge accounting to manage interest rate risk are included in this category.

Loans and receivables carried at amortised cost

The loans and liabilities category mainly includes portfolios of loans that are not traded in an active market, carried at fair value through profit or loss or available for sale.

Held-to-maturity investments carried at amortised cost

Securities held to maturity are carried at amortised cost. After the reclassification, the liquidity portfolio is carried at amortised cost. Bonds held to maturity within life insurance are also included in this category.

Available-for-sale financial instruments carried at fair value, with changes in value recorded against equity

Assets which are not included in other categories, are classified as available for sale.

Other financial liabilities carried at amortised cost

Other financial liabilities that are not included in the trading portfolio or the portfolio designated as at fair value with changes in value recognised in profit or loss, are carried at amortised cost.

Measurement

Initial recognition of financial instruments

Financial instruments are measured at fair value on the trading date. With respect to financial instruments carried at fair value through profit or loss, fair value on the trading date will be the transaction price, unless gains or losses have been realised or identified. Financial instruments carried at amortised cost are recorded at the transaction price less direct transaction costs.

Subsequent measurement

<u>Measurement at fair value</u>

Fair value is the amount for which an asset could be exchanged, or a liability settled, in a transaction between independent parties. Calculations are based on the going concern assumption, and provisions for credit risk on the instruments are reflected in the measurement.

Financial assets and liabilities are measured at bid or asking prices respectively. Derivatives which are carried net, are recorded at mid-market prices on the balance sheet date. Listed financial equity instruments covering insurance obligations are measured at the most recent listed transaction price.

Instruments traded in an active market

Most of the DnB NOR Group's financial derivatives, e.g. forward currency contracts, forward rate agreements (FRAs), interest rate options, currency options, interest rate swaps and interest rate futures, are traded in an active market. In addition, some investments in equities and commercial paper and bonds are traded in active markets.

A market is considered active if it is possible to obtain external, observable prices, exchange rates or volatilities and these prices represent actual and frequent market transactions. With respect to instruments traded in an active market, quoted prices are used, obtained from a stock exchange, a broker or a price-setting agency. If no prices are quoted for the instrument, it is decomposed and valued on the basis of quoted prices on the individual components.

Instruments not traded in an active market
Financial instruments not traded in an active market are valued according to different valuation techniques and are divided into two categories:

Valuation based on observable market data:
- recently observed transactions in the relevant instrument between informed, willing and independent parties
- instruments traded in an active market which are substantially similar to the instrument that is valued
- other valuation techniques where key parameters are based on observable market data

Valuation based on other factors than observable market data:
- cash flows
- valuation of assets and liabilities in companies
- models where key parameters are not based on observable market data
- possible industry standards

When using valuation techniques, values are adjusted for credit and liquidity risk. Valuations are based on pricing of risk for similar instruments. Cf. also note 25 Commercial paper and bonds at fair value and note 26 Shareholdings.

<u>Measurement at amortised cost</u>
Financial instruments not recorded at fair value are recorded at amortised cost, and income is calculated based on the instrument's effective interest rate. The effective interest rate is set by discounting contractual cash flows based on the expected life of the financial instrument. Cash flows include front-end fees and direct marginal transaction costs not paid directly by the customer, as well as any residual value at the end of the expected life of the instrument. Amortised cost is the net present value of such cash flows discounted by the effective interest rate.

<u>Impairment of financial assets</u>
On each balance sheet date, the Group will consider whether there are objective indications that the financial assets have decreased in value. A financial asset or group of financial assets is written down if there are objective evidences of impairment. Objective evidences of a decrease in value include serious financial problems on the part of the debtor, non-payment or other serious breaches of contract, the probability that the debtor will enter into debt negotiations or other special circumstances that have occurred.

Impairment of other financial assets is recognised in the income statement according to the nature of the asset.

Individual write-downs on loans and guarantees
If objective indications of a decrease in value can be found, write-downs on loans are calculated as the difference between the value of the loan in the balance sheet and the net present value of estimated future cash flows discounted by the effective interest rate. Renegotiation of loan terms to ease the position of the borrower qualifies as objective indications of impairment. In accordance with IAS 39, the best estimate is used to assess future cash flows. The effective interest rate used is the effective interest rate on the loan prior to the identification of objective indications of impairment. The effective interest rate used for discounting is not adjusted to reflect changes in the credit risk and terms of the loan due to objective indications of impairment being identified.

Individual write-downs on loans reduce the value of the commitments in the balance sheet. Changes in the assessed value of loans during the period are recorded under "Write-downs on loans and guarantees". Interest calculated according to the effective interest method on the written-down value of the loan is included in "Net interest income".

Group write-downs on loans
Loans which have not been individually evaluated for impairment, are evaluated collectively in groups. Loans which have been individually evaluated, but not written down, are also evaluated in groups.

The evaluation is based on objective evidences of a decrease in value that has occurred on the balance sheet date and can be related to the group.

Loans are grouped on the basis of similar risk and value characteristics in accordance with the division of customers into main sectors or industries and risk categories. The need for write-downs is estimated per customer group based on estimates of the general economic situation and loss experience for the respective customer groups.

Group write-downs reduce the value of the commitments in the balance sheet. For loans, changes during the period are recorded under "Write-downs on loans and guarantees". Like individual write-downs, group write-downs are based on discounted cash flows. Cash flows are discounted on the basis of statistics derived from individual write-downs. Interest is calculated on commitments subject to group write-downs according to the same principles and experience base as for commitments evaluated on an individual basis.

Repossession of assets
Assets which are repossessed as part of the management of non-performing and impaired commitments, are recorded at fair value at the time of acquisition. Such assets are recorded in the balance sheet according to the nature of the asset. Subsequent valuations and classification of the impact on profits follow the principles for the relevant balance sheet item.

Presentation in the balance sheet and income statement

Lending
Loans are recorded, dependent on the counterparty, either as lending to and deposits with credit institutions or lending to customers, regardless of measurement principle.

Interest income on instruments classified as lending are included in "Net interest income" using the effective interest method, irrespective of measurement principle. The method is described above under "Measurement at amortised cost".

A decrease in value on the balance sheet date based on objective indications of impairment for loans valued at amortised cost and in the portfolios of fixed-rate loans measured at fair value, are reflected in "Write-downs on loans and guarantees".

Other changes in value of the portfolios of fixed-rate loans measured at fair value, and changes in value of loans included in the trading portfolio are included under "Net gains on financial instruments at fair value".

Commercial paper and bonds
This category includes commercial paper and bonds which DnB NOR has no intention of holding to maturity. The portfolio includes both commercial paper and bonds in the trading portfolio and commercial paper and bonds designated as at fair value

through profit or loss.

Changes in value of commercial paper and bonds within life insurance are recorded under "Net gains on assets in Vital".

Interest income and expenses on other portfolios of commercial paper and bonds are included in "Net interest income" using the effective interest method. Other changes in value are recorded under "Net gains on financial instruments at fair value" in the income statement.

Shareholdings

Shareholdings include shareholdings in the trading portfolio as well as shareholdings and mutual funds designated as at fair value.

Changes in value of shareholdings within life insurance are recorded under "Net gains on assets in Vital".

Changes in value of other shareholdings are recorded under "Net gains on financial instruments at fair value".

Financial assets, customers bearing the risk

This category includes financial instruments from units offering products with a choice of investment profile (unit linked). For such assets, the customers carry the financial risk. Changes in value of financial assets for such assets are recorded under "Net gains on assets in Vital".

Financial derivatives

Financial derivatives are classified as either financial derivatives in the trading portfolio or as derivatives used in hedge accounting.

Financial derivatives are presented as assets if the value is positive and as liabilities if there is a negative value. Netting is undertaken if the Group has a legally binding netting agreement with its counterparty and intends to make a net redemption or sell the asset and meet the obligation at the same time.

Changes in value of derivatives within life insurance are recorded under "Net gains on assets in Vital".

Interest income and expenses on other financial derivatives are included in "Net interest income" using the effective interest method. Other changes in value are recorded under "Net gains on financial instruments at fair value".

Shareholdings available for sale

Unrealised changes in value in the available-for-sale portfolio are recorded against equity. If a decrease in value on the balance sheet date is considered to be significant relative to the original cost and not of a temporary nature, the difference is recognised in the income statement. When realised, such gains or losses are recorded under "Net realised gains on investment securities (AFS)".

As at 31 December 2007 and 2008, none of the Group's shareholdings were classified as available for sale.

Commercial paper and bonds, held to maturity

The portfolio consists of long-term securities which the Group both intends and is able to hold to maturity. This category includes the liquidity portfolio in DnB NOR Markets, which was reclassified with effect from 1 July 2008.

Loans and deposits from credit institutions and deposits from customers

Liabilities to credit institutions and customers are recorded, dependent on the counterparty, either as loans and deposits from credit institutions or deposits from customers, regardless of measurement category.

Interest expenses on such instruments are included in "Net interest income" using the effective interest method. Other changes in value are recorded under "Net gains on financial instruments at fair value".

Securities issued and subordinated loan capital

Securities issued and subordinated loan capital includes commercial paper issued, bond debt, subordinated loan capital and perpetual subordinated loan capital securities, regardless of measurement category.

Interest expenses on such instruments are included in "Net interest income" using the effective interest method. Other changes in value are recorded under "Net gains on financial instruments at fair value" in the income statement and include changes in value due to changes in credit margins.

Financial guarantee contracts and loan commitments

Contracts that require the Group to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms in a debt instrument, are classified as financial guarantee contracts.

Loan commitments are classified as financial liabilities if the commitments can be traded or have a significant financial value. Loan commitments are linked to relevant market prices and credit assessments. The Group had no such loan commitments as at 31 December 2008.

Except for individually identified impaired commitments, any changes in the fair value of financial guarantee contracts issued are recorded as "Net gains on financial instruments at fair value". Changes in the value of such guarantee contracts are recorded under "Net write-downs on loans and guarantees". The fair values of financial guarantee contracts issued are recorded under "Provisions" in the balance sheet.

Hedge accounting

The Group uses fair value hedging to manage interest rate risk on long-term borrowings and deposits in foreign currencies.

When instruments are hedged on an individual basis, there is a clear, direct and documented correlation between changes in the value of the hedged item and changes in the value of the financial derivative (hedging instrument).

Upon entering into the hedge relationship, the correlation between the hedged item and the hedging instrument is documented. In addition, the goal and strategy underlying the hedging transaction are documented. Correlations are verified in the form of a test of hedge effectiveness at the beginning and end of the relevant period. Hedge effectiveness is measured at regular intervals by assessing whether the terms and conditions for the hedging instrument and the hedged item are congruent. Hedging instruments are recorded at fair value and included under "Net gains on financial instruments at fair value" in the income statement. In hedge relationships, changes in fair value attributable to the hedged risk will be recorded as an addition to or deduction from financial liabilities and assets. The change in value will be included under "Net gains on financial instruments at fair value" in the income statement.

If the hedge relationship ceases or adequate hedge effectiveness cannot be verified, the change in value of the hedged item is amortised over the remaining maturity.

DnB NOR Bank ASA undertakes fair value hedging of investments in subsidiaries to eliminate the currency risk on the invested amount. Hedging transactions are in the form of currency swaps or long-term borrowings in foreign currency. For the DnB NOR Group, net investments in subsidiaries are hedged through cash flow hedges for an amount corresponding to DnB NOR Bank ASA's investments.

8. LEASING

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incident to ownership. Finance leases are classified as lending and at the inception of the lease, its value is set at an amount equal to the net investment in the lease. The net investment represents minimum lease payments, unguaranteed residual values and any direct expenses incurred by the lessor in negotiating the lease, discounted by the implicit interest rate (internal rate of return). Leasing income is recorded according to the annuity method, where the interest component is recorded under "Net interest income" while instalments reduce the balance sheet value of lending.

A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incident to ownership. Operating leases include leases where DnB NOR offers the lessee a guaranteed residual value at the end of the lease period. Operating assets are recorded as machinery, fixtures and fittings and means of transport. Income from operating leases is recognised over the lease term on a straight-line basis, unless another systematic basis is more representative of the time pattern of the lessee's benefit. Depreciation in the accounts is classified as ordinary depreciation.

9. INVESTMENT PROPERTY, OWN BUILDINGS AND OTHER FIXED ASSETS

Buildings acquired for rental to tenants outside the Group are classified as investment property. Multi-purpose buildings are classified partly as investment property and partly as own buildings provided that the building can be divided into sections that can be sold separately. If the building cannot be divided, it is classified as a building for own use unless the own use is only for an insignificant portion of the property. Buildings for own use which the Group intends to sell, are reclassified as "non-current assets held for sale". Other tangible assets are classified as other fixed assets.

Investment properties are measured initially at cost and thereafter at fair value on the balance sheet date. No annual depreciation is made on investment property. Internal and external expertise is used for valuations. A selection of external appraisals are obtained and compared with internal valuations. Sensitivity tests are carried for various estimates of parameter values included in an overall evaluation. Changes in value of investment property excluding property managed by Vital are recorded under "Other income" in the income statement. Changes in value of investment property within life insurance are recorded under "Net gains on assets at fair value in Vital".

Buildings acquired for own use and other tangible assets are recorded at cost less accumulated depreciation and write-downs. Cost includes expenses directly related to the acquisition of the asset. Subsequent expenses are capitalised on the relevant assets when it is probable that future economic benefits associated with the expenditure will flow to DnB NOR and can be measured reliably. Expenses for repairs and maintenance are recorded in the income statement as they occur.

Fixed assets held for sale are recorded at the lower of balance sheet value and fair value, excluding selling expenses.

Land and art objects are not depreciated. Based on cost less any residual value, other assets are subject to straight-line depreciation over their expected useful life within the following limits:

Buildings for own use	50-100	years
Technical installations	10	years
Machinery	3-10	years
Fixtures and fittings	5-10	years
Computer equipment	3-5	years
Means of transport	5-7	years

The residual values and useful lives of the assets are reviewed annually and adjusted if required. Gains and losses on the sale of fixed assets are recorded under "Net gain on fixed and intangible assets" in the income statement.

10. INTANGIBLE ASSETS

Goodwill

An impairment test is made for all cash-generating units for goodwill to verify whether fair values exceeds recorded values. The choice of cash-generating unit is based on where it is possible to identify and separate cash flows relating to operations. A cash-generating unit may include goodwill from several transactions, and the impairment test is carried out on the unit's total recorded goodwill. Future cash flows are based on historical results and available budgets and plan figures approved by management. Beyond the plan period, which in most cases is three years, cash flow trends are assumed to reflect market expectations for the type of operations carried out by the cash-generating unit.

The required rate of return/discount rate is based on an assessment of the market's required rate of return for the type of operations carried out by the cash-generating unit. This required rate of return reflects the risk of operations. Goodwill from the acquisition of companies generating cash flows in foreign currencies is translated at rates of exchange ruling on the balance sheet date.

Development of IT systems and software

Acquired software is recorded at cost with the addition of expenses incurred to make the software ready for use. Identifiable costs for internally developed software controlled by the Group where it is probable that economic benefits will cover development expenses at the balance sheet date, are recorded as intangible assets. When assessing balance sheet values, the economic benefits are evaluated on the basis of profitability analyses. Identifiable expenses include expenses covering pay to employees directly involved in the project, materials and a share of directly related overhead expenses. Expenses relating to maintenance of software and IT systems are charged to the income statement as they occur. Software expenses recorded in the balance sheet are depreciated according to the straight line principle over their expected useful life, usually five years. The need for impairment testing is considered according to the principles described below.

Impairment of fixed and intangible assets

On each reporting date and if there is any indication of a decrease in value of fixed and intangible assets, the recoverable amount of the asset is calculated to estimate possible impairment needs. The recoverable amount represents the higher of an asset's fair value less costs to sell and its value in use. If the asset's recorded value exceeds the estimated recoverable amount, the asset is immediately written down to its recoverable amount. See note 33 Cash-generating units with goodwill and intangible assets with an indefinite useful life, for a description of impairment testing.

11. PENSIONS

Defined-benefit occupational pension schemes

In a defined-benefit scheme, the employer is committed to paying future specified pension benefits.

The basis for calculating pension expenses is a linear distribution of pension entitlements measured against estimated accumulated commitments at the time of retirement. Expenses are calculated on the basis of pension entitlements earned during the year with the deduction of the return on funds assigned to pensions.

Pension commitments which are administered through life insurance companies, are matched against funds within the scheme. When total pension funds exceed estimated pension commitments on the balance sheet date, the net value is classified as an asset in the balance sheet if it has been rendered probable that the overfunding can be utilised to cover future commitments. When pension commitments exceed pension funds, the net commitments are classified under liabilities in the balance sheet. Each scheme is considered separately.

Pension commitments which are not administered through life insurance companies, are recorded as liabilities in the balance sheet.

Pension commitments represent the present value of estimated future pension payments which in the accounts are classified as accumulated on the balance sheet date. The calculation of pension commitments is based on actuarial and economic assumptions about life expectancy, rise in salaries and early retirement. The discount rate used is determined by reference to market yields at the balance sheet date on long term (10-year) government bonds, plus an addition that takes into account the relevant duration of the pension liabilities.

Deviations in estimates are recorded in the income statement over the average remaining service period when the difference exceeds the greater of 10 per cent of pension funds and 10 per cent of pension commitments.

The financial effects of changes in pension schemes are recorded as income or charged to expense on the date of the change, unless the rights under the new pension scheme are conditional on the employee remaining in service for a specified period.

Pension expenses are based on assumptions determined at the start of the period. Expenses in connection with the accumulation of pension rights are classified as personnel expenses in the income statement. Employer's contributions are included in pension expenses and pension commitments.

The Group's life insurance company, Vital Forsikring ASA, largely administers the Group's pension schemes in Norway. No eliminations are made with respect to the Group's pension commitments and pension funds or for pension expenses and premium income in the income statement.

Defined-contribution occupational pension schemes

Under defined-contribution pension schemes, the Group does not commit itself to paying specified future pension benefits, but makes annual contributions to the employees' group pension savings. Future pensions will depend on the size of annual contributions and the annual return on pension savings. After paying annual contributions, the Group thus has no further commitments linked to employees' work performance. Thus, no allocations are made for accrued pension commitments in such schemes. Defined-contribution pension schemes are charged directly to the income statement.

12. INCOME TAX

Taxes for the year comprise payable taxes for the financial year, any payable taxes for previous years and changes in deferred taxes on temporary differences. Temporary differences are differences between the recorded value of an asset or liability and the taxable value of the asset or liability. Deferred taxes are calculated on the basis of tax rates and tax rules that are applied on the balance sheet date or are highly likely to be approved and are expected to be applicable when the deferred tax asset is realised or the deferred tax liability settled. The most significant temporary differences refer to pensions, depreciation of fixed assets and properties and revaluations of certain financial assets and liabilities.

Deferred tax assets are recorded in the balance sheet to the extent that it is probable that future taxable income will be available against which they can be utilised. Deferred taxed and deferred tax assets in the tax group are recorded net in DnB NOR's balance sheet.

Payable and deferred taxes are recorded against equity if the taxes refer to items recorded against equity during the same or in previous periods.

Tax group

DnB NOR's tax group consists of the parent company DnB NOR ASA and Norwegian subsidiaries where DnB NOR owns more than 90 per cent of the shares and has a corresponding share of the votes which can be cast at general meetings. Tax positions within the tax group are evaluated collectively. Transactions between Norwegian units in the tax group are considered on a continuity basis to ensure that they do not affect taxes in the income statement.

13. LIABILITIES TO POLICYHOLDERS

Classification of contracts

Contracts where insurance risk represents a significant share of overall risk associated with the product, are defined as insurance contracts in the accounts. Products offered by Vital include group pension insurance, group association insurance, individual endowment insurance, individual annuity and pension insurance, products with a choice of investment profile and group life insurance. In addition, Vital offers individual risk non-life insurance, mainly statutory occupational injury insurance and appurtenant coverage. All these products were defined as insurance contracts as at 31 December 2008. Derivatives embedded in products that meet the requirements for insurance contracts, are not separated or evaluated individually. Contracts that are not defined as insurance contracts are classified as investment contracts and follow the rules for such contracts.

Insurance provisions, as defined in the Act on Insurance Activity, include the premium reserve, additional allocations, the securities adjustment reserve, the claims reserve, the risk equalisation fund and other technical reserves. In addition, the premium fund, deposit fund and the pensioners' surplus fund are included in insurance provisions. Apart from the risk equalisation fund, all insurance provisions are classified as liabilities to policyholders.

The premium reserve is a reserve to secure future insurance liabilities to policyholders and insured persons. The premium reserve represents the technical cash value, i.e. the net present value, of the company's total insurance liabilities including costs, less the cash value of future agreed premiums.

Additional allocations are a conditional allocation to policyholders where changes during the year are recognised in the income statement. Kredittilsynet (the Financial Supervisory Authority of Norway) has issued regulations on maximum additional allocations per contract. According to these regulations, maximum additional allocations per contract cannot exceed 12 per cent of the premium reserve for the contract. Actual allocations for the individual years are determined in connection with year-end adjustments. Additional allocations can be used to cover any rate-of-return shortfall if the annual return is lower than the guaranteed return.

The securities adjustment reserve represents the sum total of unrealised gains on current financial assets included in the common portfolio.

The claims reserve shall cover the Group's anticipated compensation payments for insurance claims which have not been settled or advanced against the company at the end of the accounting year. The claims reserve represents only the funds that would have been disbursed during the accounting year if the processing of the insurance claims had been completed.

The risk equalisation fund can be used to cover negative risk results and to strengthen premium reserves in connection with changes in demographic assumptions in the calculation base.

Each year, up to 50 per cent of the company's total risk result can be allocated to the risk equalisation fund. The annual return is reviewed in connection with year-end adjustments. The risk equalisation fund is classified as equity in the balance sheet.

The premium fund contains premiums prepaid by policyholders within individual and group pension insurance. A share of annual profits is allocated to the pensioners' surplus fund. The fund is used to strengthen the premium reserve for pensioners in connection with adjustments in pension payments.

Allocations relating to investment contracts represent the market value of invested policyholders' funds at any given time.

Classification of insurance liabilities, customers bearing the risk

Insurance liabilities for which customers bear the risk represent the market value of invested customer funds in products with a choice of investment profile which are managed by and allocated to each customer.

Assessment of liabilities to policyholders

Liabilities should be in reasonable proportion to the associated risk. This is ensured through continual monitoring of existing contracts. Furthermore, all premium rates prepared by the company shall be reported to Kredittilsynet, which has overall responsibility for controlling that adequate premiums are applied. Prevailing premium rates are continually reviewed.

With respect to group pension insurance, the basis for calculating premium reserves was changed on 1 January 2008, including new assumptions for life expectancy and marital status. With respect to existing individual pension insurance contracts, the calculation base used for large parts of the portfolio dates further back.

The basis for calculating disability risk is more recent, taking account of the increase in disability registered in society at large. The company took new premium rates for group disability pension into use in 2005. New premium rates were introduced for municipal schemes as of 1 January 2004.

The base rate is used to calculate the present value of future premiums, payments and insurance provisions. The maximum base rate is stipulated by Kredittilsynet, based on the yield on long-term government bonds. The maximum base rate for new contracts signed after 1 January 2006 is 2.75 per cent. For contracts signed prior to 1 January 2006, the base rate is generally between 3 and 4 per cent.

Adequacy test

In accordance with IFRS 4, the company carries out an annual adequacy test to assess whether its premium reserves are adequate to cover its liabilities to policyholders. The test is described in more detail in Note 51 Insurance risk.

Recording of changes in liabilities to policyholders

Insurance premiums and insurance settlements are recorded by the amounts earned and accrued during the year. Accrual of premiums earned takes place through allocations to the premium reserve in the insurance fund.

Insurance contracts transferred from other companies are recognised at the time the insurance risk is taken over. If the risk is transferred as at 31 December, it is reflected in the accounts for the subsequent year. Transfer amounts include the policies' shares of additional allocations, the securities adjustment reserve and profits for the year.

The item "Net gains on assets in Vital" includes returns and gains less all losses, adjusted for allocations to or elimination of the securities adjustment reserve.

The item "Guaranteed returns and allocations to policyholders in Vital" includes the company's guaranteed rate of return on policyholders' funds plus policyholders' share of profits including transfers to additional allocations.

Premium income and insurance settlements comprise the elements used as a basis for calculating the risk result. The share of payments from policyholders allocated to the insurance funds is recorded in the balance sheet.

Administrative expenses are charged to policyholders through premium payments, returns and the dissolution of reserves. Total charges for policyholders are included in "Commissions and fees receivable etc.". Operating expenses and commission income are recorded in the group accounts according to type.

14. SEGMENTS

Segment reporting is in compliance with IFRS 8 Operating Segments and is based on internal management reporting and resource allocation.

The income statement and balance sheets for segments have been prepared on the basis of internal financial reporting for the functional organisation of the DnB NOR Group into business areas. Figures for the business areas are based on DnB NOR’s management model and the Group’s accounting principles. The figures are based on a number of assumptions, estimates and discretionary distribution. See note 4 Segments.

The operational structure of DnB NOR includes four business areas and four staff and support units. DnB NORD is reported as a separate profit centre. The business areas carry responsibility for customer segments served by the Group, as well as the products offered.

According to DnB NOR's management model, the business areas are independent profit centres with responsibility for meeting requirements for return on allocated capital. All of the Group's customer activities are divided among the business areas, along with the related balance-sheet items, income and expenses.

Excess liquidity and liquidity deficits in the business areas are placed in or borrowed from the Group Treasury at market terms, where interest rates are based on duration and the Group's financial position.

When business areas cooperate on the delivery of financial services to customers, internal deliveries are based on market prices or simulated market prices according to special agreements. In certain cases where it is particularly difficult to find relevant principles and prices for the distribution of items between two cooperating business areas, DnB NOR has chosen to show net contributions from each transaction in both business areas. The impact on profits is eliminated at group level.

Services provided by group services or staff units are charged to the business areas in accordance with service agreements. Joint expenses, which are indirectly linked to activities in the business areas, are charged to the business areas' accounts on the basis of general distribution formulas.

A number of key functions along with profits from activities not related to the business areas' strategic operations are entered in the accounts under the Group Centre. This item comprises income and expenses relating to the Group's liquidity management, income from investments in equity instruments not included in the trading portfolio and interest income on the Group's unallocated capital. Further entries include ownership-related expenses and income from the management of the bank's real estate portfolio. Goodwill and identified excess values linked to the Group's takeover of shares in Vital, Postbanken, Skandia Asset Management, Nordlandsbanken, DnB NORD and the merger between DnB and Gjensidige NOR are charged to this item. Note 4 Segments shows the distribution of unallocated goodwill and excess values per business area.

Return on capital is estimated on the basis of official requirements in accordance with regulations issued by Kredittilsynet, with the exception of Vital and DnB NOR Asset Management, where calculations are based on recorded equity.

In addition, return on risk-adjusted capital requirements is calculated for each business area. Risk-adjusted capital requirements is a joint measure for credit risk, market risk, business risk, operational risk and ownership risk associated with life insurance operations.

Note 4 Segments also shows a geographic breakdown of operations, including DnB NORD and other international operations.

15. RESTRUCTURING

If restructuring plans that change the scope of operations or the way operations are carried out are approved and communicated, the need for restructuring provisions will be considered. If restructuring expenses cannot be expected to help generate income in subsequent periods and future expenses represent actual obligations on the balance sheet date, the net present value of future cash flows will be charged to the accounts and recorded as a liability in the balance sheet. The provisions are reviewed on each reporting date and will be reversed as expenses are incurred.

16. CASH FLOW STATEMENTS

The cash flow statements show cash flows grouped according to source and use. Cash is defined as cash, deposits with central banks and deposits with credit institutions with no agreed period of notice. The cash flow statement has been prepared in accordance with the direct method.

17. EQUITY AND CAPITAL ADEQUACY

Proposed dividends

Proposed dividends are part of equity until approved by the general meeting. Proposed dividends are not included in capital adequacy calculations.

Capital adequacy

The Basel II capital adequacy rules entered into force on 1 January 2007.

Capital adequacy calculations are subject to special consolidation rules governed by the Consolidation Regulations. Primary capital and nominal amounts used in calculating risk-weighted volume will deviate from figures in the DnB NOR Group's accounts, as associated companies which are presented in the accounts according to the equity method are included in capital adequacy calculations according to the gross method. Valuation rules used in the statutory accounts form the basis for the consolidation.

18. ISSUED STANDARDS THAT HAVE NOT ENTERED INTO FORCE

Amendments to IFRS 2 – Share-based Payment - Vesting Conditions and Cancellations

Amendments to the standard clarify the definition of a vesting condition. The accounting treatment of lapsed rights in option schemes which are due to failure to meet conditions other than vesting conditions, is regulated in the standard. The Group will apply the amendment as from 1 January 2009, though it is not relevant, as the Group has no option schemes.

IFRS 3 – Business Combinations (revised)

The revised standard introduces certain changes and specifications with respect to the use of the acquisition method. The Group is planning to apply IFRS 3 (R) as from 1 January 2010. The amendments to the standard are expected to have no significant impact on the consolidated accounts.

IAS 1 – Presentation of Financial Statements (revised)

The revised standard introduces changes in presentation plans, especially in the statement of changes in equity, and introduces a statement of non-owner transactions "Statement of recognised income and expenses". The Group will apply IAS 1 (R) as from 1 January 2009. The amendments to the standard are expected to have no significant impact on the consolidated accounts.

IAS 23 – Borrowing Costs (revised)

IAS 23 (R) prohibits immediate expensing of borrowing costs which are directly attributable to a qualifying asset. The Group will apply IAS 23 (R) as from 1 January 2009, though the amendment is not relevant, as the Group currently has no qualifying assets.

IAS 27 – Consolidated and Separate Financial Statements (revised)

The revised standard gives more guidance regarding the accounting treatment of changes in ownership interests in subsidiaries and the derecognition of subsidiaries. Furthermore, there is a change in current rules regarding the distribution of losses between the parent and the minority, whereby losses are required to be charged to the minority even if this results in a negative minority share. The Group is planning to apply IAS 27 (R) as from 1 January 2010. The amendments to the standard are expected to have no significant impact on the consolidated accounts.

Amendments to IAS 32 – Financial Instruments: Presentation and IAS 1 – Presentation of Financial Statements – Puttable Financial Instruments

The amendment to IAS 32 implies that certain put options will be classified as equity. IAS 1 contains changes in requirements regarding supporting information in notes. The Group is planning to apply the amendments in IAS 32 and IAS 1 as from 1 January 2010. The amendments to the standard are expected to have no significant impact on the consolidated accounts.

Amendments to IAS 39 – Financial Instruments: Recognition and Measurement – Eligible Hedged Items

The amendments to IAS 39 clarify the rules for where a financial instrument is hedged with respect to selected risks or components of cash flows. The approved amendments will provide further guidance on hedging unilateral risk and inflation risk and clarify guidelines stipulating that the designated risks and cash flows must be identifiable and reliably measurable. The Group is planning to apply the amendment in IAS 39 as from 1 January 2010. The amendments to the standard are expected to have no significant impact on the consolidated accounts.

IFRIC 13 – Customer Loyalty Programmes

The interpretation addresses how loyalty programmes should be accounted for and the obligations measured. The Group will apply IFRIC 13 as from 1 January 2009. The interpretation is expected to have no significant impact on the consolidated accounts.

IFRIC 14 – IAS 19 – the Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The interpretation addresses limitations on the recognition of pension funds in cases where statutory or contractual minimum amounts payable exceed the commitments. The interpretation entered into force on 1 January 2008, but had not received EU approval at the time. The interpretation is still pending approval. The EU has proposed that the interpretation enter into force for accounting years starting subsequent to 31 December 2008. The Group will apply the interpretation as from 1 January 2009. The amendments are expected to have no significant impact on the consolidated accounts.

IFRIC 16 – Hedges of a net Investment in a Foreign Operation
The interpretation addresses the accounting treatment of hedges of currency exposure linked to net investments in foreign operations. The interpretation clarifies which types of hedges may qualify for hedge accounting and which risks may be hedged. The Group will apply IFRIC 16 as from 1 January 2009. The interpretation is expected to have no significant impact on the consolidated accounts.

IFRIC 17 – Distributions of Non-cash Assets to Owners
The interpretation addresses the accounting treatment of distributions of assets to owners other than cash. The Group will apply IFRIC 17 as from 1 January 2010. The interpretation is of no relevance to the Group, as all distributions to owners are in the form of cash.

IASB's annual improvement project

Amendments to several standards have been approved, entering into force during 2009. None of the amendments will result in changes in the Group's use of accounting principles or note information.

IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations
Upon the planned sale of controlling interests in subsidiaries, all of the assets and liabilities of the subsidiary shall be classified as held for sale, even if the entity intends to retain a non-controlling interest after the sale.

IAS 1 – Presentation of Financial Statements
Assets and liabilities classified as held for sale in accordance with IAS 39 are not automatically classified as current assets in the balance sheet.

IAS 16 – Property, Plant and Equipment
Operating assets held for rental which are sold at the end of the lease period as part of ordinary operations, shall be transferred to inventory.

IAS 19 – Employee Benefits
There are changes in definitions of the costs of pension entitlements for previous periods, returns on pension funds, short-term and other long-term benefits. Changes in pension plans which reduce the benefits are treated as a curtailment. The reference to IAS 37 regarding contingent liabilities will be removed.

IAS 20 – Accounting for Government Grants and Disclosure of Government Assistance
Future government loans at a below-market rate of interest are not excepted from the requirement to find an estimated interest rate. The difference between the loan amount received and the net present value shall be classified as a government grant.

IAS 28 – Investments in Associates and IAS 31 – Interests in Joint Ventures
If such investments are accounted for at fair value, certain note information must be changed in accordance with IAS 39.

IAS 36 – Impairment of Assets
Certain note information must be given in connection with impairment testing when discounted future cash flows are used to estimate fair value less cost to sell.

IAS 38 – Intangible Assets
Expenditure on advertising and promotional activities shall be recognised as an expense when the company gains access to the goods or has received the service.

IAS 39 – Financial Instruments: Recognition and Measurement
When derivatives are used in a different manner, i.e. if the derivative is either designated as a hedging instrument or the hedge relationship ceases, this should not be regarded as a reclassification. Derivatives can thus be included in or removed from the "fair value through profit or loss" category after initial recognition. When recalculating amortised cost according to IAS 39.AG8 for an instrument which is or has been subject to fair value hedging, the original effective rate of interest should not be used, but an effective rate of interest which reflects the effect of the hedge relationship. The standard's reference to "segment" has been removed with respect to the designation and documentation of hedge relationships.

IAS 40 – Investment Property
Property that is being constructed or developed for future use as investment property is within the scope of IAS 40.

Note 2 Important accounting estimates and discretionary assessments

When preparing the consolidated accounts, management makes estimates and discretionary assessments and prepares assumptions that influence the effect of the accounting principles applied. In turn, this will affect the recorded values of assets and liabilities, income and expenses.

Estimates and discretionary assessments are subject to continual evaluation and are based on historical experience and other factors, including expectations of future events that are believed to be probable on the balance sheet date. During 2008, international financial markets and the global economy underwent a transition from high activity levels and prosperity to a financial turmoil and a steep downturn. This sudden shift has had serious repercussions, and future developments remain highly uncertain. The current financial turmoil increases the uncertainty surrounding some of the assumptions and expectations underlying the preparation of the various estimates.

Write-downs on loans

If objective evidence of a decrease in value can be found, write-downs on loans are calculated as the difference between the value of the loan in the balance sheet and the net present value of estimated future cash flows discounted by the effective interest rate. Estimates of future cash flows are based on empirical data and discretionary assessments of future macroeconomic developments and developments in problem commitments, based on the situation on the balance sheet date. The estimates are the result of a process which involves the business areas and central credit units and represents management's best estimate. When considering write-downs on loans, there will be an element of uncertainty with respect to the identification of impaired loans, the estimation of amounts and the timing of future cash flows, including collateral assessments.

Individual write-downs

When estimating write-downs on individual commitments, both the current and the future financial positions of customers are considered. For corporate customers, the prevailing market situation is also reviewed, along with market conditions within the relevant industry and general market conditions which could affect the commitments. In addition, potential restructuring, refinancing and recapitalisation are taken into account. An overall assessment of these factors forms the basis for estimating future cash flows. The discount period is estimated on an individual basis or based on empirical data regarding the period up until a solution is found to the problems resulting in impairment of the commitment.

Group write-downs

On each balance sheet date, commitments which have not been individually evaluated for impairment, are evaluated collectively in groups. Commitments which have been individually evaluated, but not individually written down, are also included in this category. Commitments are divided into customer groups on the basis of macroeconomic conditions which are assumed to have the same effect on the relevant customers. The expected future cash flow is estimated on the basis of expected losses and the anticipated economic situation for the respective customer groups. Expected losses are based on loss experience within the relevant customer groups. Key parameters are production gaps, which give an indication of capacity utilisation in the economy, housing prices and shipping freight rates. The economic situation is assessed by means of economic indicators for each customer group based on external information about the markets. Various parameters are used depending on the customer group in question. To estimate the net present value of expected future cash flows for commitments subject to group write-downs, the observed discount effect estimated for the individually evaluated commitments is used.

Estimated impairment of goodwill

Goodwill is subject to impairment testing on an annual basis or if there are indications of impairment. Recoverable amounts from cash flow generating units are determined by calculating discounted future cash flows. The cash flows are based on financial plans approved by the Board of Directors or management in the cash-generating unit. The financial plans include management's assumptions and estimates regarding highly uncertain factors. The plans worked out in late 2008 were based on the assumption of a gradual normalisation of financial markets. If actual macroeconomic developments deviate materially from the macroeconomic assumptions that underlie the financial plans, the impairment tests may give a different result.

The results of the impairment tests depend on estimated required rates of return. The required rates of return are subject to a discretionary assessment based on information available on the balance sheet date. See note 32 Intangible assets.

Valuation of properties within Vital Forsikring

The property portfolio in Vital Forsikring is recorded at fair value. During 2008, the property market was charactised by low liquidity and great uncertainty. Few transactions have been completed in the market for comparable commercial properties which can be used for valuation purposes. Valuations are therefore largely based on assumptions which the Group expects the market to apply when determining values on investment property. Vital Forsikring's model has been used for valuation of the property portfolio in Norway, based on the net present value of anticipated cash flows. Changes in assumptions regarding the required rate of return and future rental levels subsequent to the contract period could result in a significant change in the value of the property portfolio. See note 30 Investment property.

Fair value of financial derivatives and other financial instruments

The fair value of financial instruments that are not traded in an active market is determined by using different valuation techniques. The Group considers and chooses techniques and assumptions that as far as possible are based on market conditions on the balance sheet date. When valuing financial instruments for which observable market data are not available, the Group will make assumptions regarding what it expects the market to use as a basis for valuing corresponding financial instruments. The valuations require a high level of discretion when calculating liquidity risk, credit risk and volatility. Changes in these factors could affect the established fair value of the Group's financial instruments. See also note 18 Information on fair value. The fair value of the obligations under issued financial guarantees is measured by using the techniques applied to write-downs on loans, as described above.

Note 2 Important accounting estimates and discretionary assessments (continued)

When determining fair value of Private Equity, PE, funds, the industry's recognised guidelines for PE valuations are used. The industry standard has been prepared by the European Private Equity & Venture Capital Association, EVCA. The method is considered to represent the best estimate of fair values for investments in not very liquid equity instruments. On the balance sheet date, the Group did not have access to accounting figures as at 31 December 2008 for companies included in the PE funds. The valuations are thus based on accounting figures for previous periods. Due to significant market volatility in the fourth quarter of 2008, it is uncertain whether reported values represent actual developments in the value of the PE funds. To compensate for this uncertainty, the Group has computed fair value based on changes in equity prices and relevant correlations to the PE portfolio. If the actual correlation in the valuations deviates from the assumed correlation, this will have a significant impact on the value of the PE funds. See note 27 Investments in shares, mutual funds and PCCs.

Pension commitments

The net present value of pension commitments depends on current economic and actuarial assumptions. Any change made to these assumptions affects the pension commitments amount recorded in the balance sheet and pension expenses.

The discount rate used is determined by reference to market yields at the balance sheet date on long term (10-year) government bonds, plus an addition that takes into account the relevant duration of the pension liabilities. The type of pension fund investments and historical returns determine the expected return on pension funds. In the past, the average return on pension funds has been higher than the risk-free rate of interest as part of the pension funds has normally been placed in securities with slightly higher risk than government bonds. The estimated return is expected to be two percentage points higher than the Treasury bill yield.

Other fundamental assumptions for pension commitments include annual rise in salaries, annual rise in pensions, anticipated increase in the National Insurance basic amount (G) and anticipated CPA acceptance (early retirement pension). The assumptions are based on the updated guidance notes on pension assumptions issued by the Norwegian Accounting Standards Board. A sensitivity analysis is shown in note 11 Pensions.

Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant discretion is required in determining the income tax in the consolidated accounts. The final tax liability relating to many transactions and calculations will be uncertain. The Group recognises liabilities related to the future outcome of tax disputes based on estimates of additional taxes. If the final outcome of the cases deviates from the originally allocated amounts, the deviations will affect income tax entered in the applicable period.

Contingencies

Due to its extensive operations in Norway and abroad, the DnB NOR Group will regularly be party to a number of legal actions. Any impact on the accounts will be considered in each case. See note 56 Off-balance sheet transactions, contingencies and post-balance sheet events.

Consolidation of Vital Forsikring

Vital Forsikring is a wholly owned subsidiary of DnB NOR ASA, which thus has full control of the company. Vital is fully consolidated in the DnB NOR Group's accounts. The Group is required to fully consolidate all subsidiaries. IFRS does not allow a subsidiary to be excluded from the Group because its business operations differ from operations carried out by other companies within the Group. As the owner of the company, DnB NOR Group has had somewhat limited right of control over assets in Vital due to the rules on profit sharing between policyholders and the owner. However, new regulations create a clearer distinction between policyholders' funds and the owner's funds in the company. Among other things, equity and primary capital are managed in a portfolio separated from policyholders' funds. It has therefore been concluded that the consolidation requirement remains in force.

The Norwegian government's stimulus package

The Norwegian government's stimulus package for the banks allows the banks to exchange covered bonds for Treasury bills. DnB NOR Bank ASA has purchased bonds from DnB NOR Boligkreditt which have been used as collateral for swap agreements with Norges Bank. The value of the collateral must exceed the value of the Treasury bills by a minimum safety margin throughout the contract period. At the end of the contract period, 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. From an accounting perspective, the Group is of the opinion that the terms for derecognition in IAS 39 have not been fulfilled, as the Group, through the swap agreements, retain the risk associated with changes in value of the bonds and other cash flows in the form of yields.

Transfer of loan portfolios

When transferring loan portfolios to, among others, Eksportfinans AS, the Group will consider whether the criteria for derecognition have been fulfilled in accordance with IAS 39. In cases where the Group retains the credit risk and margins relating to the loan portfolios, the risks and returns are not considered to be transferred to the counterparty, and the loan portfolios are retained in the Group's balance sheet. As at 31 December 2008, such portfolios totalled NOK 10 billion.

DnB NORD – consolidation

The Group has a 51 per cent ownership interest in Bank DnB NORD AS. Bank DnB NORD AS is the parent company in the DnB NORD Group and has branches in Denmark, Finland and Estonia and subsidiaries in Lithuania, Latvia and Poland. Through its ownership, shareholder agreement and actual management, DnB NOR has de facto control of operations, whereby Bank DnB NORD AS is classified as a subsidiary. The DnB NORD Group is thus fully consolidated in the accounts of the DnB NOR Group.

Note 2 Important accounting estimates and discretionary assessments (continued)

The Board of Directors of Bank DnB NORD AS was established with four representatives from each of the owners. The board chairman is from DnB NOR, while the vice-chairman is from NORD L/B. DnB NOR has the majority of the votes at general meetings. If there is a tie vote, the board chairman in Bank DnB NORD AS has a double vote. In certain matters, however, the shareholder agreement requires consent from both the board chairman and the vice-chairman. In this connection, an assessment has been made of whether the existing shareholder agreement may influence the consolidation requirement. After an assessment of key operational aspects, it has been concluded that the consolidation requirement remains in force.

Note 3 Changes in group structure

SkandiaBanken Bilfinans

In order to further strengthen its market position, DnB NOR, through its subsidiary DnB NOR Finans, acquired SkandiaBanken Bilfinans in Norway and Sweden and has thus become one of the key providers of car financing in Scandinavia. The operations in Norway were taken over with effect from 31 January 2008, while the company's operations in Sweden were taken over on 29 February 2008. The transaction was carried out as a share purchase with a subsequent merger in Norway, while operations were transferred to the Swedish branch through the transfer of all of the company's assets and liabilities. Through the purchase, the Group took over 115 000 customer contracts, 120 employees and a total credit portfolio of approximately NOK 11 billion, equally balanced between Norway and Sweden.

Car financing for private individuals and companies is part of DnB NOR Finans' core operations and a special priority area for DnB NOR.

DnB NOR Finans offers loans, leasing and fleet management in Norway and Sweden. After the completion of these transactions, the company finances a portfolio of around 250 000 cars. The market share within car financing is approximately 30 per cent in Norway and just below 20 per cent in Sweden.

The cost price was NOK 1 072 million for SkandiaBanken Bilfinans in Norway and SEK 1 078 million for SkandiaBanken Bilfinans in Sweden. Transaction costs accounted for NOK 5.7 million of the cost price and mainly represented fees to advisers and commissions for assistance with the share purchases. No excess values were identified relating to recorded assets and liabilities in the companies. In connection with the acquisition, a due diligence was undertaken of the companies to identify any additional intangible assets and commitments.

For SkandiaBanken Bilfinans in Norway, the value of customer contracts and customer relations and systems is estimated at NOK 118 million. The excess value of customer contracts and customer relations is depreciated over three years according to the straight-line principle, while capitalised systems development is depreciated over five years. The value of the dealer network is estimated at NOK 79 million and is depreciated over ten years. Deferred taxes on intangible assets total NOK 55 million.

For SkandiaBanken Bilfinans in Sweden, the value of customer contracts and customer relations is estimated at SEK 64 million. The excess value of customer contracts and customer relations is depreciated over three years according to the straight-line principle. The value of the dealer network is estimated at SEK 144 million and is depreciated over ten years.

Other excess values are classified as goodwill and represent the value of greater distribution power in the Norwegian and Swedish retail and corporate markets. Goodwill will be subject to annual impairment testing.

In 2008, the acquisitions resulted in a NOK 229 million increase in operating income and a NOK 198 million rise in costs, while profits roughly broke even after the depreciation of excess values.

SkandiaBanken Bilfinans – Norway

Acquisition analysis SkandiaBanken Bilfinans - Norway	**DnB NOR Group**
Amounts in NOK million	31 January 2008
Excess of cost over book value	
Cost price	1 072
Equity	565
Excess of cost over book value	**507**
Allocation of excess values	
Value of systems, customer contracts and customer relations	118
Dealer network	79
Deferred taxes	55
Identified excess values	142
Goodwill	365
Excess of cost over book value	**507**

Note 3 Changes in group structure (continued)

Balance sheet *Amounts in NOK million*	DnB NOR Group Recorded value of SkandiaBanken Bilfinans - Norway on the acquisition date 31 January 2008	SkandiaBanken Bilfinans - Norway Recorded value (acc. to IFRS) immediately before the acquisition date
Assets		
Lending to customers	5 270	5 270
Intangible assets, including goodwill	565	3
Other assets	72	72
Total assets	**5 907**	**5 345**
Liabilities and equity		
Loan and deposits from credit institutions	4 606	4 606
Deferred taxes	151	96
Other liabilities	78	78
Equity	1 072	565
Total liabilities and equity	**5 907**	**5 345**

SkandiaBanken Bilfinans – Sweden

Acquisition analysis SkandiaBanken Bilfinans - Sweden	29 February 2008 *Amounts in SEK million*	DnB NOR Group 29 February 2008 *Amounts in NOK million*
Excess of cost over book value		
Cost price	1 078	910
Equity	591	499
Excess of cost over book value	**487**	**411**
Allocation of excess values		
Value of customer contracts and customer relations	64	54
Dealer network	144	122
Identified excess values	208	176
Goodwill	278	235
Excess of cost over book value	**487**	**411**

Balance sheet	DnB NOR Group Recorded value of SkandiaBanken Bilfinans - Sweden on the acquisition date 29 February 2008 *Amounts in SEK million*	SkandiaBanken Bilfinans - Sweden Recorded value (acc. to IFRS) immediately before the acquisition date *Amounts in SEK million*	DnB NOR Group Recorded value of SkandiaBanken Bilfinans - Sweden on the acquisition date 29 February 2008 *Amounts in NOK million*	SkandiaBanken Bilfinans - Sweden Recorded value (acc. to IFRS) immediately before the acquisition date *Amounts in NOK million*
Assets				
Lending to customers	6 391	6 391	5 396	5 396
Intangible assets, including goodwill	487	0	411	0
Other assets	9	9	8	8
Total assets	**6 887**	**6 400**	**5 815**	**5 404**
Liabilities and equity				
Loan and deposits from credit institutions	5 781	5 781	4 881	4 881
Deferred taxes	0	0	0	0
Other liabilities	28	28	24	24
Equity	1 078	591	910	499
Total liabilities and equity	**6 887**	**6 400**	**5 815**	**5 404**

Svensk Fastighetsförmedling

The acquisition of Svensk Fastighetsförmedling was made with accounting effect from 30 June 2007. The agreement included a proviso regarding increased payment for the company if 40 per cent or more of negotiated sales result in loan applications to DnB NOR during the first two years after the agreement was entered into. At the time of acquisition, this was not considered to be a likely outcome based on experience from similar operations in Norway. However, the target was reached one year after the agreement date, resulting in an additional payment of SEK 43 million in July 2008. Goodwill relating to the acquisition has consequently increased by SEK 43 million, corresponding to NOK 39 million. Due to changes in prices and other adjustments in the Swedish market, no corresponding additional payment is expected.

DnB NOR Skadeforsikring

DnB NOR Skadeforsikring was established in 2008 and is included in Retail Banking. The company initiated operations on 1 January 2009 and delivers non-life insurance products to the retail market. The products will primarily be distributed through other group companies and the Internet. The company bases its operations on the ten years of experience within non-life insurance gained by the insurance agent Vital Skade and will take over 100 000 policyholders from this company.

Note 4 Segments

Business areas

The operational structure of DnB NOR includes four business areas and four staff and support units. In addition, DnB NORD is reported as a separate profit centre. The business areas carry responsibility for customer segments served by the Group, as well as the products offered. In management reporting, the business areas are presented based on pre-tax operating profits. Corporate Banking and Payment Services offers a broad range of financial products and services in cooperation with several of the Group's product areas, including various types of financing solutions, deposits and investments, insurance, e-commerce products, commercial property brokerage, foreign currency and interest rate products, trade finance and corporate finance services. Retail Banking offers a broad range of financial products and services through several brands and a wide distribution network. In cooperation with several of the Group's product areas, customers are offered various financing, deposit and investment alternatives, as well as insurance, real estate broking and financial advisory services. In addition, extensive everyday banking services are provided through the Internet bank, mobile bank, SMS bank, branch offices, in-store banking outlets, in-store postal outlets and Norway Post. DnB NOR Markets key products include foreign exchange, interest rate and commodity products, securities and other investment products, debt and equity financing in capital markets, research and advisory services, as well as custodial and other securities services. Life and Asset Management is responsible for life insurance, pension savings and asset management. DnB NORD provides a broad range of products to both the retail and corporate markets.

The income statement and balance sheet for business areas have been prepared on the basis of internal financial reporting for the functional organisation of the DnB NOR Group into business areas. Figures for the business areas are based on DnB NOR's management model and the Group's accounting principles. The figures have been restated in accordance with the Group's current principles for allocating costs and capital between business areas and are based on a number of assumptions, estimates and discretionary distribution. Internal transfer rates used between the business areas are determined based on observable market rates, e.g. NIBOR. Additional costs relating to the Group's long-term funding are charged to the business areas. According to the Group's liquidity management policy in 2008, minimum 88 per cent of lending was to be financed through stable deposits and long-term funding. The additional costs thus arising were charged to the business areas. Accounting figures for the associated company Eksportfinans AS were not included under Corporate Banking and Payment Services, but under the Group Centre. Figures for previous periods have been restated in line with this. DnB NOR Boligkreditt's funding in Norwegian kroner is recorded at fair value. Widening credit margins through 2008 resulted in relatively large unrealised gains on these funds. These gains were transferred from Retail Banking to the Group Centre. Figures for previous periods have been restated in line with this.

Income statement **DnB NOR Group**

	Corporate Banking and Payment Serivces		Retail Banking		DnB NOR Markets		Life and Asset Management		DnB NORD		Other operations/ eliminations 1)		DnB NOR Group	
Amounts in NOK million	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
Net interest income - ordinary operations	9 544	7 714	7 265	7 015	708	206	6	17	1 411	1 101	2 976	1 813	21 910	17 866
Interest on allocated capital	2 621	1 537	409	641	387	189	113	90	271	154	(3 801)	(2 610)		
Net interest income	12 165	9 251	7 674	7 655	1 095	395	119	107	1 682	1 255	(824)	(797)	21 910	17 866
Income from associated companies	63	68	(1)	2	0	0	0	0	0	0	570	(61)	632	9
Other operating income	3 363	3 023	3 120	3 068	4 671	2 894	2 988	4 567	754	631	(3 091)	(459)	11 805	13 723
Net other operating income	3 426	3 091	3 120	3 070	4 671	2 894	2 988	4 567	754	631	(2 521)	(521)	12 438	13 732
Operating expenses *)	4 402	3 935	6 651	6 261	1 738	1 507	2 060	2 148	1 396	1 150	256	419	16 503	15 418
Depreciation and impairment of fixed and intangible assets	497	221	200	62	11	11	93	169	308	160	1 108	409	2 217	1 032
Total operating expenses	4 899	4 156	6 851	6 322	1 749	1 517	2 153	2 316	1 704	1 310	1 364	828	18 721	16 450
Pre-tax operating profit before write-downs	10 691	8 185	3 943	4 403	4 017	1 772	953	2 357	732	576	(4 709)	(2 145)	15 627	15 148
Net gains on fixed and intangible assets	28	19	(2)	44	0	(1)	0	0	19	14	7	2 404	52	2 481
Write-downs on loans and guarantees	1 056	76	423	266	1	22	0	0	1 388	121	641	(266)	3 509	220
Pre-tax operating profit	9 663	8 128	3 518	4 181	4 016	1 748	953	2 357	(637)	469	(5 343)	525	12 170	17 409
Taxes 2)	2 706	2 276	985	1 171	1 125	490	513	(1 942)	(127)	88	(1 949)	305	3 252	2 387
Profit for the year	6 957	5 852	2 533	3 011	2 892	1 259	440	4 299	(510)	381	(3 394)	220	8 918	15 022
**) Of which group overhead*	*156*	*127*	*94*	*57*	*32*	*25*	*42*	*31*	*0*	*0*	*(325)*	*(240)*		

Balance sheets **DnB NOR Group**

	Corporate Banking and Payment Serivces		Retail Banking		DnB NOR Markets		Life and Asset Management		DnB NORD		Other operations/ eliminations		DnB NOR Group	
Amounts in NOK billion	31.12.08	31.12.07	31.12.08	31.12.07	31.12.08	31.12.07	31.12.08	31.12.07	31.12.08	31.12.07	31.12.08	31.12.07	31.12.08	31.12.07
Net lending to customers 3)	630	476	471	443	9	19	3	0	99	61	(7)	(8)	1 204	991
Investments in associated companies 4)	0	0	0	0	0	0	0	0	0	0	2	1	3	1
Assets, discontinuing operations													0	0
Other assets	26	14	35	9	786	537	223	234	17	13	(462)	(326)	624	481
Total assets	656	490	506	452	794	556	226	234	116	74	(467)	(332)	1 832	1 474
Assets under management							309	360					309	360
Total combined assets	656	490	506	452	794	556	535	594	116	74	(467)	(332)	2 141	1 834
Deposits from customers 3)	335	284	248	224	15	29	0	0	24	23	(6)	2	617	561
Liabilities, discontinuing operations													0	0
Other liabilities	273	171	253	215	770	523	216	221	85	47	(463)	(340)	1 134	837
Total liabilities	609	455	500	438	785	552	216	221	109	70	(469)	(338)	1 750	1 398
Allocated capital 5)	48	35	6	14	9	4	10	13	7	4	3	6	81	76
Total liabilities and equity	656	490	506	452	794	556	226	234	116	74	(467)	(332)	1 832	1 474

Note 4 Segments (continued)

1) Other operations/eliminations:

Amounts in NOK million	Elimination of double entries 2008	2007	Other eliminations 2008	2007	Group Centre *) 2008	2007	Total 2008	2007
Net interest income - ordinary operations	0	(14)	(144)	(141)	3 120	1 968	2 976	1 813
Interest on allocated capital			0	0	(3 801)	(2 610)	(3 801)	(2 610)
Net interest income	0	(14)	(144)	(141)	(681)	(642)	(824)	(797)
Income from associated companies			0	0	570	(61)	570	(61)
Other operating income	(1 942)	(1 651)	(294)	(265)	(855)	1 457	(3 091)	(459)
Net other operating income	(1 942)	(1 651)	(294)	(265)	(285)	1 396	(2 521)	(521)
Operating expenses			(438)	(425)	693	843	256	419
Depreciaton and impairment of fixed and intangible assets			0	0	1 108	409	1 108	409
Total operating expenses	0	0	(438)	(425)	1 801	1 252	1 364	828
Pre-tax operating profit before write-downs	(1 942)	(1 664)	0	18	(2 767)	(499)	(4 709)	(2 145)
Net gains on fixed and intangible assets			0	(19)	7	2 423	7	2 404
Write-downs on loans and guarantees			0	0	641	(266)	641	(266)
Pre-tax operating profit	(1 942)	(1 664)	0	0	(3 401)	2 190	(5 343)	525

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

The Group Centre includes Operations, HR (Human Resources), IT, Group Finance and Risk Management, Corporate Communications, Corporate Centre, the partially owned company Eksportfinans AS, investments in IT infrastructure and shareholder-related expenses. In addition, the Group Centre includes that part of the Group's equity that is not allocated to the business areas.

*) Group Centre - pre-tax operating profit in NOK million	2008	2007
Eksportfinans AS	474	(121)
Unrealised gains DnB NOR Boligkreditt	557	36
Unallocated	301	13
Net gains on fixed and intangible assets	7	2 386
Individual write-downs on loans	(21)	39
Allocation to employees	(22)	(305)
Funding costs on goodwill	(260)	(222)
Ownership-related expenses (costs relating to shareholders, investor relations, strategic planning etc.)	(247)	(211)
Unallocated write-downs on loans and guarantees	(661)	284
Portfolio hedging, Treasury	(1 215)	(118)
Impairment loss for goodwill	(826)	0
Income on equities	(1 338)	523
Other	(150)	(113)
Pre-tax operating profit	(3 401)	2 190

2) A tax rate of 28 per cent is applied for Corporate Banking and Payment Services, Retail Banking, DnB NOR Markets and DnB NOR Asset Management. A tax rate of 20 per cent has been used for DnB NORD with effect from the second quarter of 2007, compared with 15 per cent for previous periods while recorded taxes are applied for Vital.

3) Net lending to customers includes lending to credit institutions totalling NOK 12.9 billion in 2008 and NOK 20.3 billion in 2007. Customer deposits include deposits from credit institutions of NOK 19.6 billion in 2008 and NOK 22.4 billion in 2007. Deposits with and from banks are not included.

4) See note 31 Investments in associated companies.

5) Allocated capital for Corporate Banking and Payment Services, Retail Banking, DnB NOR Markets and DnB NORD is calculated as 6.5 per cent of risk-weighted volume. Recorded equity is used for Life and Asset Management.

Key figures **DnB NOR Group**

Per cent	Corporate Banking and Payment Serivces 2008	2007	Retail Banking 2008	2007	DnB NOR Markets 2008	2007	Life and Asset Management 2008	2007	DnB NORD 2008	2007	Other operations 2008	2007	DnB NOR Group 2008	2007
Cost/income ratio 1)	31.4	33.7	63.5	58.9	30.3	46.1	69.3	49.6	70.0	69.5			54.5	52.1
Ratio of deposits to lending as at 31 Dec. 2)	53.2	59.6	52.6	50.5					24.7	37.2			51.2	56.6
Return on capital 3) 4)	16.6	18.9	38.8	23.3	46.7	33.0	3.9	38.1	(8.8)	10.6			12.9	22.0
RORAC 4) 5)	18.2	19.9	36.4	40.1	58.0	51.2	3.2	44.0	(7.4)	10.1			15.5	31.9
Number of full-time positions as at 31 Dec. 6) 7)	2 548	2 316	3 883	3 853	655	612	1 169	1 130	3 597	3 236	2 206	2 308	14 057	13 455

1) Total operating expenses relative to total income.

2) Deposits from customers relative to net lending to customers. Customer deposits and net lending to customers include credit institutions.

3) Return on capital is calculated on the basis of allocated capital. Allocated capital for Corporate Banking and Payment Services, Retail Banking, DnB NOR Markets and DnB NORD is calculated as 6.5 per cent of risk-weighted volume. Recorded equity is used for Life and Asset Management.

4) Estimated return on capital is based on profit after tax. A tax rate of 28 per cent is applied for Corporate Banking and Payment Services, Retail Banking, DnB NOR Markets and DnB NOR Asset Management. A tax rate of 20 per cent has been used for DnB NORD with effect from the second quarter of 2007, compared with 15 per cent for previous periods, while recorded taxes are applied for Vital.

5) RORAC (Return On Risk-Adjusted Capital) is defined as profits for the period relative to risk-adjusted capital requirements.

6) As a consequence of the reorganisation of the Group in June 2007, 405 and 444 full-time positions respectively have been transferred from Corporate Banking and Payment Services and Retail Banking to the Group Centre. As the services are repurchased, there is a limited effect on operating expenses in the business areas, and the presented figures have thus not been adjusted.

7) Includes 68 full-time positions in the Norwegian operations of Skandiabanken Bilfinans, which were acquired on 31 January 2008, and 52 full-time positions in the company's Swedish operations, which were acquired on 29 February 2008. An increase of 218 full-time positions in Retail Banking resulted from the acquisition of SalusAnsvar in December 2007.

Note 4 Segments (continued)

Geographic areas [1)]

Income statement							DnB NOR Group	
	DnB NORD		Other international operations		Norway		DnB NOR Group	
Amounts in NOK million	2008	2007	2008	2007	2008	2007	2008	2007
Net interest income	1 682	1 255	1 986	1 314	18 242	15 298	21 910	17 866
External operating income	754	631	1 476	1 099	10 208	12 002	12 438	13 732
Total income	2 436	1 886	3 462	2 413	28 450	27 300	34 347	31 598

Balance sheet items							DnB NOR Group	
	DnB NORD		Other international operations		Norway		DnB NOR Group	
Amounts in NOK billion	31.12.08	31.12.07	31.12.08	31.12.07	31.12.08	31.12.07	31.12.08	31.12.07
Net lending to customers [2)]	99	61	205	111	901	819	1 204	991
Total assets	116	74	302	146	1 414	1 254	1 832	1 474
Guarantees	5	4	7	5	73	59	85	68

1) *In light of the financial turmoil and the downturn in the real economy, the Group's strategic ambitions will have to be toned down somewhat in the short term. This applies in particular to growth ambitions outside Norway. Still, there will be scope for a high level of activity at the Group's international offices in terms of services that do not affect the Group's balance sheet. Growth in DnB NORD is expected to be scaled back*
2) *Net lending to customers includes lending to credit institutions totalling NOK 12.9 billion in 2008 and NOK 20.3 billion in 2007. Customer deposits include deposits from credit institutions of NOK 19.6 billion in 2008 and NOK 22.4 billion in 2007. Deposits with and from banks are not included.*

Product information

See note 6 Net other operating income and note 8 Net interest income for further information on product.

Note 5 Life and Asset Management

The business area Life and Asset Management in DnB NOR comprises Vital Forsikring ASA and DnB NOR Kapitalforvaltning Holding AS, both with subsidiaries. The tables below marked "Life and Asset Management" show selected income statement items and key figures for the whole area.

Vital Forsikring ASA including subsidiaries, hereinafter referred to as "Vital", is fully consolidated in the DnB NOR Group's accounts. Vital's lines of business are life insurance and pension savings. Profit sharing between policyholders and the owner in life insurance companies is based on special accounting regulations for such operations stipulated by the Norwegian Ministry of Finance. Regulations relating to profit sharing between the owner and policyholders in life insurance companies limit the DnB NOR Group's access to revenues and assets from life insurance operations. The tables below marked "Vital" describe the income statement and balance sheet for Vital as included in the DnB NOR Group's accounts.

Income statement	**Life and Asset Management**	
Amounts in NOK million	2008	2007
Total income	3 107	4 674
Total operating expenses	2 153	2 316
Pre-tax operating profit	953	2 357
Taxes	513	(1 942)
Profit after taxes	**440**	**4 299**

Key figures	**Life and Asset Management**	
	2007	2006
Assets under management at end of period (NOK billion)	533	593
Return on equity (%) [1)]	3.9	38.1
RORAC (%) [2)]	3.2	44.0
Cost/income ratio (%)	69.3	49.6
Number of full-time positions at end of period	1 169	1 130

1) *Calculated based on recorded equity.*
2) *RORAC (Return On Risk-Adjusted Capital) is defined as profits for the period relative to risk-adjusted capital requirements.*

Note 5 Life and Asset Management (continued)

Income statement [1]

Amounts in NOK million	Vital 2008	Vital 2007
Total interest income		
Total interest expenses		
Net interest income		
Commissions and fees receivable etc.	2 237	1 810
Commissions and fees payable etc.	456	560
Net gains on financial instruments at fair value		
Net gains on assets in Vital	(813)	23 824
Guaranteed returns and allocations to policyholders in Vital	(1 027)	17 005
Premium income etc. included in the risk result in Vital	4 543	4 249
Insurance claims etc. included in the risk result in Vital	4 407	8 907
Net realised gains on investment securities (AFS)		
Profit from companies accounted for by the equity method		
Other income		
Net other operating income	**2 132**	**3 411**
Total income	**2 132**	**3 411**
Salaries and other personnel expenses	714	766
Other expenses	682	595
Depreciation and impairment of fixed and intangible assets	90	164
Total operating expenses	**1 487**	**1 525**
Net gains on fixed and intangible assets		
Write-downs on loans and guarantees		
Pre-tax operating profit	**645**	**1 886**
Taxes	427	(2 074)
Profit from discontinuing operations after taxes		
Profit for the year [2]	**218**	**3 960**

1) *The figures encompass Vital Forsikring ASA including subsidiaries as included in the DnB NOR Group accounts before eliminations for intra-group transactions and balances.*

2) *Breakdown of income statement*

Amounts in NOK million	*Vital 2008*	*Vital 2007*
Interest result	*(2 623)*	*15 546*
Application of/(transferred to) additional allocations	*(2 993)*	*3 000*
Risk result	*136*	*(4 658)*
Administration result	*(143)*	*(275)*
Profit on risk and guaranteed rate of return	*437*	*0*
Transferred from security reserve	*(68)*	*(43)*
Profit for distribution within Vital	*733*	*10 570*
Funds transferred to policyholders	*89*	*5 661*
+ Reversal of goodwill amortisation/write-downs	*0*	*(22)*
Pre-tax operating profit in Vital	*644*	*1 886*
Taxes	*427*	*(2 074)*
Profit for the period in Vital	*218*	*3 960*

Note 5 Life and Asset Management (continued)

Balance sheets [1]		**Vital**
Amounts in NOK million	31 Dec. 2008	31 Dec. 2007
Assets		
Cash and deposits with central banks		
Lending to and deposits with credit institutions	6 723	12 152
Lending to customers	2 623	
Commercial paper and bonds [2]	72 841	63 060
Shareholdings [3]	26 964	39 362
Financial assets, customers bearing the risk [4]	16 454	19 868
Financial derivatives	5 644	1 488
Commercial paper and bonds, held to maturity [5]	57 089	59 641
Investment property [6]	32 392	32 908
Investments in associated companies	19	19
Intangible assets	243	184
Deferred tax assets		1 164
Fixed assets	45	46
Discontinuing operations		
Other assets	3 093	2 688
Total assets	**224 129**	**232 579**
Liabilities and equity		
Loans and deposits from credit institutions		
Deposits from customers		
Financial derivatives	7 950	1 010
Securities issued		
Insurance liabilities, customers bearing the risk [4] [7]	16 454	19 868
Liabilities to life insurance policyholders [7]	184 791	191 626
Payable taxes	28	
Deferred taxes	584	
Other liabilities	2 851	6 030
Discontinuing operations		
Provisions	157	154
Subordinated loan capital	2 575	2 500
Total liabilities	**215 389**	**221 188**
Minority interests		
Revaluation reserve		
Share capital	1 321	1 321
Other reserves and retained earnings	7 420	10 070
Total equity	**8 740**	**11 391**
Total liabilities and equity	**224 129**	**232 579**

1) *The figures encompass Vital Forsikring ASA including subsidiaries as included in the DnB NOR Group accounts before eliminations for intra-group transactions and balances.*
2) *Commercial paper and bonds in Vital totalled NOK 129 930 million as at 31 December 2008. The composition of the portfolio is shown below.*

		Vital
Per cent	*31 Dec. 2008*	*31 Dec. 2007*
Government/government-guaranteed	*31*	*30*
Government enterprises	*2*	*0*
Local governments	*11*	*7*
Financial institutions	*46*	*28*
Other issuers/fixed-income funds	*10*	*35*
Total commercial paper and bonds	*100*	*100*
Of which listed	*54*	*52*

3) *See note 27 Investments in shares, mutual funds and PCCs for a specification of the largest investments in shares in Vital. At the beginning of 2008, shares accounted for 25 per cent of Vital's total exposure, as a proportion of total assets, including derivatives and hedge funds. At year-end, this figure had been reduced to 4 per cent, including derivatives and hedge funds. Vital's share exposure is split between Norwegian and international investments. The Norwegian portfolio consists mainly of shares listed on Oslo Børs, representing an overall risk corresponding to the Oslo Børs benchmark index. The international portfolio is generally split between different regions in accordance with the Morgan Stanley World All Index, with North America accounting for around 51 per cent, Europe 29 per cent, Asia 14 per cent and Emerging Markets 6 per cent.*
4) *See note 28 Financial assets and insurance liabilities, customers bearing the risk.*
5) *See note 29 Commercial paper and bonds, held to maturity.*
6) *See note 30 Investment properties.*
7) *See note 51 Insurance risk.*

Note 5 Life and Asset Management (continued)

Key figures		**Vital**
Per cent	2008	2007
Recorded return, excluding unrealised gains on financial instruments [1]	1.7	11.8
Value-adjusted return, excluding changes in unrealised gains on commercial paper and bonds, held to maturity [1]	0.0	9.5
Value-adjusted return, including changes in unrealised gains on commercial paper and bonds, held to maturity, and unrealised gains on current assets [1]	0.8	8.8
Expenses in per cent of insurance provisions	0.95	1.02
Capital adequacy ratio at end of period [2]	12.3	9.7
Core capital ratio at end of period [2]	9.8	7.6
Policyholders' funds from products with guaranteed returns at end of period (NOK billion)	185	192
Policyholders' funds from products with a choice of investment profile at end of period (NOK billion)	16	20
Solvency margin capital in per cent of requirement at end of period [2] [3]	163	199

1) *Refers to the common portfolio as from 1 January 2008. Figures prior to 1 January 2008 refer to the total return for Vital.*
2) *Kredittilsynet (the Financial Supervisory Authority of Norway) and the Ministry of Finance have not adapted capital adequacy or solvency margin capital regulations to IFRS.*
3) *Solvency margin capital is measured against the solvency margin requirement, which is linked to the company's insurance commitments. The solvency margin capital requirements for Norwegian life insurance companies are subject to regulations laid down by the Ministry of Finance on 19 May 1995.*

Note 6 Net interest income

		DnB NOR Group
Amounts in NOK million	2008	2007
Interest on loans to and deposits with credit institutions, recorded at fair value	885	3 204
Interest on loans to and deposits with credit institutions, recorded at amortised cost	1 297	1 021
Interest on loans to customers, recorded at fair value	12 000	7 914
Interest on loans to customers, recorded at amortised cost	58 658	42 087
Interest on impaired loans, individually written down	338	322
Interest on commercial paper and bonds, recorded at fair value	4 547	5 912
Interest on commercial paper and bonds, held to maturity	2 765	0
Front-end fees etc.	440	445
Other interest income, items recorded at fair value	240	115
Other interest income, items recorded at amortised cost	783	725
Total interest income	**81 953**	**61 746**
Interest on loans and deposits from credit institutions, recorded at fair value	4 194	4 591
Interest on loans and deposits from credit institutions, recorded at amortised cost	3 068	2 199
Interest on loans and deposits from customers, recorded at fair value	1 592	1 494
Interest on loans and deposits from customers, recorded at amortised cost	23 246	16 646
Interest on securities issued, recorded at fair value	9 105	4 348
Interest on securities issued, recorded at amortised cost incl. hedged items	12 479	11 974
Interest on subordinated loan capital, recorded at fair value	62	0
Interest on subordinated loan capital, recorded at amortised cost incl. hedged items	2 063	2 001
Other interest expenses, items recorded at fair value [1]	3 827	488
Other interest expenses, items recorded at amortised cost	409	140
Total interest expenses	**60 044**	**43 880**
Net interest income	**21 910**	**17 866**

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

Note 7 Interest rates on selected balance sheet items

	DnB NOR Group [1]			
	Average interest rate in per cent [2]		Average volume in NOK million	
	2008	2007	2008	2007
Assets				
Lending to and deposits with credit institutions	3.23	4.84	124 023	101 288
Lending to customers	6.68	5.73	1 062 517	881 791
Commercial paper and bonds	9.07	5.17	72 077	113 377
Liabilities				
Loans and deposits from credit institutions	4.32	4.61	167 997	147 376
Deposits from customers	4.39	3.49	565 308	519 758
Securities issued	5.21	4.93	462 574	333 996

1) *Applies to the DnB NOR Group excluding Vital.*
2) *The average interest rate is calculated as interest in per cent of average capital.*

Note 8 Net other operating income

	DnB NOR Group	
Amounts in NOK million	2008	2007
Money transfer fees receivable	2 887	2 804
Fees on asset management services	1 111	1 466
Fees on custodial services	382	415
Fees on securities broking	334	400
Corporate finance	378	791
Interbank fees	117	127
Credit broking commissions	406	338
Sales commissions on insurance products	2 612	2 000
Sundry commissions and fees receivable on banking services	979	1 134
Total commissions and fees receivable etc.	**9 207**	**9 476**
Money transfer fees payable	942	995
Commissions payable on asset management services	104	211
Fees on custodial services payable	134	135
Interbank fees	180	194
Credit broking commissions	119	55
Commissions payable on the sale of insurance products	232	242
Sundry commissions and fees payable on banking services	602	560
Total commissions and fees payable etc.	**2 313**	**2 392**
Net gains on financial instruments at fair value	**3 339**	**3 185**
Net gains on assets in Vital *)	**(701)**	**23 883**
Guaranteed returns and allocations to policyholders in Vital	**(1 027)**	**17 005**
Premium income etc. included in the risk result in Vital	**4 543**	**4 249**
Insurance claims etc. included in the risk result in Vital	**4 407**	**8 907**
Profit from companies accounted for by the equity method [1]	**632**	**9**
Income from owned/leased premises	33	98
Fees on real estate broking	658	782
Net unrealised gains on investment property	0	(2)
Miscellaneous operating income	419	356
Total other income	**1 111**	**1 234**
Net other operating income	**12 438**	**13 732**

*)	*Of which:*		
	Financial instruments at fair value	*(5 238)*	*12 361*
	Commercial paper and bonds, held to maturity	*3 954*	*3 013*
	Loans and deposits	*941*	*27*
	Investment property	*(368)*	*8 771*
	Other	*(102)*	*0*

1) *Widening credit spreads have had a negative effect on Eksportfinans' liquidity portfolio of bonds. The company has entered into an agreement with a syndicate comprising most of Eksportfinans' owners. With effect from 1 March 2008, the agreement will protect Eksportfinans from further value reductions in the portfolio.*

Note 9 Net gains on financial instruments at fair value

	DnB NOR Group	
Amounts in NOK million	2008	2007
Dividends	36	25
Net gains on foreign exchange and financial derivatives	3 874	2 782
Net gains on commercial paper and bonds	(884)	(1 242)
Net gains on shareholdings	(69)	(41)
Net gains on other financial assets	39	(11)
Net gains on financial liabilities	(891)	(39)
Net interest on interest rate positions	1 827	674
Net gains on financial instruments, trading	3 931	2 149
Dividends	137	162
Net gains on loans at fair value	1 031	(283)
Net gains on financial guarantees	411	465
Net gains on commercial paper and bonds	124	8
Net gains on shareholdings	(1 230)	556
Net gains on financial liabilities	(939)	101
Net gains on financial instruments, designated as at fair value	(465)	1 009
Net gains on financial derivatives, hedging	8 757	56
Net gains on financial assets, hedged items	124	0
Net gains on financial liabilities, hedged items	(9 008)	(29)
Net gains on hedged items [1)]	(127)	27
Net gains on financial instruments at fair value	**3 339**	**3 185**

1) *The DnB NOR Group uses hedge accounting for long-term borrowings in foreign currency in DnB NOR Boligkreditt and DnB NOR Bank ASA. Loans are hedged 1:1 through external contracts where there is a correlation between currencies, interest rate flows and the hedging instrument. At the time the loans are raised, DnB NOR Markets considers whether to enter into a hedging transaction for the relevant loan based on the Group's foreign currency positions and the underlying interest rate exposure for the loan. Hedging transactions which are entered into, are documented. For the bank, the NOK leg of a hedging transaction will be exposed to 3-month interest rates, while for DnB NOR Boligkreditt, hedging transactions are entered into to further reduce the interest rate risk on the NOK leg of the hedging transaction. In the table, the interest rate exposure of the NOK leg of the interest rate swaps are included in changes in value of the hedging instrument.*

Note 10 Operating expenses

	DnB NOR Group	
Amounts in NOK million	2008	2007
Ordinary salaries	6 876	6 470
Employer's national insurance contributions	1 018	908
Pension expenses	1 042	1 117
Allocation to employees [1)]	0	476
Restructuring expenses	106	48
Other personnel expenses	421	395
Total salaries and other personnel expenses	**9 463**	**9 413**
Fees	1 462	895
EDP expenses	1 559	1 596
Postage and telecommunications	421	425
Office supplies	118	123
Marketing and public relations	725	662
Travel expenses	272	264
Reimbursement to Norway Post for transactions executed	207	221
Training expenses	89	82
Operating expenses on properties and premises [2)]	1 233	915
Operating expenses on machinery, vehicles and office equipment	147	139
Other operating expenses	807	683
Total other expenses	**7 040**	**6 005**
Total depreciation and impairment of fixed and intangible assets	**2 217**	**1 032**
Total operating expenses	**18 721**	**16 450**

1) *Allocations to employees in 2007 were in the form of bonuses totalling NOK 181 million, including employer's national insurance contributions. In addition, provisions of NOK 295 million were made relating to the winding up of the employee investment funds.*
2) *Costs relating to leased premises were NOK 998 million in 2008 and NOK 674 million in 2007.*

Note 11 Pensions

Description of the pension schemes

The DnB NOR Group has a joint, defined benefit occupational pension scheme for all employees in Norway in the form of a group pension scheme funded by Vital Forsikring. Pension benefits include retirement pensions, disability pensions and pensions for spouses and dependent children, which supplement benefits from the National Insurance Scheme. Full pension entitlements require 30 years of pensionable service and give the right to a retirement pension corresponding to the difference between 70 per cent of the employee's salary and estimated benefits from the National Insurance Scheme. The pension scheme is in compliance with the Act on Occupational Pensions. In addition to this scheme, around 650 employees in the former Postbanken are covered by a group pension plan in the Norwegian Public Service Pension Fund.

The right to a paid-up policy upon termination of employment only applies to retirement pensions. Disability pensions and survivor's pensions for employees and survivor's pensions for retirement pensioners represent risk coverage without accumulation of capital. The annual risk coverage premium is included in pension expenses.

With few exceptions, the Norwegian companies in the Group have adopted the contractual pension (CPA) scheme for the banking and financial services industry. In addition, an agreement on contractual pensions according to public sector rules has been entered into with respect to employees who are members of the Public Service Pension Fund. Provisions have thus been made in the accounts to cover anticipated future CPA acceptance. Upon retirement under a contractual pension agreement, employees continue as members of the group pension scheme, earning benefits up till ordinary retirement age.

The Group also has commitments relating to salaries exceeding 12G (12 times the National Insurance basic amount) and early retirement agreements. Commitments relating to salaries exceeding 12G and early retirement agreements are funded through the Group's operations. The top salary pension scheme was closed with effect from 30 June 2008. Under other forms of early retirement than CPA, employees resign from the company pension plans but are, upon reaching the ordinary retirement age, compensated for the reduction in benefits earned.

Employer's contributions are included in pension expenses and commitments. In pension schemes where pension funds exceed pension commitments, no allocation has been made for employer's contributions.

Subsidiaries and branches outside Norway have separate schemes for their employees.

Economic assumptions applied in calculating pension expenses and commitments:

Economic assumptions

DnB NOR Group

	Expenses		Commitments	
			31 Dec.	31 Dec.
Per cent	2008	2007	2008	2007
Discount rate [1)]	4.7	4.5	3.8	4.7
Anticipated return [2)]	5.8	5.6	5.8	5.8
Anticipated rise in salaries	4.5	4.5	4.0	4.5
Anticipated increase in basic amount	4.25	4.25	3.75	4.25
Anticipated rise in pensions	2.25	2.25	2.00	2.25
Anticipated CPA acceptance	35.0	35.0	35.0	35.0
Demographic assumptions about mortality [3)]	K2005	K2005	K2005	K2005

1) *The discount rate used is determined by reference to market yields at the balance sheet date on long term (10-year) government bonds, plus an addition that takes into account the relevant duration of the pension liabilities.*
2) *The anticipated return on pension funds was calculated by assessing the expected return on the assets encompassed by the current investment policy. The anticipated gain on fixed-rate investments is based on gross gains upon redemption on the balance sheet date. The anticipated return on equity and property investments reflects anticipated long-term real returns in the respective markets.*
3) *K2005 is a calculation base for statistical mortality assumptions, which includes two projected calculations of mortality based on empirical data from the period 1996 to 2001. One of the calculation bases is projected up until 2005, while the other is projected up until 2020. Mortality rates are expected to be lower in 2020 than in 2005. When calculating pension costs and pension commitments, a combination of both calculation bases has been used.*

Pension expenses

DnB NOR Group

	2008			2007		
Amounts in NOK million	Funded	Unfunded	Total	Funded	Unfunded	Total
Net present value of pension entitlements	445	112	557	443	96	540
Interest expenses on pension commitments	524	114	639	538	135	673
Anticipated return on pension funds	(484)	(19)	(502)	(482)	0	(482)
Changes in pension schemes	0	0	0	0	0	0
Amortisation of changes in estimates not recorded in the accounts	86	7	94	125	8	133
Administrative expenses	10	0	10	15	0	15
Employer's contributions	68	28	96	77	31	109
Risk coverage premium	0	74	74	0	85	85
Defined-contribution pension schemes	0	75	75	0	45	45
Net pension expenses	650	392	1 042	716	401	1 117

Note 11 Pensions (continued)

Pension commitments — **DnB NOR Group**

Amounts in NOK million	31 December 2008 Funded	Unfunded	Total	31 December 2007 Funded	Unfunded	Total
Accrued pension commitments	10 443	1 887	12 330	9 154	1 817	10 971
Estimated effect of future salary adjustments	2 071	536	2 607	2 589	732	3 321
Total pension commitments	12 514	2 423	14 937	11 743	2 549	14 292
Value of pension funds	(9 443)	0	(9 443)	(8 831)	0	(8 831)
Net pension commitments	3 070	2 423	5 493	2 912	2 549	5 460
Changes in the estimates not recorded in the accounts	(2 312)	34	(2 279)	(2 234)	174	(2 060)
Employer's contributions	425	335	760	397	308	705
Recorded pension commitments	1 183	2 792	3 975	1 075	3 031	4 105

Pension commitments — **DnB NOR Group**

Amounts in NOK million	2008	2007
Opening balance	14 292	15 143
Accumulated pension entitlements	557	522
Interest expenses	639	684
Pension payments	(634)	(563)
Changes in pension schemes	0	0
Changes in estimates not recorded in the accounts	84	(1 495)
Closing balance	14 937	14 292

Pension funds — **DnB NOR Group**

Amounts in NOK million	2008	2007
Opening balance	8 831	8 853
Anticipated return	502	479
Premium transfers	680	439
Pension payments	(378)	(365)
Changes in pension schemes	0	0
Changes in estimates not recorded in the accounts	(181)	(543)
Administrative expenses	(10)	(32)
Closing balance	9 443	8 831

Premium transfers in 2009 are expected to be NOK 710 million. Payments through operations are estimated at NOK 270 million.

Past developments — **DnB NOR Group**

Amounts in NOK million	31 Dec. 2008	31 Dec. 2007	31 Dec. 2006	31 Dec. 2005	31 Dec. 2004
Gross pension commitments [1)]	15 696	14 996	15 631	14 627	13 702
Gross pension funds	(9 443)	(8 831)	(8 853)	(8 672)	(9 285)
Commitments not recorded in the accounts	(2 279)	(2 060)	(3 031)	(2 537)	(844)
Net recorded pension commitments	3 975	4 105	3 747	3 417	3 575

1) *Gross pension commitments include employer's contributions.*

Members — **DnB NOR Group**

	31 Dec. 2008	31 Dec. 2007
Number of persons covered by pension schemes	16 583	14 925
- of which in employment	10 778	9 549
- of which on retirement and disability pensions	5 805	5 376

Pension funds investments

Effective from 1 January 2008, new regulations were introduced for the life insurance industry. The figures for 2007 have not been restated. The table shows a percentage breakdown of pension funds in the group pension schemes administered by Vital Forsikring. The recorded return on assets in the common portfolio administered by Vital Forsikring was 1.7 per cent in 2008. In 2007, the recorded return on total assets was 11.8 per cent according to previous regulations.

DnB NOR Group

Per cent	31 Dec. 2008	31 Dec. 2007
Commercial paper and bonds at fair value	30	22
Commercial paper and bonds, held to maturity	29	28
Money market	14	8
Equities	4	25
Real estate	17	16
Other	7	3
Total	100	100

Note 11 Pensions (continued)

Sensitivity analysis for pension calculations

The following estimates are based on facts and conditions prevailing on 31 December 2008, assuming that all other parameters are constant. Actual results may deviate significantly from these estimates.

DnB NOR Group

	Discount rate		Annual rise in salaries/ basic amount		Annual rise in pensions		Retirement rate	
Change in percentage points	+1%	-1%	+1%	-1%	+1%	-1%	+1%	-1%
Percentage change in pensions								
Pension commitments	15-17	15-17	9-11	9-11	11-13	11-13	1-2	1-2
Net pension expenses for the period	16-18	17-19	19-21	17-19	17-19	15-17	1-2	1-2

Pension commitments are particularly susceptible to changes in the discount rate. A reduction in the discount rate will, as an isolated factor, result in an increase in pension commitments. A one percentage point change in the discount rate will cause a change in pension commitments in the order of 15 to 17 per cent.

Higher salary increases and adjustments in pensions will also cause a rise in pension commitments. A one percentage point rise in salaries or the basic amount will give an anticipated rise of 9 to 11 per cent, while a corresponding increase in pensions will give a 11 to 13 per cent rise in commitments.

Note 12 Number of employees/full-time positions

DnB NOR Group

	2008 [1]	2007 [2]
Number of employees as at 31 December	14 454	13 817
- of which number of employees abroad	4 973	4 339
Number of employees calculated on a full-time basis as at 31 December	14 057	13 455
- of which number of employees calculated on a full-time basis abroad	4 877	4 290
Average number of employees	14 223	13 144
Average number of employees calculated on a full-time basis	13 859	12 751

1) *Includes 68 full-time positions in the Norwegian operations of SkandiaBanken Bilfinans, which were acquired on 31 January 2008, and 52 full-time positions in the company's Swedish operations, which were acquired on 29 February 2008.*

2) *Staff in SalusAnsvar, which was acquired on 31 December 2007, represented 235 employees/218 full-time positions.*

Note 13 Net gains on fixed and intangible assets

DnB NOR Group

Amounts in NOK million	2008	2007
Aker Brygge, Oslo		865
Other properties	23	1 540
Other	29	76
Net gains on fixed and intangible assets	**52**	**2 481**

Note 14 Write-downs on loans and guarantees

DnB NOR Group

Amounts in NOK million	2008 Lending [1]	2008 Guaran-tees	2008 Total	2007 Lending [1]	2007 Guaran-tees	2007 Total
Write-offs	334	1	335	230	0	230
New individual write-downs	2 888	37	2 925	822	28	850
Total new individual write-downs	3 222	38	3 260	1 052	28	1 080
Reassessed individual write-downs	213	33	246	302	6	308
Total individual write-downs	3 009	5	3 014	750	22	772
Recoveries on commitments previously written off	335	0	335	350	0	350
Changes in group write-downs on loans	830	-	830	(202)	-	(202)
Write-downs on loans and guarantees	**3 504**	**5**	**3 509**	**198**	**22**	**220**
Write-offs covered by individual write-downs made in previous years	678	0	678	663	0	663

1) *Including write-downs on loans at fair value, see note 19 Lending to and deposits with credit institutions and note 20 Lending to customers.*

Note 15 Write-downs on loans and guarantees for principal sectors [1]

DnB NOR Group

Amounts in NOK million	2008 New individual write-downs	2008 Reassessed individual write-downs	2008 Recoveries on commitments previously written off	2008 Net write-downs	2007 New individual write-downs	2007 Reassessed individual write-downs	2007 Recoveries on commitments previously written off	2007 Net write-downs
Retail customers	931	23	274	635	636	20	279	337
International shipping	4	1	0	3	0	1	0	(1)
Real estate	973	39	8	926	37	38	10	(11)
Manufacturing	349	64	2	283	118	103	20	(5)
Services and management	408	29	11	368	74	26	6	42
Trade	173	59	2	113	80	27	6	47
Oil and gas	126	0	0	126	1	0	0	1
Transportation and communication	74	1	16	56	26	38	1	(13)
Building and construction	68	16	1	52	63	7	7	49
Power and water supply	1	0	0	1	0	0	0	0
Seafood	37	4	8	25	21	10	9	2
Hotels and restaurants	34	7	0	26	10	10	0	0
Agriculture and forestry	35	4	1	31	9	10	1	(2)
Other sectors	39	0	13	27	3	11	11	(19)
Total customers	3 253	247	335	2 672	1 078	301	350	427
Credit institutions	7	0	0	7	2	7	0	(5)
Changes in group write-downs on loans	-	-	-	830	-	-	-	(202)
Write-downs on loans and guarantees	**3 260**	**247**	**335**	**3 509**	**1 080**	**308**	**350**	**220**
Of which individual write-downs on guarantees	*38*	*33*	*0*	*5*	*28*	*6*	*0*	*22*

1) *The breakdown into principal sectors is based on standardised sector and industry categories set up by Statistics Norway. Customers are classified according to their main line of business.*

Note 16 Taxes

Taxes

Amounts in NOK million	DnB NOR Group 2008	2007
Payable taxes	67	1 280
Deferred taxes	3 185	1 107
Total taxes	**3 252**	**2 387**

Balancing tax charges against pre-tax operating profit

Amounts in NOK million	2008	2007
Operating profit before taxes	12 170	17 409
Estimated income tax - nominal tax rate (28 per cent)	3 408	4 875
Tax effect of income taxable abroad	(43)	(311)
Tax effect of debt interest distribution with international branches	312	79
Tax effect of tax-exempt income and non-deductible expenses [1)]	(403)	(2 639)
Taxes payable abroad	351	383
Other changes in estimates	(239)	0
Excess tax provision previous year	(134)	0
Total taxes	**3 252**	**2 387**
Effective tax rate	27%	14%

Deferred tax assets/(deferred taxes)

28 per cent deferred tax calculation on all temporary differences (Norway)

Amounts in NOK million	2008	2007
Annual changes in deferred tax assets/(deferred taxes)		
Deferred tax assets/(deferred taxes) as at 1 January	(1 858)	(692)
Changes recorded against profits	(3 185)	(1 107)
Other changes:		
Acquisition of companies	(151)	(59)
Deferred tax assets/(deferred taxes) as at 31 December	(5 194)	(1 858)

Deferred tax assets and deferred taxes in the balance sheet affect the following temporary differences:

Amounts in NOK million	31 Dec. 2008	31 Dec. 2007
Deferred tax assets		
Net prepaid pension entitlements	10	0
Net other tax-deductable temporary differences	215	136
Losses carried forward	38	0
Total deferred tax assets	**263**	**136**
Deferred taxes		
Fixed assets	1 094	1 161
Net pension commitments	(1 110)	(1 143)
Financial instruments	11 288	420
Loan assessment rules	238	357
Net other taxable temporary differences	918	1 527
Losses carried forward	(6 971)	(328)
Total deferred taxes	**5 457**	**1 994**

Deferred taxes in the profit and loss accounts affect the following temporary differences:

Amounts in NOK million	2008	2007
Fixed assets	(218)	46
Pensions	23	(87)
Financial instruments	10 868	1 062
Loan assessment rules	(120)	(192)
Other temporary differences	(687)	606
Losses carried forward	(6 681)	(328)
Deferred taxes	3 185	1 107

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

Deferred tax assets are capitalised to the extent it is probable that the Group will have taxable income against which temporary differences can be utilised. Net deferred taxes on temporary differences within the same tax group are assessed and entered net in the accounts.

Tax group

DnB NOR's tax group consists of the parent company DnB NOR ASA and the wholly-owned Norwegian subsidiaries DnB NOR Bank ASA, Vital Forsikring ASA, DnB NOR Kapitalforvaltning ASA and DnB NOR Skadeforsikring AS, all with Norwegian subsidiaries where DnB NOR owns more than 90 per cent of the shares and has a corresponding share of the votes which can be cast at general meetings.

At the end of 2008, net deferred taxes of NOK 5 284 million were capitalised for the tax group, as against NOK 1 900 million in 2007.

Note 17 Classification of financial instruments

As at 31 December 2008 **DnB NOR Group**

Amounts in NOK million	Financial instruments at fair value through profit and loss: Trading	Financial instruments at fair value through profit and loss: Designated as at fair value	Financial derivatives designated as hedging instruments	Financial assets and liabilities carried at amortised cost [1)]	Investments held to maturity	Non-financial assets and liabilities	Total
Assets							
Cash and deposits with central banks				51 147			51 147
Lending to and deposits with credit institutions	40 758	1 303		17 657			59 717
Lending to customers	1 791	175 722		1 014 121			1 191 635
Commercial paper and bonds	28 253	97 318					125 571
Shareholdings	6 989	29 850					36 839
Financial assets, customers bearing the risk		16 454					16 454
Financial derivatives	130 786		5 766				136 552
Commercial paper and bonds, held to maturity					155 156		155 156
Investment property						32 558	32 558
Investments in associated companies						2 517	2 517
Intangible assets						8 480	8 480
Deferred tax assets						263	263
Fixed assets						5 326	5 326
Discontinuing operations						246	246
Other assets				9 236			9 236
Total assets	**208 578**	**320 647**	**5 766**	**1 092 162**	**155 156**	**49 391**	**1 831 699**
Liabilities and equity							
Loans and deposits from credit institutions	84 370	29 181		65 272			178 822
Deposits from customers	10 019	23 164		564 059			597 242
Financial derivatives	94 542		956				95 498
Securities issued	190 109	29 208		386 905			606 222
Insurance liabilities, customers bearing the risk						16 454	16 454
Liabilities to life insurance policyholders						184 791	184 791
Payable taxes						384	384
Deferred taxes						5 457	5 457
Other liabilities				15 410			15 410
Discontinuing operations						0	0
Provisions						4 918	4 918
Subordinated loan capital		1 401		43 824			45 225
Total liabilities	**379 040**	**82 955**	**956**	**1 075 469**	**0**	**212 004**	**1 750 424**
Total equity						**81 275**	**81 275**
Total liabilities and equity	**379 040**	**82 955**	**956**	**1 075 469**	**0**	**293 279**	**1 831 699**

1) *Includes hedged liabilities.*

Note 17 Classification of financial instruments (continued)

As at 31 December 2007 — **DnB NOR Group**

Amounts in NOK million	Financial instruments at fair value through profit and loss: Trading	Financial instruments at fair value through profit and loss: Designated as at fair value	Financial derivatives designated as hedging instruments	Financial assets and liabilities carried at amortised cost [1]	Investments held to maturity	Non-financial assets and liabilities	Total
Assets							
Cash and deposits with central banks				9 816			9 816
Lending to and deposits with credit institutions	36 737	1 576		26 066			64 379
Lending to customers	4 516	162 479		803 509			970 504
Commercial paper and bonds	97 723	63 439					161 162
Shareholdings	4 845	60 276					65 122
Financial assets, customers bearing the risk		19 868					19 868
Financial derivatives	65 430		503				65 933
Commercial paper and bonds, held to maturity					59 641		59 641
Investment property						33 078	33 078
Investments in associated companies						1 435	1 435
Intangible assets						7 742	7 742
Deferred tax assets						136	136
Fixed assets						3 496	3 496
Discontinuing operations						225	225
Other assets				11 382			11 382
Total assets	**209 251**	**307 638**	**503**	**850 773**	**59 641**	**46 113**	**1 473 919**
Liabilities and equity							
Loans and deposits from credit institutions	81 626	30		62 541			144 198
Deposits from customers	20 685	17 980		499 486			538 151
Financial derivatives	61 963		778				62 741
Securities issued	87 328	29 680		254 775			371 784
Insurance liabilities, customers bearing the risk						19 868	19 868
Liabilities to life insurance policyholders						191 626	191 626
Payable taxes						1 431	1 431
Deferred taxes						1 994	1 994
Other liabilities				27 717			27 717
Discontinuing operations						0	0
Provisions						5 207	5 207
Subordinated loan capital				33 226			33 226
Total liabilities	**251 603**	**47 691**	**778**	**877 746**	**0**	**220 126**	**1 397 944**
Total equity						**75 976**	**75 976**
Total liabilities and equity	**251 603**	**47 691**	**778**	**877 746**	**0**	**296 102**	**1 473 919**

1) *Includes hedged liabilities.*

Note 18 Information on fair value

Fair value of financial instruments carried at amortised cost

DnB NOR Group

Amounts in NOK million	Recorded value 31 Dec. 2008	Fair value 31 Dec. 2008	Recorded value 31 Dec. 2007	Fair value 31 Dec. 2007
Cash and deposits with central banks	51 147	51 147	9 816	9 816
Lending to and deposits with credit institutions	17 657	17 657	26 066	26 066
Lending to customers	1 014 121	1 000 715	803 509	803 509
Commercial paper and bonds, held to maturity	155 156	152 255	59 641	58 340
Total financial assets	1 238 081	1 221 774	899 032	897 731
Loans and deposits from credit institutions	65 272	65 272	62 541	62 541
Deposits from customers	564 059	564 059	499 486	499 486
Securities issued	386 905	375 248	254 775	253 616
Subordinated loan capital	43 824	30 694	33 226	31 108
Total financial liabilities	1 060 059	1 035 272	850 028	846 751

Financial instruments recorded at fair value in the DnB NOR Group
See description in note 1 Accounting principles.

Financial instruments carried at amortised cost in the DnB NOR Group
Most assets and liabilities in the DnB NOR Group's balance sheet are carried at amortised cost. This primarily applies to loans, deposits and borrowings in the banking group's balance sheet, but also investments in bonds held to maturity. Long-term borrowings in Norwegian kroner are carried at fair value, while long-term borrowings in other currencies are carried at amortised cost.

Recording balance sheet items at amortised cost implies that the originally agreed cash flows are used, possibly adjusted for impairment. Such valuations will not always give values which are consistent with market assessments of the same instruments. Discrepancies may be due to diverging views on macro-economic prospects, market conditions, risk aspects and return requirements, as well as varying access to accurate information. The above table shows estimated fair values of items carried at amortised cost. Values are measured based on prices quoted in an active market where such information is available, internal models calculating a theoretical value when no such active market exists, or comparisons of prices on instruments in the portfolio relative to the last available transaction prices. In instances when no relevant price information is available, an estimate based on management's discretion is used. Estimated fair values are highly uncertain by nature.

Valuations are based on the individual instruments' characteristics and values on the balance sheet date. However, these values do not include the total value of customer relationships, market access, brands, organisational aspects, employees and structural capital. Consequently, such intangible assets are generally not recorded in the accounts. In addition, most transactions with customers are assessed and priced collectively for several products, and products recorded in the balance sheet are considered along with other products and services used by the customer. Individual assets and liabilities recorded in the balance sheet thus give no adequate reflection of the total value of the Group's operations.

Lending to and deposits with credit institutions and lending to customers
The valuation of loans in a turbulent financial market is a highly challenging process. The market for the purchase and sale of loan portfolios was very restricted at year-end 2008, and transactions can be characterised as forced sales.

Credit margins widened through 2008, especially in the fourth quarter. When valuing loans, the loan portfolio has been divided into the following categories: retail customers, shipping/offshore/logistics, acquisition finance, property, international corporates, Nordic corporates, regional corporate clients, credit institutions, Sweden, DnB NOR Finans and Nordlandsbanken. In addition, separate calculations have been made for DnB NORD.

The valuations are based on average margins in December, considered relative to the business units' best estimate of the potential margin requirement at year-end 2008 if the loans had been extended at that time. The financial turmoil has resulted in higher financing requirements among some of the Group's customers, and there has also been an increase in breaches of loan covenants. Thus, the Group expects shorter time spans up to the repricing of existing agreements than in a normal situation. However, it is very difficult to estimate to what extent this will reduce loan durations, and the business units' estimates used in fair value measurements are based on empirical data.

DnB NORD faces particularly great challenges with respect to estimating fair values on its portfolios. On average, loan terms, especially in Lithuania and Poland, are much longer than for other units in the Group. These calculations are based on the units' best estimates for margin requirements and duration.

An additional dimension with respect to the valuation of loans in the Baltic region and Poland is the significant country risk associated with economic developments. There is little activity in bond markets, resulting in limited background information for determining loan values. DnB NOR has therefore assumed that the CDS market ("Credit Default Swaps") for five-year government bonds can give an indication of the market's assessment of country risk. In the table below, estimates have been made of the effects of taking the margin increase for such CDSs into account when estimating loan values.

Note 18 Information on fair value (continued)

Fair value of loans valued at amortised cost adjusted for changes in country risk [1)] **DnB NOR Group**

Amounts in NOK million	Recorded value 31 Dec. 2008	Fair value 31 Dec. 2008	Adjustment for country risk 31 Dec. 2008	Adjusted fair value 31 Dec. 2008
Denmark, DnB NORD	12 815	12 815	24	12 791
Latvia	26 216	26 031	372	25 659
Lithaunia	34 143	31 767	8 563	23 204
Poland	11 593	10 821	1 229	9 592
Total	84 767	81 434	10 188	71 246

1) Margin increases for five-year CDSs on government bonds in the individual countries have been used in country risk assessments.

Lending in Vital's balance sheet totalled NOK 2.6 billion at year-end 2008, representing loans guaranteed by GIEK - The Norwegian Guarantee Institute for Export Credits. In the opinion of the Group, there is consistency between the recorded and fair values of these loans.

There is fierce competition in the Norwegian retail market. Notified interest rate adjustments which have not yet been implemented and which result from lower interest rate levels indicate that there are excess values in the portfolio. However, as these values are fairly limited, they are reflected in the general level of uncertainty in fair value measurements. The fair value of retail loans and deposits at current prices has thus been set at amortised cost.

With respect to impaired loans, an assessment has been made of potential cash flows for the loans discounted by the effective rate of interest adjusted for changes in market conditions for corresponding non-impaired loans. Lending rates prior to provisions being made reflect the increased credit risk of the commitment. Given the general uncertainty in fair value measurements under the market conditions prevailing at year-end 2008, DnB NOR believes that the impaired value gives a good reflection of the fair value of these loans.

Customers will often use loan products which are carried partly at amortised cost and partly at fair value. The profitability of a customer relationship is considered on an aggregate basis, and prices are set based on an overall evaluation. Correspondingly, a possible reduction in the customer relationship value is based on an overall assessment of all products. Any decline or change in the value of products recorded at fair value is assessed based on the difference between the agreed price and the corresponding price of new products on the balance sheet date. Any decline in value apart from price changes on specific products is included in the overall assessment of credits in the relevant customer relationship. Any reduction in the total customer relationship value is measured on the basis of amortised cost and reported under write-downs on loans.

Commercial paper and bonds, held to maturity (see note 29 Commercial paper and bonds, held to maturity)
There is a proportionally larger difference between the recorded and fair values of bonds held to maturity than is the case for loans, which is mainly due to longer durations. There is still a certain level of activity in the market for the type of securities owned by the Group in the held-to-maturity category. However, transactions are often in the form of forced sales, which is no good basis for fair value measurements. Thus, models have been used to stipulate the value of parts of the bond portfolios. These models are based on available indices representing credit risk and liquidity aspects.

Pricing of bonds reflects that there is a greater distance to the leveraged asset and the borrower, which generates a larger discount for the lack of access to perfect information about underlying cash flows and the customer than is the case for direct lending relationships. In addition, varying degrees of proximity and access to the customer will influence price setting. Overall, this leads to lower observable prices for bonds than for loans.

Lending to and deposits from credit institutions and deposits from customers
The estimated fair value equals the balance sheet value for credit institutions. Deposits from customers are carried at amortised cost.

Securities issued and subordinated loan capital
Fair value measurement of securities issued and subordinated loan capital raised in foreign currency is based on agreed cash flows and credit risk on the balance sheet date. The valuation is based on broker quotes. Values in connection with potential new issues are used, in the same way as for loans.

Note 19 Lending to and deposits with credit institutions

	DnB NOR Group	
Amounts in NOK million	31 Dec. 2008	31 Dec. 2007
Lending to and deposits with credit institutions, at fair value [1)]	42 061	38 313
Lending to and deposits with credit institutions, at amortised cost	17 657	26 066
Lending to and deposits with credit institutions [2)]	**59 717**	**64 379**
1) Of which: Credit risk [*)]	*6*	*4*
Change in credit risk	*2*	*(1)*
2) Of which: Contractual obligations	*59 418*	*64 440*
Repurchase agreements	*3 982*	*13 186*

**) Credit risk reflected in fair value measurements is based on normalised losses and changes in normalised losses in the relevant portfolio.*

Note 20 Lending to customers

	DnB NOR Group	
Amounts in NOK million	31 Dec. 2008	31 Dec. 2007
Lending to customers, at fair value [1)]	177 513	166 995
Lending to customers, at amortised cost	1 014 121	803 509
Lending to customers [2)]	**1 191 635**	**970 504**
1) Of which: Credit risk [*)]	*520*	*385*
Change in credit risk	*108*	*10*
2) Of which: Contractual obligations	*1 191 986*	*969 998*
Repurchase agreements	*1 815*	*3 942*

**) Credit risk reflected in fair value measurements is based on normalised losses and changes in normalised losses in the relevant portfolio.*

Note 21 Commitments for principal sectors [1)]

	DnB NOR Group					
	Loans and receivables		Guarantees		Committed limits [2)]	
Amounts in NOK million	31 Dec. 2008	31 Dec. 2007	31 Dec. 2008	31 Dec. 2007	31 Dec. 2008	31 Dec. 2007
Retail customers	498 853	456 066	339	372	570 567	518 738
International shipping	137 848	90 982	6 964	6 023	202 376	146 245
Real estate	180 272	148 545	4 238	2 073	204 998	175 222
Manufacturing	90 020	55 345	15 305	9 355	146 239	100 013
Services	87 993	76 407	12 752	13 481	127 502	118 320
Trade	47 683	38 539	4 513	4 393	74 510	64 061
Oil and gas	33 315	17 938	4 880	3 306	62 165	40 559
Transportation and communication	29 847	20 237	6 719	4 307	57 242	37 763
Building and construction	15 758	12 450	6 596	5 935	30 727	23 618
Power and water supply	14 615	9 902	10 428	7 119	40 402	30 281
Seafood	15 335	11 219	118	56	17 732	14 183
Hotels and restaurants	5 232	3 753	256	389	7 151	4 765
Agriculture and forestry	8 155	6 856	33	28	9 180	7 610
Central and local government	5 839	9 007	3 345	3 694	12 859	17 094
Other sectors	16 964	10 798	3 984	4 179	30 775	28 587
Total customers, nominal amount after individual write-downs	1 187 730	968 044	80 470	64 708	1 594 424	1 327 058
– Group write-downs, customers	1 625	712	-	-	-	-
+ Other adjustments	5 530	3 172	(76)	(33)	-	-
Lending to customers	**1 191 635**	**970 504**	**80 394**	**64 675**	**1 594 424**	**1 327 058**
Credit institutions, nominal amount after individual write-downs	59 408	64 437	4 825	3 045	28 967	36 402
+ Other adjustments	310	(58)	0	0	-	-
Lending to and deposits with credit institutions	**59 717**	**64 379**	**4 825**	**3 045**	**28 967**	**36 402**

1) The breakdown into principal sectors is based on standardised sector and industry categories set up by Statistics Norway. Customers are classified according to their main line of business.
2) Total committed limits for credit exposure.

Note 22 Loans and guarantees according to geographical location [1)]

DnB NOR Group

Amounts in NOK million	Lending to customers 31 Dec. 2008	Lending to customers 31 Dec. 2007	Lending to and deposits with credit institutions 31 Dec. 2008	Lending to and deposits with credit institutions 31 Dec. 2007	Guarantees 31 Dec. 2008	Guarantees 31 Dec. 2007
Oslo	208 067	190 568	1 896	6 673	17 823	19 419
Eastern and southern Norway	367 272	335 857	1 449	1 469	23 937	21 255
Western Norway	133 717	119 119	986	2 453	10 620	7 862
Northern and central Norway	135 459	120 219	5 766	12 687	7 250	6 188
Total Norway	844 515	765 763	10 097	23 282	59 631	54 724
Sweden	61 667	35 858	1 270	2 059	4 066	2 210
United Kingdom	13 794	8 397	25 131	17 563	3 344	2 811
Other Western European countries	66 614	35 601	16 421	12 839	12 503	2 216
Russia	2 150	1 119	285	385	131	53
Estonia	3 993	2 054	132	193	19	23
Latvia	27 009	19 053	87	131	842	728
Lithuania	34 339	22 677	538	3 820	675	382
Poland	12 506	8 563	28	847	722	792
Other Eastern European countries	127	124	130	140	34	29
Total Europe outside Norway	222 200	133 446	44 022	37 977	22 335	9 245
USA and Canada	39 563	21 473	1 996	1 227	530	653
Bermuda and Panama [2)]	21 095	10 512	23	47	799	904
Other South and Central American countries	4 268	4 278	23	1	183	370
Total America	64 926	36 263	2 042	1 275	1 511	1 927
Singapore [2)]	15 966	10 893	194	549	1 194	1 266
Hong Kong	1 777	940	7	13	17	22
Other Asian countries	9 663	4 583	3 021	1 270	367	512
Total Asia	27 405	16 416	3 222	1 831	1 579	1 800
Liberia [2)]	11 080	6 099	0	0	1	1
Other African countries	1 655	677	28	59	292	114
Australia, New Zealand and Marshall Islands [2)]	20 204	11 333	6	15	50	37
Lending and guarantees [3)]	1 191 986	969 998	59 418	64 440	85 399	67 848
– Individual write-downs	4 256	1 953	10	3	104	95
– Group write-downs	1 625	712	0	0	-	-
+ Other adjustments	5 530	3 172	310	(58)	(76)	(33)
Loans and guarantees	**1 191 635**	**970 504**	**59 717**	**64 379**	**85 218**	**67 720**

1) *Based on the customer's address.*
2) *Represents shipping commitments.*
3) *All amounts represent gross lending and guarantees respectively before individual write-downs.*

Note 23 Developments in write-downs on loans and guarantees

DnB NOR Group

	2008				2007			
Amounts in NOK million	Lending to credit institutions	Lending to customers	Guarantees	Total	Lending to credit institutions	Lending to customers	Guarantees	Total
Write-downs as at 1 January	3	3 053	95	3 151	72	3 112	76	3 260
New write-downs	7	2 640	19	2 666	2	665	25	692
Increase in write-downs	0	241	18	259	0	155	3	158
Reassessed write-downs	0	213	33	246	7	295	6	308
Write-offs covered by previous write-downs	0	678	0	678	68	595	0	663
Changes in individual write-downs of accrued interest and amortisation	1	89	-	90	0	(25)	-	(25)
Changes in group write-downs	0	830	-	830	0	(202)	-	(202)
Changes in group structure	0	12	0	12	5	281	0	286
Changes due to exchange rate movement	0	384	5	389	(1)	(43)	(3)	(47)
Write-downs as at 31 December	11	6 358	104	6 473	3	3 053	95	3 151
Of which: Individual write-downs	*10*	*4 256*	*104*	*4 370*	*3*	*1 953*	*95*	*2 051*
Individual write-downs of accrued interest and amortisation	*1*	*477*	*-*	*478*	*0*	*388*	*-*	*388*
Group write-downs	*0*	*1 625*	*-*	*1 625*	*0*	*712*	*-*	*712*

Note 24 Non-performing and impaired commitments for principal sectors [1)]

DnB NOR Group

	Gross non-performing and impaired commitments		Total individual write-downs		Net non-performing and impaired commitments	
Amounts in NOK million	31 Dec. 2008	31 Dec. 2007	31 Dec. 2008	31 Dec. 2007	31 Dec. 2008	31 Dec. 2007
Retail customers	5 207	2 963	1 077	726	4 129	2 237
International shipping	52	47	15	15	37	32
Real estate	3 514	414	1 067	97	2 447	317
Manufacturing	2 920	717	598	353	2 322	364
Services and management	1 459	625	636	244	823	381
Trade	590	396	315	232	275	164
Oil and gas	327	1	156	0	172	1
Transportation and communication	620	281	134	88	485	193
Building and construction	489	333	142	125	347	208
Power and water supply	27	0	1	0	26	0
Seafood	522	156	79	68	443	88
Hotels and restaurants	162	94	47	26	115	68
Agriculture and forestry	259	113	53	21	206	92
Central and local government	0	0	0	0	0	0
Other sectors	134	82	40	53	95	29
Total customers	16 282	6 222	4 360	2 048	11 922	4 174
Credit institutions	10	3	10	3	0	0
Total	16 292	6 225	4 370	2 051	11 922	4 174

1) *The breakdown into principal sectors is based on standardised sector and industry categories set up by Statistics Norway. Customers are classified according to their main line of business.*

Note 25 Commercial paper and bonds at fair value [1)]

	DnB NOR Group	
Amounts in NOK million	31 Dec. 2008	31 Dec. 2007
Quoted prices in an active market	25 457	92 058
Valuation technique based on observable market data	2 330	4 988
Valuation technique not based on observable market data	2	0
Accrued interest	465	677
Commercial paper and bonds, trading [2) 3)]	28 253	97 723
Quoted prices in an active market	39 912	43 613
Valuation technique based on observable market data	52 866	18 934
Valuation technique not based on observable market data [4)]	2 992	41
Accrued interest	1 548	850
Commercial paper and bonds, designated as at fair value	97 318	63 439
Commercial paper and bonds	**125 571**	**161 162**

1) *The figures represent maximum credit exposure.*
2) *Includes NOK 139 million and NOK 2 667 million in bonds for which DnB NOR Markets has entered into repurchase agreements, repos, as at 31 December 2008 and 31 December 2007 respectively.*
3) *The liquidity portfolio of commercial paper and bonds in DnB NOR Markets was reclassified from the category "fair value through profit or loss" to "held-to-maturity investments" with effect from 1 July 2008.*
4) *Commercial paper and bonds carried at fair value in DnB NORD totalled NOK 6 623 million at year-end 2008. Like the rest of Europe, the bond markets in the Baltic region and Poland were affected by the financial turmoil. Measurement based on observable prices in active markets was thus possible for only part of the portfolio. DnB NORD has developed a model for pricing securities in inactive markets. The model has been used to estimate the value of a portfolio totalling NOK 2 979 million. The model is based on expected cash flows and risk pricing which increases in step with the difference between stated market prices and the discounted value of expected cash flows. If the stated market prices had been used, the value of the portfolio would have been reduced by just over NOK 217 million.*

Note 26 Shareholdings [1)]

	DnB NOR Group	
Amounts in NOK million	31 Dec. 2008	31 Dec. 2007
Quoted prices in an active market	5 164	4 700
Valuation technique based on observable market data	1 786	96
Valuation technique not based on observable market data	39	50
Shareholdings, trading	6 989	4 845
Quoted prices in an active market	9 212	35 678
Valuation technique based on observable market data	15 405	19 741
Valuation technique not based on observable market data [2)]	5 232	4 856
Shareholdings, designated as at fair value	29 850	60 276
Shareholdings	**36 839**	**65 121**

1) *Investments in shares are carried at fair value. Measurement at fair value is described in Note 1 Accounting principles in the annual report for 2008. The market situation in the fourth quarter has resulted in greater uncertainty regarding fair value assessments, especially for shares not listed on a stock exchange.*
2) *The Group's investments in Private Equity, PE, and Management Buyout Funds totalled NOK 2.8 billion at end-December 2008, of which NOK 2.4 billion represented PE investments in Vital. When determining fair values, the industry's recognised guidelines for PE valuations are used. The industry standard has been prepared by the European Private Equity & Venture Capital Association, EVCA. The method is considered to represent the best estimate of fair values for investments in not very liquid equity instruments. The valuation as at 31 December 2008 takes into account the IASB's statement of 3 October 2008 and the reference to the statement from the U.S. Securities and Exchange Commission, SEC on 30 September 2008, which provides guidance for the stipulation of fair values in an illiquid market. The value adjustment of PE and Management Buyout Funds in the fourth quarter is estimated at 70 per cent of the decline in value of a broadly composed equity index after discounting the effect of the reduction in share values in the financial industry, which is not considered to be representative for the mentioned investments. Based on this evaluation, values have been adjusted downwards by NOK 400 million in Vital and NOK 64 million in the rest of the portfolio. If there had been 100 per cent correlation, values would have declined by a further NOK 295 million.*

Note 27 Investments in shares, mutual funds and PCCs

	DnB NOR Group	
Amounts in NOK million	31 Dec. 2008	31 Dec. 2007
Total investments in shares, mutual funds and PCCs, excluding Vital	9 875	9 320
Total investments in shares, mutual funds and PCCs, Vital	26 964	55 802
Total investments in shares, mutual funds and PCCs	**36 839**	**65 122**

Specification of the largest investments in shares, mutual funds and PCCs as at 31 December 2008

DnB NOR Group excl. Vital

Recorded value in NOK 1 000	Number of shares	Ownership share in per cent [1]	Recorded value
Financial institutions			**65 779**
Norwegian companies			
Aker Seafoods [2]	5 800 917	11.9	38 460
DOF Installer [2]	443 550	7.9	53 226
Hammerfest Næringsinvest	12 000	19.4	18 000
Høyteknologisenteret i Bergen	5 589	3.9	16 767
Intelligent Quality	7 353	19.5	23 427
IT Fornebu Eiendom Holding	1 464 294	12.6	148 707
Marine Harvest [2]	84 351 963	2.4	89 413
Norsk Hydro [2]	792 266	0.1	22 088
Odfjell ser. A [2]	5 506 689	8.4	240 918
Odfjell ser. B [2]	2 309 517	11.0	103 120
Orkla [2]	2 356 292	0.2	105 986
Oslo Børs VPS Holding	8 233 680	19.2	617 526
Renewable Energy Corporation [2]	273 987	0.1	17 686
StatoilHydro [2]	1 261 935	0.0	143 797
Telenor [2]	1 441 447	0.1	66 811
Vakt Service	15 769	4.7	24 723
Yara International [2]	1 562 895	0.5	232 293
Other Norwegian companies			237 657
Total Norwegian companies			**2 200 606**
Companies based abroad			
Arrow Energy [2]	12 973 277	1.8	167 696
Bidco	16 353 981	5.1	67 475
Calpine Corp. [2]	500 000	0.1	25 341
Cape Investment Corp.	9 261	13.9	128 948
CH Offshore [2]	35 088 000	5.0	43 983
Deep Sea Supply [2]	3 100 000	2.4	21 576
Noble Corp. [2]	470 000	0.2	72 281
Pride International [2]	8 070 800	4.7	897 892
Scorpion Offshore [2]	12 000 000	20.0	188 400
Seadrill [2]	10 028 963	2.5	554 100
Ship Finance International [2]	701 982	1.0	56 154
Teekay Corp. [2]	2 000 000	2.8	273 605
Transocean [2]	250 006	0.1	82 240
Other companies based abroad			49 503
Total companies based abroad			**2 629 194**
Equity related derivatives [2]			**2 951 533**
Mutual funds			
Interest funds			1 439 935
Combination funds			2 037
Mutual funds			86 273
Hedge funds			32 438
Private equity funds			279 876
Other funds			186 868
Total mutual funds			**2 027 427**
Total investments in shares, mutual funds and PCCs			9 874 539

Vital

Recorded value in NOK 1 000	Number of shares	Ownership share in per cent [1]	Recorded value
Financial institutions			
Imarex	1 618 707	10.7	94 290
Storebrand	2 170 947	0.5	36 363
Other financial institutions			139 549
Total financial institutions			**270 203**
Norwegian companies			
Aker	128 871	0.2	17 655
Aker Solutions	1 279 807	0.5	57 591
Atea	1 411 978	1.5	23 439
Bergens Tidende	122 994	7.9	104 791
Fred Olsen Energy	144 910	0.2	26 663
Kongsberg Gruppen	142 519	0.5	46 746
Norsk Hydro	4 548 765	0.4	126 456
Norwegian Air Shuttle	1 667 837	5.2	61 543
Norwegian Property	6 089 907	3.0	37 027
Opera Software	1 495 108	1.3	26 762
Orkla	7 899 246	0.8	359 021
Petroleum Geo Services	1 966 349	1.1	54 370
Renewable Energy Corporation	1 166 564	0.2	75 243
Schibsted	242 251	0.3	20 107
StatoilHydro	7 251 588	0.2	825 956
Tandberg	526 987	0.5	39 735
Telenor	5 120 328	0.3	237 071
TGS Nopec Geo	1 514 951	1.4	52 493
Tomra Systems	1 491 786	1.2	35 206
Veidekke	861 375	0.6	19 209
Yara International	1 317 497	0.5	195 978
Other Norwegian companies			289 474
Total Norwegian companies			**2 732 536**
Companies based abroad			
Acergy	1 527 376	0.8	59 568
AT&T	100 371	0.0	20 030
Exxon Mobil	82 831	0.0	46 301
General Electric	205 379	0.0	23 297
Johnson and Johnson	44 252	0.0	18 539
Microsoft	188 001	0.0	25 591
Procter and Gamble	46 923	0.0	20 312
Prosafe	2 258 374	1.0	58 718
Seadrill	1 638 102	0.4	90 259
Other companies based abroad			1 886 812
Total companies based abroad			**2 249 426**
Mutual funds			
Interest funds			15 971 841
Mutual funds			1 439 682
Hedge funds			1 860 728
Private equity funds			2 439 605
Total mutual funds			**21 711 855**
Total investments in shares, mutual funds and PCCs			26 964 020

1) *Ownership share in per cent is based on the company's total share capital and does not include derivative contracts.*
2) *Shares and funds carried at fair value in DnB NOR Markets totalled NOK 5 050 million at year-end 2008, and equity-related derivatives represented NOK 2 952 million. DnB NOR Markets' equity investment are mainly an instrument in hedging its equity derivative exposure through the business area's market making activities. Value at Risk for operations in DnB NOR Markets represented approximately NOK 1 million at year-end 2008.*

Note 28 Financial assets and insurance liabilities, customers bearing the risk

	DnB NOR Group	
Amounts in NOK million	31 Dec. 2008	31 Dec. 2007
Mutual funds	5 907	10 496
Bond funds	3 041	1 906
Money market funds	1 325	1 090
Combination funds	2 549	3 845
Bank deposits	3 631	2 532
Total financial assets, customers bearing the risk [1)]	**16 454**	**19 868**
Total insurance liabilities, customers bearing the risk	**16 454**	**19 868**

1) *The figures show a breakdown of customer assets invested in products with a choice of investment profile.*

Note 29 Commercial paper and bonds, held to maturity

Information about the portfolios

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

The bank has chosen to cover its need for liquid securities by investing in high-quality international bonds. As at 31 December 2008, the liquidity portfolio in DnB NOR Markets represented NOK 99.1 billion. 98.9 per cent of the securities had an AAA rating, while none of the securities were rated lower than A. There were no synthetic securities in the portfolio and no investments in US sub-prime bonds or Collateralised Debt Obligations, CDOs. Residential Mortgage Backed Securities, RMBS, represented 75.4 per cent of the total portfolio, securitised loans to the corporate market 10.3 per cent, corresponding consumer finance loans 4.7 per cent and other loans 9.6 per cent.

		DnB NOR Group	
		Per cent	NOK million
	Rating	31 Dec. 2008	31 Dec. 2008
Asset class			
Consumer credit	AAA	5	4 753
Residential mortgages	AAA	75	76 243
Corporate loans	AAA/AA	10	10 415
Government-related	AAA	9	9 101
Insurance	AAA/AA/A	1	607
Total liquidity portfolio DnB NOR Markets [1)]		100	101 118
Accrued interest [2)]			(2 012)
Total liquidity portfolio DnB NOR Markets		100	99 106

1) *Nominal values.*
2) *Including amortisation effects in DnB NOR Markets' liquidity portfolio.*

Vital Forsikring's investments in bond portfolios are both in the form of ordinary financial investments and investments securing the company's long-term guaranteed rates of return to policyholders. Vital's portfolio comprises securities issued by borrowers with high credit worthiness. Bonds with government guarantees represented around 30 per cent of the portfolio at year-end 2008. The remaining funds were mainly invested in securities issued by municipalities, county municipalities and finance companies with sound credit quality. All investments in bonds issued by finance companies were in the form of senior debt, which ranks highest in the capital structure and has first priority if the issuer goes bankrupt. Only in exceptional cases does the company invest in securities issued by traditional manufacturing companies.

Classification

On 13 October 2008 the International Accounting Standards Board, IASB, approved amendments to IAS 39 Financial Instruments: Recognition and Measurements and IFRS 7 Financial Instruments – Disclosure. Following the amendments, it is permitted to reclassify certain financial assets in the categories "fair value through profit or loss" and "available for sale" to other categories for financial assets. To qualify for reclassification, special circumstances must have occurred and according to the IASB, the situation in the credit markets can be regarded as rare circumstances. Reclassification in the third quarter could be made with accounting effect from 1 July 2008. The EU approved the amendments on 15 October 2008. On 16 October 2008, the Ministry of Finance adopted regulations implementing the amendments to the accounting standards IAS 39 and IFRS 7.

Note 29 Commercial paper and bonds, held to maturity (continued)

In the third quarter accounts, the DnB NOR Group chose to reclassify the liquidity portfolio in DnB NOR Markets from the "fair value through profit or loss" category to the "held to maturity" category. This gave a NOK 3 001 million rise in profits compared with the result if the previous valuation principle had been retained. On the reclassification date, the book value of the portfolio was NOK 88.0 billion, while it had risen to NOK 99.1 billion at year-end 2008. The increase mainly reflected exchange rate movements.

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

Amounts in NOK million	4th quarter 2008	3rd quarter 2008	2nd quarter 2008	1st quarter 2008	Full year 2008	Full year 2007
Net interest income						
- amortisation effects	205	282			487	
Net gains on financial instruments at fair value						
- value adjustments			(94)	(1 733)	(1 827)	(1 337)
- maturity effects			327	167	494	84
Net gains on financial instruments at fair value	0	0	233	(1 566)	(1 333)	(1 253)
Recorded unrealised losses at end of period	2 099	2 304	2 586	2 819	2 099	1 253
Effects of reclassifications						
- amortisation effects	205	282			487	
- net gains on financial instruments at fair value	1 315	1 199			2 514	
Reduction in profits based on fair value measurement	1 520	1 481	0	0	3 001	0
Unrealised losses, valued at fair value	5 100	3 785	2 586	2 819	5 100	1 253

Measurement

With effect from 1 July 2008, the liquidity portfolio in DnB NOR Markets is reclassified as held-to-maturity investments. In addition, the bank invested in a portfolio of commercial papers with three to six month maturities of NOK 1.2 billion during the fourth quarter of 2008. Vital's held-to-maturity portfolio represented NOK 57.1 billion at end-December. Portfolios in this category are recorded at amortised cost and written down if there is objective evidence of a decrease in value.

To set fair values for the liquidity portfolio, price estimates on the same securities are obtained from a number of brokers and brokerage houses. The price estimates are then compared. An assessment is also made of own transactions and of price information from known new issues. The price estimates are subject to ongoing assessment and analysis.

In cases where no price information for the individual securities is available, values are estimated based on information about corresponding securities with equivalent characteristics, i.e. rating, maturity, country and other criteria.

The reclassification in accordance with the amendments to IAS 39, as described above, requires that the value of the liquidity portfolio based on the principles applied before the reclassification must be reported. In a normal market situation, the liquidity portfolio would have been recorded at external observable prices. Due to the financial turmoil, such prices have been virtually non-existent. In order to meet the disclosure requirement at end-December 2008, the liquidity portfolio has been measured at fair value according to models used for financial instruments not traded in an active market. The model applied is based on a regression analysis whereby historical market data (explanatory variables) which have been observable even during the financial turmoil are used to explain historical changes in value in the liquidity portfolio. During the period from the fourth quarter of 2006 up to and including the second quarter of 2008, the model shows a high level of correlation between changes in given market data and changes in value in the liquidity portfolio, which at the time was priced in an active market or through broker quotes which were believed to be fairly reliable. If this model had been applied to the liquidity portfolio in 2008, there would have been a loss of NOK 2 514 million. In addition, amortisation effects of NOK 487 million would have been reversed.

The remaining term to maturity of DnB NOR Markets' liquidity portfolio is estimated at three years, and the value of one basis point was NOK 30 million at year-end 2008. The model is based on developments in the iTraxx Senior Financials index and the Eurostat swap rate with two-year maturities. A one basis point change in the iTraxx index will give a NOK 20 million change in estimated value. A corresponding change in the Eurostat swap rate will correspond to NOK 32 million.

Valuation categories — **DnB NOR Group**

Amounts in NOK million	31 Dec. 2008	31 Dec. 2007
Commercial paper and bonds, held to matuity		
Quoted prices in an active market	10 536	10 044
Valuation technique based on observable market data	43 174	46 794
Valuation technique not based on observable market data	99 286	0
Accrued interest [1)]	(741)	1 502
Fair value commercial paper and bonds, held to matuity	152 255	58 340

1) Including amortisation effects in DnB NOR Markets' liquidity portfolio.

Note 29 Commercial paper and bonds, held to maturity (continued)

Portfolio structure

Amounts in NOK million	DnB NOR Group 31 Dec. 2008	31 Dec. 2007
Government/government-guaranteed	17 001	18 359
Government enterprises	2 437	2 534
Local governments	5 337	7 413
Financial institutions	112 643	23 593
Other issuers	18 479	6 241
Total commercial paper and bonds, held to maturity [1]	155 897	58 139
Accrued interest [2]	(741)	1 502
Commercial paper and bonds, held to maturity	**155 156**	**59 641**
Fair value commercial paper and bonds, held to maturity	152 255	58 340

1) *Nominal values.*
2) *Including amortisation effects in DnB NOR Markets' liquidity portfolio.*

Changes in holdings during the year

Amounts in NOK million	DnB NOR Group Commercial paper and bonds, held to maturity
Balance sheet as at 31 December 2006	**62 444**
Purchases [1]	6 534
Maturity	9 232
Adjustments	(105)
Balance sheet as at 31 December 2007	**59 641**
Purchases [1]	20 166
Reclassification	88 008
Maturity	10 416
Adjustments [2]	(2 243)
Balance sheet as at 31 December 2008	**155 156**

1) *Includes exchange rate effects.*
2) *Including amortisation effects in DnB NOR Markets' liquidity portfolio.*

Specification of bonds by currency

Amounts in NOK million	DnB NOR Group 31 Dec. 2008	31 Dec. 2007
NOK	48 583	52 731
EUR	66 787	4 964
USD	25 419	380
JPY	0	64
GBP	5 563	0
AUD	9 546	0
Total commercial paper and bonds, held to maturity [1]	155 897	58 139
Accrued interest [2]	(741)	1 502
Commercial paper and bonds, held to maturity	**155 156**	**59 641**

1) *Nominal values.*
2) *Including amortisation effects in DnB NOR Markets' liquidity portfolio.*

Duration

	DnB NOR Group 31 Dec. 2008	31 Dec. 2007
Norwegian bonds held by Vital - average remaining maturity (years)	5.0	4.9
International bonds held by Vital - average remaining maturity (years)	4.4	4.6
DnB NOR Markets' liquidity portfolio - average remaining maturity (years)	3.0	
Average effective interest - bonds held by Vital (per cent) [1]	5.0	4.9
Average effective interest - DnB NOR Markets' liquidity portfolio (per cent) [2]	3.3	

1) *The effective interest rate on individual bonds is calculated on the basis of the instrument's recorded value. Weighting to arrive at the average effective interest rate for the total holding is based on weights representing the bonds' percentage shares of total interest rate sensitivity.*
2) *The average effective interest rate at the time DnB NOR Markets' liquidity portfolio was reclassified was 6 per cent.*

Note 30 Investment properties

Investment properties owned by the Group are principally owned by Vital Forsikring. The properties in Vital are part of the life assurance legal reserve and are owned with the intention to achieve long-term returns for policyholders. Vital's property portfolio is recorded at fair value on the balance sheet date. Vital Forsikring values the properties based on internal models and external valuations. In the internal models, the present value of expected cash flows is estimated. Contractual cash flows are discounted with a normalised nominal required rate of return, whereas future non-contractual cash flows are discounted with a required rate of return which includes an extra risk premium. The model stipulates a required rate of return of 6.5 per cent during the contract period and, subsequent to this, 9.5 per cent for office premises. The anticipated inflation rate and the implicit assumption regarding real interest rates are kept unchanged during the two periods. The difference in the required rates of return thus solely reflects an increase in the risk premium. The increase in the risk premium of 3 percentage points is intended to compensate for the shift from a reliable and known cash flow to a cash flow which does not have the same degree of predictability. Hotels and shopping centres are valued using weighted differentiated required rates of return ranging from 8.3 to 10.1 per cent.

DnB NOR bases the calculation of the normalised required rate of return on a risk-free rate of interest, normally a government bond yield with a duration of three to five years, where a relevant risk premium related to the asset class or the project to be valued is subsequently added.

At end-December 2008, a complete review was made of the investment properties, based on the company's own valuation model. As a supplement to the values in the internal model, appraisals were obtained from two independent, external appraisers for 22 per cent of the property portfolio in Norway. Calculations and recorded values are somewhat higher than the average of the external appraisals, but are still within an acceptable reliability interval. The group's valuations are based on the best information regarding the properties' characteristics and values. The properties in Sweden are valued based on obtained appraisals.

There is a high level of uncertainty and low liquidity in the property market. Weighted return requirements increased by 1 percentage point to 8.8 per cent during 2008. The rental market is still sound, and market rents have levelled off at a high level. Current contractual rent for Vital's wholly-owned properties increased by 7.0 per cent during the year. At end-December 2008, more than 50 per cent of office rental contracts expiring in 2009 had been renegotiated at rental levels which will contribute to further growth in current rental income. Nevertheless, subsequent developments in the real economy in general and employment levels in particular have made developments in future market rents more uncertain. This has resulted in a 7.5 per cent reduction in future market rent in the model. The review resulted in total write-downs of NOK 3 201 million in 2008.

Valuations are particularly sensitive to changes in required rates of return and assumptions regarding future income flows. Other things equal, a 0.25 percentage point change in the required rate of return will change the value of the property portfolio by 3.5 per cent. Other things equal, a 5 per cent change in future market rents will change the value of the property portfolio by 4.2 per cent.

The property portfolio was restructured in 2008, whereby properties that were previously directly owned by Vital Forsikring were demerged in separate subsidiaries. The restructuring entailed that sales were no longer subject to stamp duties, thus contributing to an increase in the value of the portfolio. Seen in isolation, the restructuring resulted in a NOK 806 million increase in the value of investment properties in the first half of 2008, classified as net gains on assets in Vital along with the reduction in value referred to above.

	DnB NOR Group
Amounts in NOK million	Investment properties
Recorded value as at 31 December 2006	**25 816**
Additions, purchases of new properties	527
Additions, capitalised investments	505
Reclassification to other properties	10
Net gains resulting from adjustment to fair value	6 965
Disposals	316
Exchange rate movements	(407)
Recorded value as at 31 December 2007	**33 078**
Additions, purchases of new properties	1 680
Additions, capitalised investments	830
Net gains resulting from adjustment to fair value	(3 201)
Value changes due to restructuring	806
Disposals	956
Exchange rate movements	321
Recorded value as at 31 December 2008 [1)]	**32 558**

1) *Of which Vital* *32 392*

Amounts included in the income statement:	
Rental income from investment properties	2 002
Direct expenses (including repairs and maintenance) related to investment properties generating rental income	(390)
Direct expenses (including repairs and maintenance) related to investment properties not generating rental income	0
Contractual commitments related to the acquisition or construction of investment properties, not capitalised as at 31 December 2008	3 281

Note 31 Investments in associated companies

Amounts in NOK million	DnB NOR Group 2008	2007
Book value as at 1 January	1 435	1 515
Share of profits after tax	632	9
Additions/disposals	478	25
Dividends	(26)	(114)
Recorded value as at 31 December [1)]	**2 517**	**1 435**

						DnB NOR Group		
Amounts in NOK million	Assets 31 Dec. 2008 [2)]	Liabilities 31 Dec. 2008 [2)]	Income 2008 [2)]	Profit 2008 [2)]	Ownership share (%) 31 Dec. 2008	Recorded value 31 Dec. 2008	Fair value 31 Dec. 2008	Recorded value 31 Dec. 2007
Eksportfinans AS	296 901	289 693	5 305	3 614	40	2 112	2 112	1 062
Nordito AS [3)]	1 122	562	1 700	158	40	309	309	274
Doorstep AS	17	1	6	3	50	7	7	6
Other associated companies						89	89	93
Total						**2 517**		**1 435**

1) *Recorded values as at 31 December include deferred tax positions and value adjustments not reflected in the company's balance sheet.*
2) *Values in the accounts of associated companies.*
3) *BBS and Teller were merged with effect from 22 December 2007, forming the company Blå Holding. The company changed its name to Nordito AS in March 2008.*

Through a guarantee agreement, a syndicate consisting of the owners of Eksportfinans AS took over the risk of potential losses in value in the company's liquidity portfolio with effect from 1 March 2008. After this time, Eksportfinans AS will be compensated for shortfalls in portfolio values for up to NOK 5 billion. Any increase in value will accrue to the guarantors. DnB NOR's costs related to the guarantee are recorded in the accounts under the same items as profits from and investments in Eksportfinans AS.

Note 32 Intangible assets

Amounts in NOK million	DnB NOR Group 31 Dec. 2008	31 Dec. 2007
Goodwill [1)]	6 665	6 660
Postbanken brand name [1)]	51	51
Capitalised systems development	1 108	653
Sundry intangible assets	656	379
Total intangible assets	**8 480**	**7 742**

1) *See note 33 for information regarding cash-generating units with goodwill and intangible assets with an indefinite useful life.*

DnB NOR Group

Amounts in NOK million	Goodwill	Postbanken brand name	Capitalised systems development	Sundry intangible assets	Total
Recorded value as at 31 December 2006	**5 823**	**51**	**520**	**77**	**6 471**
Additions	99		309	59	466
Additions from the acquisition/establishment of other companies	1 019		3	275	1 297
Disposals			3		3
Impairment [1)]	72		57	5	134
Depreciation			118	28	146
Exchange rate movements	(209)				(209)
Recorded value as at 31 December 2007	**6 660**	**51**	**653**	**379**	**7 742**
Original cost	9 204	119	1 580	571	11 475
Total depreciation and impairment	2 545	68	927	192	3 733
Recorded value as at 31 December 2007	**6 660**	**51**	**653**	**379**	**7 742**
Additions			594		594
Additions from the acquisition/establishment of other companies	673			487	1 160
Disposals	10		12	103	126
Impairment	1 000		18	14	1 032
Depreciation	0		128	137	265
Exchange rate movements	343		20	45	407
Recorded value as at 31 December 2008	**6 665**	**51**	**1 108**	**656**	**8 480**
Original cost	10 038	119	2 171	954	13 282
Total depreciation and impairment	3 372	68	1 063	298	4 801
Recorded value as at 31 December 2008	**6 665**	**51**	**1 108**	**656**	**8 480**

1) *Write-downs on outdated IT systems in Vital in connection with the introduction of new regulations for life insurance companies.*

Note 33 Cash-generating units with goodwill and intangible assets with an indefinite useful life

In the DnB NOR Group's balance sheet, the individual goodwill items and intangible assets with an indefinite useful life are allocated to cash-generating units according to which units benefit from the acquired asset. The cash-generating unit is chosen based on considerations relating to where it is possible to identify and distinguish cash flows related to the unit. A cash-generating unit may record goodwill from several transactions, and an impairment test is then performed on the total goodwill entered in the accounts in the cash-generating unit. The table below shows the different cash-generating units and the total capitalised value of goodwill and intangible assets with an indefinite useful life in each unit.

Goodwill		**DnB NOR Group**	
Amounts in NOK million		Recorded goodwill	
Cash-generating unit	Grounds for choosing cash-generating unit	31 Dec. 2008	31 Dec. 2007
DnB NOR Asset Management	Total goodwill from units in the business area is assesed collectively and the cash-generating unit represents the entire business area. Operations are integrated, and synergies and rationalisation effects have been realised throughout the organisation.	1 899	2 588
DnB NORD	51 per cent of recorded goodwill in DnB NORD. Goodwill stems from the establishment of DnB NORD in 2005 when the bank acquired the operations in the Baltic States and Poland from NORD/LB and from the acquisition of BISE Bank in Poland in 2007.	874	792
Retail Banking – Regional Division East and Coast	The item mainly consists of goodwill from the merger between DnB and Gjensidige NOR, plus some goodwill from previously acquired offices in Gjensidige NOR. The cash-generating unit will be the total regional network for the DnB NOR brand.	540	540
Cresco	Goodwill from the merger between DnB and Gjensidige NOR, plus the previous acquisition premium from the acquisition of Gjensidige Bank's credit card portfolio. The goodwill is evaluated against the cash flow from external distribution of card products under the Cresco brand in DnB NOR Kort.	502	502
Nordlandsbanken	Goodwill represents the acquisition premium from the acquisition of Nordlandsbanken. Nordlandsbanken remains a separate company in the DnB NOR Group and is a logical cash-generating unit.	478	478
Corporate Banking and Payment Services - Regional Division East and Coast	The item consists of goodwill from the merger between DnB and Gjensidige NOR allocated to corporate customers and is assessed against operations in the regional network in Corporate Banking and Payment Services.	448	448
DnB NOR Finans - Car financing in Norway	Goodwill from the acquisition of SkandiaBanken Bilfinans i Norway. The operations were taken over with effect from 31 January 2008.	365	
DnB NOR Finans - Car financing in Sweden	Goodwill from the acquisition of SkandiaBanken Bilfinans i Sweden. The operations were taken over with effect from 29 February 2008.	252	
Svensk Fastighetsförmedling	Goodwill from the acquisition of Svensk Fastighetsförmedling in the second quarter of 2007. The goodwill represents the value of greater distribution power in Sweden for the sale of housing loans and other products from the banking group.	290	335
SalusAnsvar	DnB NOR acquired 96 per cent of SalusAnsvar in the fourth quarter of 2007 and the remaining 4 per cent of the shares in 2008. Goodwill represents the value of greater distribution power in the Swedish retail and corporate markets.	349	317
Vital	Goodwill consists of the acquisition premium from the acquisition of Vital and Gjensidige NOR Spareforsikring's pure endowment insurance portfolio plus capitalised goodwill in Vital.	215	218
DnB NOR Finans	Goodwill from the aquisition of leasing portfolio and operations within vendor-based car financing in Sweden.	105	99
Other		349	343
Total goodwill		6 665	6 660

Intangible assets with an indefinite useful life		**DnB NOR Group**	
Amounts in NOK million		Recorded value	
Cash-generating unit	Grounds for choosing cash-generating unit	31 Dec. 2008	31 Dec. 2007
Postbanken	As of 1 January 2005, the Postbanken brand name is classified as an intangible asset with an indefinite useful life.	51	51

Note 33 Cash-generating units with goodwill and intangible assets with an indefinite useful life (continued)

Testing of values

Impairment testing of capitalised values is done by discounting expected future cash flows from the unit. The assessments are based on value in use of the different cash-generating units. The cash flows are based on historical results and available budgets and plan figures approved by management. Beyond the plan period, which in most cases is three years, cash flow trends are assumed to reflect the general expected economic growth rate. Alternatively, a specific average growth factor for relevant products, industries or countries in which the unit operates could be used. The table below shows average annual growth rates employed in the impairment tests.

The discount rate is based on an assessment of the market's required rate of return for the type of activity performed in the cash-generating unit. This required rate of return reflects the risk of operations. Impairment tests are generally performed on cash flows after tax in order to be able to directly employ the market's required rate of return. If the test shows that there may be a need for impairment, an assessment is also made of the pre-tax value of the cash flows.

Key assumptions for impairment testing — **DnB NOR Group**

Per cent

Type of operation	Cash-generating unit	Required rate of return after tax	Average long-term growth
Asset management	DnB NOR Asset Management	10	2
Banking operations in Norway (loans and deposits)	Retail Banking - Regional Division East and Coast, Corporate Banking and Payment Services - Regional Division East and Coast, Nordlandsbanken, Postbanken	10	2
Banking operations in Baltic states and Poland	DnB NORD Lithuania	16	4
	DnB NORD Latvia	13	4
	DnB NORD Poland	11	4
Banking operations in Sweden	Corporate Banking and Payment Services Sweden, Svensk Fastighetsförmelding, Salus Ansvar	10	2
Banking operations in Russia	DnB NOR Monchebank	12	2
Equities	Equities operations in DnB NOR Markets	15	2
Life insurance	Vital	10	2
Credit card operations	Amex, Cresco	10	2
Finance company	DnB NOR Finans- car financing and leasing in Norway and Sweden	10	2

Impairment losses for goodwill in 2008

There were difficult market conditions for asset management operations in 2008. Income in DnB NOR Asset Management is directly related to the value of the various mutual funds managed by the entity. In consequence of the financial crisis and falling market values, there was a significant reduction in income. Future developments in income are conditional on market values improving and customers trusting that mutual fund products are a good investment alternative. The impairment test takes into account the considerable uncertainty associated with developments in market values and sales of mutual fund products, which will have a profound impact on future income flows. Consequently, a prudent estimate has been used for income from operations over the next few years, while costs are assumed to be reduced by a total of approximately NOK 100 million over a three-year period. The profit contribution from DnB NOR Asset Management in 2011 is expected to be on a level with the 2008 figure, while long-term growth is estimated at 2 per cent. A required rate of return of 10 per cent after tax has been used, which corresponds to around 12.5 per cent before tax. The test identified an impairment loss of SEK 947 million, which is the equivalent of NOK 850 million in DnB NOR Asset Management.

Svensk Fastighetsförmedling AB was acquired with effect from 30 June 2007. Goodwill from the acquisition represented the value of greater distribution power in the Swedish market for the sale of housing loans and other products from the DnB NOR Group. In consequence of the financial crisis, housing sales are expected to be reduced, coupled with more sluggish demand for housing loans, which will influence income from these operations. Future income from the sale of housing loans in Sweden has been conservatively estimated. The Swedish housing loan portfolio totalled NOK 5.0 billion at year-end 2008, while annual net sales of approximately NOK 3.0 billion are expected over the coming three-year period. No income is assumed to be generated from increased sales of other types of products in the Swedish market. A required rate of return of 10 per cent after tax has been used, which corresponds to around 12.2 per cent before tax. The test identified an impairment loss of SEK 116 million, which is the equivalent of NOK 104 million.

In connection with the establishment of DnB NORD in 2005, the company took over NORD/LB's existing subsidiary banks in the Baltic region and Poland. Recorded goodwill in DnB NORD stems from these transactions and from the acquisition of BISE Bank in Poland in 2007. Major parts of DnB NORD's operations take place in a region that has been through a long period of brisk economic growth. However, the Baltic states in particular experienced a sharp downturn during 2008, and it is expected that the negative trend will continue in 2009. The cash flows underlying the valuation reflect expectations of sluggish growth and relatively high write-downs on loans. The cash flows are based on financial plans approved by DnB NORD's Board of Directors, but also reflect the possibility of more negative developments and a deeper recession than assumed in the financial plans. The test identified an impairment loss of EUR 15 million for operations in Lithuania in 2008, corresponding to a NOK 147 million reduction in balance sheet values at year-end 2008, of which DnB NOR's share was NOK 75 million.

Note 33 Cash-generating units with goodwill and intangible assets with an indefinite useful life (continued)

A required rate of return of 16 per cent after tax has been used in the valuation of Lithuania. No basis for impairment losses has been identified for other DnB NORD units based on the situation at year-end 2008. However, it cannot be excluded that developments will be more negative than expected, which could require impairment losses on a later date.

With respect to the Group's other cash-generating units, the value of discounted future cash flows exceeds the value of recorded goodwill with a good margin, and no reason has been found to record other impairment losses**.** These conclusions are based on financial plans assuming a gradual normalisation of the macro-economic situation. A deeper and more protracted recession than expected could create a need for impairment losses in connection with subsequent evaluations.

Acquired goodwill in 2008

DnB NOR Finans acquired SkandiaBanken Bilfinans in Norway and Sweden with effect from 31 January and 29 February 2008, respectively. Goodwill from the acquisition in Norway was NOK 365 million and from the acquisition in Sweden SEK 278 million. DnB NOR Finans offers loans, leasing and fleet management in Norway and Sweden. After the completion of these transactions, the company had a market share within car financing of approximately 30 per cent in Norway and just below 20 per cent in Sweden.

Note 34 Fixed assets

	DnB NOR Group	
Amounts in NOK million	31 Dec. 2008	31 Dec. 2007
Bank buildings and other properties	570	424
Machinery, equipment and vehicles	4 577	2 955
Other fixed assets	180	118
Total fixed assets	**5 326**	**3 496**

	DnB NOR Group		
Amounts in NOK million	Bank buildings and other properties	Machinery, equipment and vehicles	Total [1)]
Recorded value as at 31 December 2006	3 241	2 004	5 245
Additions	241	1 722	1 963
Additions from the aquisition/establishment of other companies	1	19	20
Fixed assets, reclassified as held for sale	207		207
Disposals	2 695	164	2 859
Impairment	25	3	28
Depreciation	128	616	744
Exchange rate movements	(4)	(7)	(11)
Recorded value as at 31 December 2007	424	2 955	3 379
Original cost	537	5 999	6 536
Total depreciation and impairment	113	3 044	3 157
Recorded value as at 31 December 2007	424	2 955	3 379
Additions	120	2 371	2 492
Additions from the aquisition/establishment of other companies			
Fixed assets, reclassified as held for sale			
Disposals	10	335	345
Impairment	1	2	2
Depreciation	21	779	800
Exchange rate movements	57	366	424
Recorded value as at 31 December 2008	570	4 577	5 146
Original cost	676	8 218	8 894
Total depreciation and impairment	106	3 641	3 747
Recorded value as at 31 December 2008	570	4 577	5 146

The DnB NOR Group has not furnished security for loans/funding of fixed assets, including property.

1) *The total does not include "Other fixed assets".*

Note 35 Leasing

Financial leasing (as lessor)	DnB NOR Group	
	31 Dec.	31 Dec.
Amounts in NOK million	2008	2007
Gross investment in the lease		
Due within 1 year	5 607	4 046
Due in 1-5 years	25 492	18 550
Due in more than 5 years	2 980	2 263
Total gross investment in the lease	34 079	24 859
Present value of minimum lease payments		
Due within 1 year	3 475	2 588
Due in 1-5 years	20 777	15 207
Due in more than 5 years	5 081	3 792
Total present value of lease payments	29 332	21 587
Unearned financial income	4 746	3 272
Unguaranteed residual values accruing to the lessor	34	33
Accumulated loan-loss provisions	367	102
Variable lease payments recognised as income during the period	28	25

Operational leasing (as lessor)	DnB NOR Group	
	31 Dec.	31 Dec.
Amounts in NOK million	2008	2007
Future minimum lease payments under non-cancellable leases		
Due within 1 year	2 061	1 738
Due in 1-5 years	5 959	6 589
Due in more than 5 years	1 640	2 073
Total future minimum lease payments under non-cancellable leases	9 660	10 400

Operational leasing (as lessee)	DnB NOR Group	
	31 Dec.	31 Dec.
Amounts in NOK million	2008	2007
Minimum future lease payments under non-cancellable leases		
Due within 1 year	99	82
Due in 1-5 years	1 265	1 098
Due in more than 5 years	7 835	2 834
Total minimum future lease payments under non-cancellable leases	9 200	4 014
Total minimum future sublease payments expected to be received under non-cancellable subleases	115	135
Leases recognised as an expense during the period		
Minimum lease payments	734	423
Variable lease payments	1	0
Total leases recognised as an expense during the period	735	423
Write-downs on leases	19	12

Financial leasing (as lessor)
The DnB NOR Group's financial leasing operations apply to DnB NOR Finans and DnB NORD in Poland and the Baltic States.

Operational leasing (as lessor)
Comprises operational leasing operations in DnB NOR Finans and DnB NORD in Poland, in addition to leasing of investment properties in Vital.

Operational leasing (as lessee)
Mainly comprises premises leased by DnB NOR Bank. The strong growth in contractual minimum lease payments which are due in more than five years must be seen in conjunction with the agreement to lease new headquarters in Bjørvika in Oslo, which will be ready in 2012.

Note 36 Other assets

Amounts in NOK million	DnB NOR Group 31 Dec. 2008	31 Dec. 2007
Past due, unpaid insurance premiums	1 583	1 368
Unsettled contract notes	958	2 080
Accrued expenses and prepaid revenues	937	1 385
Amounts outstanding on documentary credits and other payment services	585	793
Receivables from the sale of buildings and property companies	-	3 026
Other amounts outstanding	5 173	2 730
Total other assets	**9 236**	**11 382**

Note 37 Loans and deposits from credit institutions

Amounts in NOK million	DnB NOR Group 31 Dec. 2008	31 Dec. 2007
Loans and deposits from credit institutions, trading	84 370	81 626
Loans and deposits from credit institutions, designated as at fair value	29 181	30
Loans and deposits from credit institutions, amortised cost	65 272	62 541
Loans and deposits from credit institutions	**178 822**	**144 198**
Of which contractual obligations	*178 147*	*143 696*

Note 38 Deposits from customers

Amounts in NOK million	DnB NOR Group 31 Dec. 2008	31 Dec. 2007
Deposits from customers, trading	10 019	20 685
Deposits from customers, designated as at fair value	23 164	17 980
Deposits from customers, amortised cost	564 059	499 486
Deposits from customers	**597 242**	**538 151**
Of which contractual obligations	*596 474*	*538 845*

Customer deposits for principal sectors

Amounts in NOK million	31 Dec. 2008	31 Dec. 2007
Retail customers	229 737	207 693
International shipping	58 123	46 987
Real estate	30 511	34 539
Manufacturing	28 555	22 109
Services	104 684	97 802
Trade	30 915	25 681
Oil and gas	21 573	12 475
Transportation and communication	17 194	15 987
Building and construction	11 133	10 792
Power and water supply	11 497	10 180
Seafood	3 287	2 878
Hotels and restaurants	1 805	2 059
Agriculture and forestry	2 677	2 627
Central and local government	23 924	23 822
Finance	20 861	23 213
Total deposits from customers, nominal amount	596 474	538 845
Adjustments	769	(694)
Deposits from customers	**597 242**	**538 151**

Note 39 Securities issued

Amounts in NOK million	DnB NOR Group 31 Dec. 2008	31 Dec. 2007
Commercial paper issued, nominal amount	194 852	97 806
Bond debt, nominal amount 1)	397 443	272 432
Adjustments	13 927	1 546
Total securities issued	**606 222**	**371 784**

Changes in securities issued

DnB NOR Group

Amounts in NOK million	Balance sheet 31 Dec. 2008	Issued 2008	Matured/ redeemed 2008	Exchange rate movements 2008	Changes in adjustments 2008	Balance sheet 31 Dec. 2007
Commercial paper issued, nominal amount	194 852	408 367	319 862	8 542	0	97 806
Bond debt, nominal amount 1)	397 443	131 460	75 929	69 421	59	272 432
Adjustments	13 927	0	0	0	12 381	1 546
Total securities issued	**606 222**	**539 827**	**395 791**	**77 963**	**12 440**	**371 784**

Maturity of securities issued recorded at amortised cost as at 31 December 2008 1) 2)

DnB NOR Group

Amounts in NOK million	NOK	Foreign currency	Total
2009	0	149	149
Total commercial paper issued, nominal amount	0	149	149
2009	0	86 466	86 466
2010	0	82 630	82 631
2011	0	89 057	89 057
2012	0	36 714	36 714
2013	0	43 532	43 532
2014	0	11 221	11 221
2015 and later	0	24 300	24 300
Total bond debt, recorded at amortised cost, nominal amount	0	373 920	373 921
Total securities issued recorded at amortised cost, nominal amount	0	374 069	374 070

Maturity of securities issued recorded at fair value as at 31 December 2008 1) 3)

DnB NOR Group

Amounts in NOK million	NOK	Foreign currency	Total
2009	5 006	189 697	194 703
Total commercial paper issued, nominal amount	5 006	189 697	194 703
2009	1 817	0	1 817
2010	7 443	23	7 466
2011	4 645	0	4 645
2012	1 097	0	1 097
2013	1 924	0	1 924
2014	4 521	0	4 521
2015 and later	2 053	0	2 053
Total bond debt, nominal amount	23 500	23	23 522
Total securities issued recorded at fair value, nominal amount	28 505	189 720	218 226
Adjustments	879	13 048	13 927
Securities issued	29 385	576 838	606 222

1) *Minus own bonds. Outstanding covered bonds in DnB NOR Boligkreditt totalled NOK 126.8 billion as at 31 December 2008. The cover pool represented NOK 181.9 billion.*
2) *Includes hedged items.*
3) *Widening credit margins gave a NOK 1 042 million reduction in securities issued recorded at fair value.*

Note 40 Subordinated loan capital and perpetual subordinated loan capital securities

	DnB NOR Group	
Amounts in NOK million	31 Dec. 2008	31 Dec. 2007
Term subordinated loan capital, nominal amount	25 432	17 578
Perpetual subordinated loan capital, nominal amount	8 007	6 747
Perpetual subordinated loan capital securities, nominal amount 1)	9 742	8 746
Adjustments	2 044	155
Total subordinated loan capital and perpetual subordinated loan capital securities	**45 225**	**33 226**

Changes in subordinated loan capital and perpetual subordinated loan capital securities

	DnB NOR Group					
Amounts in NOK million	Balance sheet 31 Dec. 2008	Issued 2008	Matured/ redeemed 2008	Exchange rate movements 2008	Changes in adjustments 2008	Balance sheet 31 Dec. 2007
Term subordinated loan capital, nominal amount	25 432	8 747	3 196	2 304	0	17 578
Perpetual subordinated loan capital, nominal amount	8 007	0	0	1 260	0	6 747
Perpetual subordinated loan capital securities, nominal amount 1)	9 742	0	0	992	3	8 746
Adjustments	2 044	0	0	0	1 888	155
Total subordinated loan capital and perpetual subordinated loan capital securities	**45 225**	**8 747**	**3 196**	**4 557**	**1 892**	**33 226**

	DnB NOR Group					
Year raised	Recorded value in foreign currency		Interest rate	Maturity	Call date	Recorded value in NOK
Term subordinated loan capital						
2003	GBP	200	5.125% p.a.	2015	2010	2 024
2003	EUR	15	6-month EURIBOR + 0.61%	2013		147
2004	EUR	200	3-month EURIBOR + 0.30%	2016	2011	1 958
2004	EUR	11	6-month EURIBOR + 1.40%	2014	2009	108
2004	EUR	14	6-month EURIBOR + 0.61%	2014		137
2005	EUR	200	3-month EURIBOR + 0.20%	2015	2010	1 958
2005	EUR	3	4.39% p.a.	2015		24
2005	EUR	15	6-month EURIBOR + 0.60%	2015		147
2005	EUR	13	6-month EURIBOR + 0.60%	2015		127
2006	USD	500	3-month LIBOR + 0.23%	2016	2011	3 481
2006	EUR	500	3-month EURIBOR + 0.20%	2017	2012	4 896
2007	GBP	150	6.52% p.a.	2017	2012	1 518
2007	EUR	19	6-month EURIBOR + 0.90%	2017		181
2008	GBP	250	6.17% p.a.	2018	2013	2 530
2008	NOK	1 200	3-month NIBOR +1.60%	2018	2013	1 200
2008	NOK	250	7.60% p.a.	2018	2013	250
2008	GBP	400	7.25% p.a.	2020	2015	4 048
2008	EUR	49	6-month EURIBOR + 2.40%	2013		480
2008	EUR	25	6-month EURIBOR + 2.40%	2013		240
Recorded costs						(22)
Total, nominal amount						25 432
Perpetual subordinated loan capital						
1985	USD	215	3-month LIBOR + 0.25%			1 497
1986	USD	150	6-month LIBOR + 0.15%			1 044
1986	USD	200	6-month LIBOR + 0.125%			1 392
1996	JPY	3 000	4.00% p.a.		2011	232
1996	JPY	7 000	4.00% p.a.		2011	540
1999	JPY	10 000	4.51% p.a.		2029	772
2006	GBP	250	4.875% p.a.		2011	2 530
Total, nominal amount						8 007
Perpetual subordinated loan capital securities 1)						
2001	USD	400	7.729% p.a.		2011	2 785
2002	EUR	350	7.07% p.a.		2012	3 427
2007	GBP	350	6.0116% p.a.		2017	3 542
Recorded costs						(12)
Total, nominal amount						9 742

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. Kredittilsynet may require the securities to be written down proportionally to equity if the bank's core capital ratio falls below 5 per cent or the 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.*

Note 41 Provisions

Amounts in NOK million	Issued financial guarantees 1)	Pension commitments 2)	Allocations to employees 3)	Other provisions	Total provisions
					DnB NOR Group
Recorded value as at 31 December 2007	**151**	**4 342**	**476**	**238**	**5 207**
New provisions, recorded in the accounts	81	0	0	352	433
Amounts used	35	0	476	58	569
Reversals of unutilised provisions	0	0	0	8	8
Other changes	6	(156)	0	5	(144)
Recorded value as at 31 December 2008	**203**	**4 186**	**0**	**529**	**4 918**

1) *Liabilities included in issued financial guarantees are measured at fair value in the balance sheet. Nominal guarantee commitments are recorded off the balance sheet, see note 56 Off-balance sheet transactions, contingencies and post-balance sheet events.*
2) *Pension commitments before net overfunding are included. See note 11 Pensions for a specification of changes in pension commitments recorded in 2008.*
3) *There were no allocations to employees for 2008.*

Note 42 Other liabilities

Amounts in NOK million	31 Dec. 2008	31 Dec. 2007
		DnB NOR Group
Short-term funding	1 307	3 305
Accrued expenses and prepaid revenues	4 220	4 351
Liabilities related to factoring	154	456
Documentary credits, cheques and other payment services	925	1 667
Unsettled contract notes	3 139	6 153
Accounts payable	474	2 207
Other liabilities	5 190	9 579
Total other liabilities	**15 410**	**27 717**

Note 43 Capital adequacy and capitalisation policy

The DnB NOR 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.

Primary capital	**DnB NOR Bank ASA**		**DnB NOR Bank Group**		**DnB NOR Group**	
Amounts in NOK million	31 Dec. 2008	31 Dec. 2007	31 Dec. 2008	31 Dec. 2007	31 Dec. 2008	31 Dec. 2007
Share capital	17 514	17 514	17 514	17 514	13 327	13 327
Other equity	51 702	43 659	59 969	48 553	67 949	62 649
Total equity	69 217	61 173	77 483	66 068	81 275	75 976
Deductions						
Pension funds above pension commitments	0	(14)	(1)	(19)	(152)	(171)
Goodwill	(1 657)	(1 653)	(4 737)	(3 880)	(6 854)	(6 689)
Deferred tax assets	(10)	(8)	(306)	(208)	(316)	(215)
Other intangible assets	(516)	(435)	(1 584)	(893)	(1 842)	(1 093)
Dividends payable	0	0	0	0	0	(5 997)
Unrealised gains on fixed assets	0	0	(30)	(30)	(30)	(30)
50 per cent of investments in other financial institutions	(1 070)	(1 045)	(1 070)	(1 045)	0	(2)
50 per cent of expected losses exceeding actual losses, IRB portfolios	(288)	(394)	(339)	(399)	(339)	(399)
Adjustments for unrealised losses/ (gains) on debt recorded at fair value	(323)	(22)	(2 284)	(164)	(2 284)	(164)
Additions						
Portion of unrecognised actuarial gains/losses, pension costs [1]	555	1 109	594	1 186	608	1 214
Equity Tier 1 capital	65 908	58 713	67 726	60 617	70 066	62 430
Perpetual subordinated loan capital securities [2) 3)]	9 742	8 746	9 945	8 962	9 945	8 962
Core capital	75 649	67 459	77 671	69 579	80 010	71 392
Perpetual subordinated loan capital	8 007	6 747	8 007	6 747	8 007	6 747
Term subordinated loan capital [3]	23 843	16 755	26 083	17 917	26 083	17 917
Deductions						
50 per cent of investments in other financial institutions	(1 070)	(1 045)	(1 070)	(1 045)	0	(2)
50 per cent of expected losses exceeding actual losses, IRB portfolios	(288)	(394)	(339)	(399)	(339)	(399)
Additions						
45 per cent of unrealised gains on fixed assets	0	0	18	18	18	18
Supplementary capital	30 492	22 063	32 700	23 238	33 770	24 281
Total eligible primary capital [4]	106 141	89 522	110 371	92 816	113 780	95 673
Risk-weighted volume	965 059	750 206	1 120 428	886 099	1 200 590	991 455
Minimum capital requirement	77 205	60 016	89 634	70 888	96 047	79 316
Equity Tier 1 ratio (per cent)	6.8	7.8	6.0	6.8	5.8	6.3
Core capital ratio (per cent)	7.8	9.0	6.9	7.9	6.7	7.2
Capital ratio (per cent)	11.0	11.9	9.9	10.5	9.5	9.6

1) *Upon implementation of NRS 6A (IAS 19) in 2005, unrecognised actuarial gains/losses for pension commitments were charged to equity in the accounts. The Ministry of Finance has established a transitional rule whereby one-fifth of the amount recorded against equity can be included in capital adequacy calculations in 2008, as the last year of the transitional period.*
2) *Perpetual subordinated loan capital securities can represent up to 15 per cent of core capital. The excess will qualify as perpetual supplementary capital.*
3) *As at 31 December 2008, calculations of capital adequacy included a total of NOK 853 million in subordinated loan capital in associated companies, in addition to subordinated loan capital in the balance sheets of the banking group and the DnB NOR Group.*
4) *Primary capital and nominal amounts used in calculating risk-weighted volume deviate from figures in the DnB NOR Group's accounts, as associated companies which are assessed according to the equity method in the accounts, are assessed according to the gross method in capital adequacy calculations.*

Due to transitional rules, the minimum capital adequacy requirements for 2007, 2008 and 2009 cannot be reduced below 95, 90 and 80 per cent respectively relative to the Basel I requirements.

Note 43 Capital adequacy and capitalisation policy (continued)

Specification of risk-weighted volume and capital requirements — **DnB NOR Group**

Amounts in NOK million	Nominal exposure 31 Dec. 2008	EAD [1] 31 Dec. 2008	Risk-weighted volume 31 Dec. 2008	Capital requirements 31 Dec. 2008
IRB approach				
Corporate	121 879	113 656	85 329	6 826
Retail - residential property	443 107	442 846	48 054	3 844
Total credit risk, IRB approach	564 986	556 502	133 383	10 671
Standardised approach				
Central and regional government	95 877	89 410	7 530	602
Institutions	183 381	164 655	35 371	2 830
Corporate	924 274	728 849	729 816	58 385
Specialised Lending (SL)	10 519	9 868	9 868	789
Retail - mortgage loans	46 003	44 701	17 554	1 404
Retail - credit card exposures (QRRE)	53 499	11 946	9 172	734
Other retail	103 269	79 679	59 384	4 751
Equity positions	2 607	2 607	2 744	220
Securitisation	99 106	99 106	19 883	1 591
Total credit risk, standardised approach	1 518 534	1 230 822	891 321	71 306
Total credit risk	2 083 520	1 787 324	1 024 704	81 976
Other assets			10 126	810
Market risk, standardised approach			30 147	2 412
Operational risk			53 478	4 278
Vital, after eliminations			83 135	6 651
Deductions			(1 001)	(80)
Total Basel II			1 200 590	96 047
Difference i capital requirements due to transitional rules in 2007-2009				0
Capital requirements				96 047

1) *EAD, exposure at default.*

Basel II implementation

Further progress

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

	31 Dec. 2008			31 Dec. 2009			31 Dec. 2010		
	Approaches			Approaches			Approaches		
Portfolios	Standardised	Foundation IRB	Advanced IRB	Standardised	Foundation IRB	Advanced IRB	Standardised	Foundation IRB	Advanced IRB
Mortgage loans, DnB NOR Bank and DnB NOR Boligkreditt			X			X			X
Retail small and medium-sized entities in DnB NOR Bank		X				X			X
Qualifying revolving retail exposure, DnB NOR Kort	X					X			X
Corporates, leasing and loans in Norway in DnB NOR Finans excluding the portfolio from SkandiaBanken Bilfinans	X					X			X
Corporates, factoring and large clients in Norway in DnB NOR Finans plus the car portfolio in Sweden	X			X					X
Corporates, large corporate customers in Norway in DnB NOR Bank	X			X					X
Corporates, other corporate clients in DnB NOR Bank	X			X					X
Institutions, banks and financial institutions	X			X					X
Mortgage loans, retail small and medium-sized entities, other portfolios, Nordlandsbanken	X			X					X
Approved exceptions: government and municipalities, equity positions, commercial paper	X			X			X		
Temporary exceptions: DnB NORD, DnB NOR Luxembourg, Monchebank and various other portfolios	X			X			X		

Note 43 Capital adequacy and capitalisation policy (continued)

Capitalisation policy

The Board of Directors approved a new capitalisation policy in connection with the transition to Basel II. The policy sets forth that core capital as part of risk-weighted volume shall be minimum 8 per cent upon full introduction of the IRB system. By the end of 2010, most of the IRB system will be in place. This target will be operationalised by aiming for a core capital ratio of 8 per cent for the Group by year-end 2010. The Group's capitalisation level shall support the bank's AA level rating target for ordinary long-term funding. Relative to the current risk-weighted volume, which is based on a combination of the standardised approach and the IRB approach, it has been estimated that measurement according to the IRB approach would have given a reduction in risk-weighted volume of approximately 30 per cent at year-end 2008. Cyclicality in the models based on an anticipated negative economic trend will probably result in a slightly lower reduction on the planned implementation date. The Board of Directors will continually review the capitalisation requirement in light of international developments.

Note 44 Risk

Risk management in DnB NOR

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

Organisation and authorisation structure

- *Board of Directors*. The Board of Directors of DnB NOR ASA sets long-term targets for the Group’s risk profile. The risk profile is operationalised through the risk management framework, including the establishment of authorisations.
- *Authorisations*. Authorisations must be in place for the extension of credit and for position and trading limits in all critical financial areas. All authorisations are personal. Authorisations and group limits are determined by the Board of Directors and can be delegated in the organisation, though any further delegation requires approval by an immediate superior.
- *Annual review of limits*. Risk limits are reviewed at least annually in connection with budget and planning processes.
- *Independent risk management functions*. Risk management functions and the development of risk management tools are undertaken by units that are independent of operations in the individual business areas.

Monitoring and use

- *Accountability*. All executives are responsible for risk within their own area of responsibility and must consequently be fully updated on the risk situation at all times.
- *Risk reporting*. Risk reporting in the Group ensures that all executives have the necessary information about current risk levels and future developments. To ensure high-quality, independent risk reports, responsibility for reporting is assigned to units that are independent of the operative units.
- *Capital assessment*. A summary and analysis of the Group's capital and risk situation is presented in a special risk report to the Board of Directors.
- *Use of risk information*. Risk is an integral part of the management and monitoring of business areas. Return on risk-adjusted capital is reflected in product pricing, profit calculations and in monitoring performance in the business areas.

Relevant risk measures

- *A common risk measure for the Group*. The Group's risk is measured in the form of risk-adjusted capital, calculated for main risk categories and for all of the Group's business areas.
- *Supplementary risk measure*. In addition, risk is followed up through supplementary risk measures adapted to operations in the various business areas, for example monitoring of positions relative to limits, key figures and portfolio risk targets.

A further description of risk management and internal control in the DnB NOR Group can be found in the chapter "Risk management and internal control".

More about risk in Vital Forsikring ASA

Risk in life insurance companies comprises financial risk, insurance risk, operational risk and business risk. The two first-mentioned risk categories are special in life insurance operations. Financial risk comprises credit and market risk, which is the risk that the return on financial assets will not be sufficient to meet the obligations specified in insurance policies. Insurance risk relates to changes in future insurance payments due to changes in life expectancy and disability rates.

According to current parameters for life insurance operations in Norway, Vital Forsikring ASA carries the risk of fulfilling the company's commitments in contracts with policyholders. The return on financial assets must be sufficient to meet the guaranteed annual return to the company's policyholders. If this is not the case, additional allocations will have to be used, representing buffer capital built up from profits in previous years. Alternatively, the shortfall could be charged to equity.

Note 44 Risk (continued)

Operations in Vital are different from operations in the rest of the Group, and risk in Vital Forsikring ASA is therefore managed separately. The purpose of risk management is to achieve the highest possible return for policyholders and the owner in the long term, subject to an acceptable risk level. The Board of Directors of Vital Forsikring ASA has stipulated a risk level that is subject to continual monitoring through management models, operative rules and reporting requirements. As part of regular reporting, stress tests are implemented based on the following assumptions: a 20 per cent decline in share prices, a 1 percentage point rise in interest rates, a 10 per cent appreciation of the Norwegian krone and a 5 per cent reduction in property values. The stress tests showed a satisfactory risk level in 2008.

Notes 46-48 specify market risk for the DnB NOR Group, including risk linked to financial instruments in Vital Forsikring. Additional information concerning risk associated with operations in Vital is presented in notes 47, 48 and 51.

Risk categories

For risk management purposes, DnB NOR distinguishes between the following risk categories:

- *Credit risk* is the risk of losses due to failure on the part of the Group's counterparties (customers) to meet their payment obligations towards the DnB NOR Group. Credit risk refers to all claims against customers, mainly loans, but also liabilities in the form of other extended credits, guarantees, leasing, factoring, interest-bearing securities, approved, undrawn credits, as well as counterparty risk arising through derivatives and foreign exchange contracts. Settlement risk, which arises in connection with payment transfers as not all transactions take place in real time, also involves credit risk. Note 45 contains an assessment of the Group's credit risk at year-end 2007 and 2008.
- *Market risk* arises as a consequence of the Group's unhedged transactions in the foreign exchange, interest rate, commodity and capital markets. The risk is linked to variations in financial results due to fluctuations in market prices or exchange rates. Notes 46 to 48 contain an assessment of the Group's market risk at year-end 2007 and 2008.
- *Liquidity risk* is the risk that the Group will be unable to meet its payment obligations. Note 50 contains an assessment of the Group's liquidity risk at year-end 2007 and 2008.
- Risk in Vital Forsikring ASA comprises *financial risk* and *insurance risk*, in addition to operational risk and business risk. *Financial risk* comprises credit and market risk, which is the risk that the return on financial assets will not be sufficient to meet the obligations specified in insurance policies. *Insurance risk* relates to changes in future insurance payments due to changes in life expectancy and disability rates. Note 51 contains an assessment of the Group's insurance risk at year-end 2007 and 2008.
- *Operational risk* is the risk of losses due to deficiencies or errors in processes and systems, errors made by employees or external events.
- *Business risk* is the risk of losses due to changes in external factors such as the market situation or government regulations. This risk category also includes reputational risk.

DnB NOR uses a total risk model to quantify risk and calculates risk-adjusted capital for individual risk categories and for the Group's overall risk. Risk-adjusted capital should cover unexpected losses which may occur in operations in exceptional circumstances. Quantifications are based on statistical probability calculations for the various risk categories, and the parameters are determined after a review of historical data.

Risk measurement is a field in constant development, and measurement methods and tools are subject to continual improvement. The parameters in the total risk model were updated in 2008 after a review of historical data. No other significant changes were made in routines and procedures for risk monitoring in 2008.

Concentrations of risk

Concentrations of financial risk arise when financial instruments with identical characteristics are influenced in the same way by changes in economic or other factors. The identification of risk concentrations is subject to discretionary assessment. The general purpose of risk management in the Group is to reduce and control risk concentrations. The Group aims to avoid large credit risk concentrations, including large exposures to a customer or customer group as well as clusters of commitments in high-risk categories, industries and geographical areas, cf. notes 4, 21 and 22. With respect to market risk, concentration risk is restricted by limits ensuring that exposure is divided among a number of instruments, securing sound diversification to meet changes in share prices, exchange rates, commodity prices and interest rate levels. The concentration of credit risk as at 31 December 2008 for international bonds in the trading portfolio and commercial paper and bonds held by Vital is shown in note 25. The concentration of credit risk for commercial paper and bonds held to maturity is shown in note 29. Currency risk is specified in note 48. Concentrations of interest rate risk are presented in note 47. The Group's largest investments in shares, mutual funds and PCCs are specified in note 27. The Group has no material risk concentrations apart from those referred to above.

Note 45 Credit risk

Credit risk represents the chief risk category for the Group and refers to all claims against customers, mainly loans, but also liabilities in the form of other extended credits, guarantees, interest-bearing securities, approved, undrawn credits, as well as counterparty risk arising through derivatives and foreign exchange contracts. Settlement risk, which arises in connection with payment transfers as not all transactions take place in real time, also involves counterparty risk.

Management of credit risk in the Group is described in more detail in note 44 Risk.

DnB NOR's risk classification [1)]

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

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

Commitments according to risk classification — DnB NOR Group

Amounts in NOK billion	Gross loans	Guarantee commitments	Undrawn limits (committed)	Total commitments
Risk category based on probability of default				
1 - 4	640	54	216	910
5 - 6	246	8	65	319
7 - 10	78	3	11	92
Non-performing and impaired commitments	6	0	0	6
Total commitments as at 31 December 2007 [1)]	970	65	292	1 327
Risk category based on probability of default				
1 - 4	801	73	246	1 120
5 - 6	282	5	64	351
7 - 10	93	3	16	112
Non-performing and impaired commitments	16	0	0	16
Total commitments as at 31 December 2008 [1)]	1 192	81	326	1 599

1) Based on nominal amount.

Loan-loss level [1)]

	2008	2007
Normalised losses including loss of interest income in per cent of net lending	0.33	0.26

1) The calculation of the loan-loss level is based on an evaluation of the probability of future losses (default frequency), exposure at default and the size of the estimated loss (loss ratio). Calculations are based on a certain level of discretion and estimation.

Collateral security

Depending on the market and type of transaction, the Group uses collateral security to reduce risk. Collateral security can be in the form of physical assets, guarantees, cash deposits or netting agreements. The principal rule is that physical assets in the form of buildings, residential properties or warehouses should be insured. Evaluations of the value of collateral are based on a going concern assumption, with the exception of situations where write-downs have been made. In addition, factors which may affect the value of collateral, such as concession terms or easements, are taken into account. With respect to evaluations of both collateral in the form of securities and counterparty risk, the estimated effects of enforced sales and sales costs are also considered.

Write-down ratio

Amounts in NOK million	DnB NOR Group 31 Dec. 2008	DnB NOR Group 31 Dec. 2007
Non-performing commitments (gross)	11 421	5 055
Impaired commitments (gross)	4 871	1 170
Gross non-performing and impaired commitments	16 292	6 225
Individual write-downs	4 370	2 051
Group write-downs	1 625	712
Write-down ratio (per cent)	36.8	44.4
Collateral for loans	9 789	3 824
Coverage ratio (per cent)	96.9	105.8

Commitments according to:

Amounts in NOK million	DnB NOR Group 31 Dec. 2008	DnB NOR Group 31 Dec. 2007
Residential mortgages < 80 per cent of collateral value	466 813	425 772
Residential mortgages > 80 per cent of collateral value	13 557	12 761
Credit card loans	12 936	11 193

Past due loans not subject to write-downs

The table below shows overdue amounts on loans and overdrafts on credits/deposits broken down on number of days after the due date that are not due to delays in payment transfers. Past due loans and overdrafts on credits/deposits are subject to continual monitoring. Commitments where a probable deterioration of customer solvency is identified are reviewed for impairment. Such reviews are also carried out for the commitments included in the table in cases where no deterioration of customer solvency has been identified. Past due loans subject to impairment are not included in the table.

Amounts in NOK million	DnB NOR Group 31 Dec. 2008	DnB NOR Group 31 Dec. 2007
No. of days past due/overdrawn		
1 - 29	2 295	149
30 - 59	854	205
60 - 89	333	103
> 90	326	261
Past due loans not subject to write-downs	3 808	718

Repossessed properties and other repossessed assets - recorded value

Repossessed assets are assets acquired by units within the Group as part of the management of non-performing and impaired commitments. At the time of acquisition, such assets are valued at their estimated realisable value. Any deviation from the carrying value of non-performing and impaired commitments at the time of acquisition is classified as write-downs on loans. Repossessed assets are recorded in the balance sheet according to the type of asset. When acquiring shares or mutual fund holdings, the assets should be evaluated according to the principles described in note 1 Accounting principles. Upon final sale, the difference relative to carrying value should be recognised in the income statement according to the type of asset. If assets are not intended for long-term possession or use, the assets are classified as current assets. If assets are acquired for own use or for long-term administration and development, the assets are classified as fixed assets.

Amounts in NOK million	DnB NOR Group 31 Dec. 2008	DnB NOR Group 31 Dec. 2007
Properties, current assets	0	0
Properties, fixed assets	177	169
Other repossessed current assets	20	0
Repossessed properties and other repossessed assets	197	169

Effects of changes in credit margins

The financial turmoil has caused a general rise in credit margins, which affects a number of items in the DnB NOR Group's balance sheet.

There was a significant decline in the value of bonds carried at fair value through profit or loss during the first half of 2008. Transaction volumes in the bond market were markedly reduced through the year, and activity levels were very low in the second half of the year. To be able to stipulate the value of the portfolios, it was therefore necessary to change to model-based pricing for large parts of the portfolio. In the third quarter, the liquidity portfolio in DnB NOR Markets was reclassified as held-to-maturity investments with effect from 1 July, after the Ministry of Finance had made this an option. If the portfolio had still been recorded at fair value, unrealised losses of approximately NOK 3 billion would have had to be added to recorded losses.

Note 45 Credit risk (continued)

There was a significant fall in the value of bonds carried at fair value in 2008. After the reclassification of DnB NOR Markets' liquidity portfolio, DnB NOR Bank ASA still has a large portfolio of bonds carried at fair value through profit or loss. In addition, Vital and the associated company Eksportfinans have sizeable portfolios. DnB NORD also has a large portfolio of bonds used for liquidity purposes. Major parts of this portfolio are valued according to a model developed in cooperation with Norddeutsche Landesbank. Unrealised losses on bond investments totalled just over NOK 1 billion in 2008, excluding Vital and Eksportfinans.

Credit margins in the DnB NOR Group's loan portfolio also widened. The majority of loans extended by the Group are carried at amortised cost. See note 18 Information on fair value.

2008 was a very turbulent year for Eksportfinans. The company had sizeable investments in bonds carried at fair value through profit or loss, and during the first quarter of the year, it was necessary to inject fresh capital into the company. In addition, the owners entered into an agreement with the company to issue a guarantee covering further value reductions in the liquidity portfolio for up to NOK 5 billion. DnB NOR's share of this guarantee was 40.4 per cent. In DnB NOR's consolidated accounts, the guarantee is recorded as part of the Group's investments in the company, and recorded gains and losses on these investments continued to accrue to the company. Large parts of Eksportfinans' liabilities are also carried at fair value through profit or loss. During the fourth quarter of the year, investors' required rate of return increased considerably, and the company was also downgraded. This resulted in significant unrealised gains on the company's existing liabilities, and the profit attributable to DnB NOR for the fourth quarter was NOK 1.3 billion. Unrealised gains on the company's liabilities will be reversed over the remaining term to maturity. The DnB NOR Group's share of the unrealised gains, after tax, was approximately NOK 1.4 billion at year-end 2008.

Since the company was established, DnB NOR Boligkreditt has been a very important funding source for the Group. This role was further strengthened after the Norwegian government launched its stimulus package, whereby covered bonds can be swapped against liquid Treasury bills. Like the rest of the Group, DnB NOR Boligkreditt experienced widening credit margins through 2008, though the effect was relatively less pronounced than for the other units. DnB NOR Boligkreditt's liabilities in Norwegian kroner are carried at fair value through profit or loss. The value of the company's existing liabilities declined during 2008, especially in the fourth quarter, which generated unrealised gains of NOK 593 million for the company. The gain will be reversed over the remaining term to maturity.

Long-term borrowings in Norwegian kroner in DnB NOR Bank ASA are carried at fair value through profit or loss. Widening credit margins resulted in unrealised gains on these borrowings of NOK 448 million in 2008, which will be reversed over the remaining term to maturity.

Note 46 Sensitivity analysis - market risk

Conditions for calculating market risk

Market risk arises as a consequence of open positions in foreign exchange, interest rate, commodity and equity instruments. Risk is linked to variations in financial results due to fluctuations in market prices and exchange rates.

DnB NOR uses a total risk model to quantify risk and calculates risk-adjusted capital for individual risk categories and for the Group's overall risk. Risk-adjusted capital should cover unexpected losses, which may occur in operations in exceptional circumstances. Quantifications are based on statistical probability calculations for the various risk categories, using historical data. Methods for calculating risk-adjusted capital for market risk are described in further detail below.

The risk-adjusted capital for market risk should, at a confidence level of 99.97 per cent, cover all potential losses related to market risk on positions on the balance sheet date over a period of one year. Calculations of risk-adjusted capital are based on statistical methods. Loss simulations imply that there is a greater probability of major losses than if normal distribution is applied. Risk-adjusted capital calculations also reflect the fact that volatility may vary over time. In addition, calculations of risk-adjusted capital require a certain level of discretion and estimation. Key assumptions are described below.

The model has a one-year time horizon. Exposure could be actual exposure or the expected maximum utilisation of limits and is a conservative estimate based on an extreme scenario where, in a hypothetical situation, the Group is assumed at all times to be incorrectly positioned relative to market developments during the period. Each limit is modelled on the basis of a specific liquidation period. In addition, the model takes account of correlations between the defined portfolios. Longer liquidation periods result in higher risk-adjusted capital. A lower level of correlation results in reduced risk-adjusted capital.

Liquidation periods are estimated based on the time required to realise positions in highly volatile markets and vary from 250 trading days for the bank's investment portfolio for equity instruments to two days for positions in the most commonly traded currencies. To estimate annual losses, each underlying instrument is simulated over a period of one year. Subsequent to this, losses for each potential liquidation period are estimated. For most instruments, the Group's positions may entail a potential for both gains and losses.

In the model calculations, losses from each limit are combined, and an overall loss is calculated for each day during the year simulations are made. Calculations are repeated 500 000 times, resulting in a probability distribution of what the greatest loss during the year might be, based on the assumption that the Group is incorrectly positioned.

In 2008, financial instruments in the Group excluding Vital were divided into 22 portfolios, compared with 14 portfolios in 2007. Risk-adjusted capital for the portfolios is calculated on the basis of expected developments in the value of an instrument or index. An example of such a portfolio is the bank's equity investment portfolio, which is correlated against developments on Oslo Børs.

Financial assets in Vital are divided into eight portfolios. Risk-adjusted capital for the portfolios are calculated on the basis of developments in an index or a combination of several indices. Calculations of risk-adjusted capital for market risk in Vital are an isolated assessment of financial instruments in Vital. However, the calculation does not take account of Vital's obligations resulting from the guaranteed rate of return, insurance risk, equity buffers or dynamic portfolio management. See note 44 for a more detailed description of risk associated with the guaranteed rate of return.

Market risk specified below includes a deduction for diversification effects resulting from imperfect correlation between the portfolios in Vital and the rest of the Group. The diversification effect between market risk in Vital and the rest of the Group are estimated at 14 per cent in 2008. The diversification effect arises because it is highly unlikely that all loss events will occur at the same time. The calculation of the diversification effect for the aggregated market risk for the Group is based on the fact that loss distributions for market risk in Vital and in the rest of the Group are derived from underlying indices subject to different degrees of correlation, so-called driver-based aggregation.

In 2008, a new version of the total risk model was taken into use, whereby the number of portfolios was increased. In addition, the parameters were updated following a review of historical data. The main effects of the new model and updated parameters are higher estimated market risk in Vital and reduced estimated market risk in the rest of the Group.

Total market risk in the Group is estimated at NOK 9.5 billion and is carried by the policyholders in Vital and by DnB NOR's shareholders.

Market risk excluding Vital increased by NOK 0.6 billion from 2007 to 2008, to NOK 4.2 billion. The exposure to equity instruments, which in 2008 included the guarantee issued by DnB NOR and the other owners for mark-to-market losses in Eksportfinans' liquidity portfolio, resulted in higher market risk. Seen in isolation, lower interest rate levels contributed to bringing down market risk, as did the updated parameters. The net effect of these factors was a rise in market risk. Market risk in Vital was brought down by NOK 8.3 billion from 2007 to 2008, reflecting a significant reduction in Vital's shareholdings. Overall, market risk in the Group declined by NOK 7.3 billion from 2007 to 2008.

	DnB NOR Group	
Amounts in NOK billion	2008	2007
Market risk excluding Vital	4.2	3.6
Market risk in Vital	7.0	15.3
Diversification effect	1.6	2.0
Total market risk	9.5	16.9
Diversification effect in per cent	14	11

Note 47 Interest rate sensitivity

Interest rate sensitivity for different intervals

The vaule of items on and off the balance sheet is affected by interest rate movements. The table shows potential losses for DnB NOR Group excluding Vital and DnB NORD resulting from parallel one percentage point changes in all interest rates. The calculations are based on a hypothetical situation where interest rate movements in all currencies are unfavourable for DnB NOR relative to the Group's positions. Also, all interest rate movements within the same interval will be unfavourable for the Group. The figures will thus reflect maximum losses for DnB NOR.

The calculations are based on the Group's positions as at 31 December and market rates on the same date. The table does not include administrative interest rate risk and interest rate risk tied to non-interest-earning assets.

			DnB NOR Group excl. Vital and DnB NORD			
Amounts in NOK million	Up to 1 month	From 1 month to 3 months	From 3 months to 1 year	From 1 year to 5 years	Over 5 years	Total
31 December 2008						
NOK	48	31	286	111	325	89
USD	31	31	130	3	2	135
EUR	9	2	26	9	63	53
GBP	2	7	4	1	0	12
Other currencies	4	30	17	26	16	30
31 December 2007						
NOK	26	71	79	310	334	41
USD	7	8	52	11	3	65
EUR	6	7	3	2	7	13
GBP	1	5	2	2	0	9
Other currencies	6	29	12	17	15	48

Interest rate sensitivity for different intervals - financial current assets in Vital

The table shows interest rate sensitivity associated with financial current assets in Vital. The table does not include administrative interest rate risk and interest rate risk related to non-interest-earning assets. Interest rate sensitivity has an impact on profit for distribution to the owner and funds transferred to policyholders. Commercial paper and bonds held to maturity are recorded at amortised cost.

						Vital
Amounts in NOK million	Up to 1 month	From 1 month to 3 months	From 3 months to 1 year	From 1 year to 5 years	Over 5 years	Total
31 December 2008						
NOK	6	67	69	564	1 437	2 009
USD	2	31	7	70	165	257
EUR	2	55	2	89	263	406
GBP	0	0	0	6	63	70
Other currencies	0	0	1	21	22	44
31 December 2007						
NOK	8	21	80	158	1 472	1 579
USD	2	22	62	46	139	223
EUR	5	144	15	80	268	214
GBP	1	43	0	6	67	29
Other currencies	0	11	0	16	19	24

Duration		**Vital**
	31 Dec. 2008	31 Dec. 2007
Norwegian bonds - average residual maturity (years) [1)]	4.33	3.66
International bonds - average residual maturity (years) [1)]	6.08	5.73
Money market - average residual maturity (years) [1)]	0.43	0.58
Average effective interest rate - Norwegian bonds (per cent) [2)]	4.12	5.75
Average effective interest rate - international bonds (per cent) [2)]	4.12	4.48
Money market - average effective interest rate (per cent) [2)]	3.56	5.90

1) *The calculation includes all interest-earning securities including derivatives.*
2) *The effective interest rate on individual bonds is calculated on the basis of the instrument's market value. Weighting to arrive at the average effective interest rate for the total holding is based on weights representing the bonds' percentage shares of total market value.*

Note 47 Interest rate sensitivity (continued)

Interest rate sensitivity – liabilities to insurance policyholders

Vital carries the risk of meeting liabilities in relation to policyholders. The return on financial assets must be sufficient to meet the guaranteed rate of return specified in insurance policies. Otherwise, inadequate returns will have to be covered by applying the securities adjustment reserve, additional allocations, representing buffer capital built up from profits from previous years, or equity.

The company's guaranteed rate of return averages 3.45 per cent. The average duration for future insurance payments was 17 years as at 31 December 2008.

Note 51 gives a description of liability adequacy test worked out in connection with IFRS 4 Insurance Contracts concerning liabilities to policyholders as at 31 December 2008.

Note 48 Currency positions

The table shows net currency positions in the DnB NOR Group excluding Vital as at 31 December, including financial derivatives as defined by Norges Bank. Net positions in individual currencies may represent up to 15 per cent of eligible primary capital. Aggregate currency positions must be within 30 per cent of the eligible primary capital. Foreign exchange risk related to investments in subsidiaries is included in the currency position by the amount recorded in the accounts.

DnB NOR Group excl. Vital

Amounts in NOK million	Foreign currencies	of which: USD	EUR	GBP	SEK	DKK	JPY	Other
Net currency positions as at 31 December 2008	(1 965)	(137)	(1 306)	40	15	(116)	57	(519)
Net currency positions as at 31 December 2007	2 655	2 286	(3 008)	195	(36)	(137)	(6)	3 360

Foreign currency exposure arises when Vital invests parts of its securities portfolio and property portfolio in the international securities market. Under Vital's current foreign currency hedging strategy, the total foreign currency exposure is reduced to a minimum.

Vital

Amounts in NOK million	Foreign currencies	of which: USD	EUR	GBP	SEK	DKK	JPY	Other
Net currency positions as at 31 December 2008	524	(245)	(133)	81	456	(3)	(2)	370
Net currency positions as at 31 December 2007	6 604	781	1 371	80	2 303	293	84	1 693

Note 49 Financial derivatives

General information on application of financial derivatives

Financial derivatives are contracts stipulating financial values in the form of interest rate terms, exchange rates and the value of equity instruments for fixed periods of time. Corresponding contracts stipulating prices on commodities and indexes are also defined as financial derivatives. Derivatives include swaps, forward contracts and options as well as combinations thereof, including forward rate agreements (FRAs), financial futures and agreements on the transfer of securities. Financial derivatives in DnB NOR are traded to manage liquidity and market risk arising from the Group's ordinary operations. In addition, the Group employs financial derivatives in its own account trading.

"Over the counter" (OTC) derivatives are contracts entered into outside the stock exchange. The contracts are tailor-made according to investor requirements with respect to the underlying object, number, price, expiration terms and maturity. The advantage of OTC derivatives is that customers are not limited to standardised contracts and can buy the precise position they wish. The disadvantage compared with the standardised market is that it can be difficult to find other contracting parties and to sell the contracts in the secondary market.

Note 49 Financial derivatives (continued)

The following derivatives are employed for both trading and hedging purposes in the DnB NOR Group:

- *Forward contracts*: a contract to buy or sell interest rate terms, amounts in foreign currencies, shares or commodities on a specified future date at a fixed price. Forward contracts are tailor-made contracts traded between counterparties in the OTC market.
- *FRAs*: agreements that fix the interest rate for a future period for an agreed amount. When the contract matures, only the difference between the agreed interest rate and the actual market interest rate is exchanged.
- *Interest rate futures*: standardised contracts where the counterparties agree to exchange specific interest rate instruments at a fixed price on a specified date. The contracts are traded on an exchange. The value of interest rate futures follows the price trend on underlying interest rate instruments.
- *Swaps*: transactions where two parties exchange cash flows on a fixed amount over an agreed period. The majority of swaps are tailor-made and traded outside exchanges. The most important types of swaps traded by DnB NOR are:
  - interest rate swaps in which fixed rates of interests are exchanged for floating or floating rates of interest are exchanged for fixed
  - cross-currency interest rate swaps in which parties exchange both currency and interest payments
  - equity swaps in which interest rate returns are exchanged for equity returns.
- *Options*: agreements giving the buyer the right, but not the obligation, to either buy (call option) or sell (put option) a specific quantity of a financial instrument or commodity at a predetermined and fixed price. The buyer pays a premium to the seller for this right. Options are traded both as OTCs (tailor-made) and as standardised contracts.

The table shows nominal values on financial derivatives according to type of derivative as well as positive and negative market values. Positive market values are entered as assets in the balance sheet, whereas negative market values are entered as liabilities. See note 1 Accounting principles for a more detailed description of measurement of financial derivatives.

DnB NOR Group

	31 December 2008			31 December 2007		
Amounts in NOK million	Total nominal values	Positive market value	Negative market value	Total nominal values	Positive market value	Negative market value
Interest rate contracts						
FRA-contracts	3 138 502	9 067	9 371	3 687 728	1 139	1 040
Swaps	1 996 504	64 417	26 303	1 992 511	40 595	41 153
OTC options, bought and sold	109 997	728	559	118 338	813	285
Other OTC contracts	287	19	0	287	14	0
Total OTC derivatives	5 245 290	74 231	36 233	5 798 865	42 562	42 478
Futures, bought and sold	38 372	1	1	54 076	0	0
Total exchange-traded contracts	38 372	1	1	54 076	0	0
Total interest rate contracts	5 283 662	74 232	36 235	5 852 940	42 562	42 478
Foreign exchange contracts						
Forward contracts	1 113 458	33 489	35 512	1 038 791	11 690	13 641
Swaps	511 378	27 221	23 121	401 264	8 069	3 362
OTC options, bought and sold	66 395	399	359	46 781	282	327
Total foreign exchange contracts	1 691 231	61 110	58 993	1 486 837	20 041	17 330
Equity-related contracts						
Forward contracts	5 440	654	15	10 418	271	176
Swaps	0	0	0	101	0	1
OTC options, bought and sold	22 813	404	179	37 518	2 928	2 683
Total OTC derivatives	28 253	1 058	194	48 038	3 200	2 861
Futures, bought and sold	3 311	5	27	20 716	0	0
Options, bought and sold	2 101	62	26	3 556	102	45
Total exchange-traded contracts	5 412	67	53	24 272	102	45
Total equity-related contracts	33 665	1 124	247	72 309	3 302	2 906
Commodity-related contracts						
Swaps	7 184	78	18	481	29	28
Options, bought and sold	145	8	6	0	0	0
Total commodity related contracts	7 328	86	24	481	29	28
Total financial derivatives	**7 015 886**	**136 552**	**95 498**	**7 412 567**	**65 933**	**62 741**
Of which: Applied for hedging purposes	*126 906*	*5 766*	*956*	*73 520*	*503*	*778*

Note 49 Financial derivatives (continued)

Use of financial derivatives in DnB NOR Markets

DnB NOR Markets acts as market maker and is obliged to furnish both offer and bid prices for specified option, forward or futures series with a maximum differential between the offer and bid price, together with a minimum volume. Market makers always trade for their own account. The purpose of own account trading, in addition to making a market, is position taking, which means intentional risk-taking within the foreign exchange, interest rate and equity markets to achieve profits arising from favourable price, exchange rate and index fluctuations. Arbitrage, that is profit taking from fluctuations in prices, exchange rates and indexes for the same product in various markets, is also part of own-account trading.

Customer trading entails structuring and marketing financial derivatives for customers, enabling them to transfer, modify, take or reduce prevailing or expected risk. The majority of derivative transactions relate to customer trading.

DnB NOR uses interest rate and currency swaps to convert foreign currency borrowings into the desired currency. As a typical example, the bank raises a loan in euro, which is swapped to US dollar through a basis swap. In this case, the bank will pay a US dollar interest rate based on a swap curve and receive a euro interest rate reduced by a margin. In the second half of 2008, there was a steep rise in the margin requirement on such transactions due to greater market demand for US dollars. The fair value of contracts entered into increased by NOK 973 million in consequence of rising margin requirements on such basis swaps.

Use of financial derivatives in Vital

The purpose of employing financial derivatives in Vital is to be able to invest and allocate funds in accordance with the company's expectations of market trends, through swift and cost-effective asset and market exposure. In addition, the application of derivatives facilitates active risk management and adjustments in equity, interest rate and foreign exchange risk. See notes 47 and 48 for a further description.

Use of financial derivatives in DnB NOR Boligkreditt

The purpose of employing financial derivatives in DnB NOR Boligkreditt is to uncover and reduce foreign exchange and interest rate risk.

Derivatives used as hedging instruments

The DnB NOR Group uses derivatives, inter alia for fair value hedging of interest rate and currency risk associated with long-term borrowings and deposits in foreign currencies. The Group mainly uses swaps as hedging instruments. These are 1:1 hedges, where there is a correlation between the currency and the term to maturity of the hedging instrument and of the hedged item.

In DnB NOR Bank ASA, currency risk associated with foreign currency investments in subsidiaries is subject to fair value hedging. The hedging instruments used are interest rate and currency swaps. Changes in value of the investments and hedging instruments resulting from exchange rate movements, are recorded in the income statement. At group level, net investments in subsidiaries are hedged through cash flow hedges for an amount corresponding to DnB NOR Bank ASA's investments. Changes in the value of investments and hedging instruments recorded in the income statement are offset against other equity and the reserve for exchange rate movements. As there is a correlation between the hedged amount in DnB NOR Bank ASA and the hedged net investment, this has no effect on the Group's income statement.

Risk related to financial derivatives

Derivatives are traded in portfolios which also include balance sheet products. The market risk on derivatives is handled, monitored and controlled as an integral part of the market risk of these portfolios. See notes 44 and 46. Derivatives are traded with many different counterparties and most of these are also engaged in other types of business. The credit risk arising in connection with derivatives trading is included in the total credit risk of the DnB NOR Group. Netting agreements or bilateral suretyship agreements are entered into with a number of counterparties, thus reducing credit risk. The authorities' capital adequacy requirements take into account such agreements, resulting in a reduction of capital adequacy requirements.

Note 50 Liquidity risk

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

The Board of Directors has established internal limits which restrict the short-term maturity of the bank's liabilities during various time periods. In addition, limits have been approved for structural liquidity risk, which implies that lending to the general public should largely be financed through customer deposits, subordinated capital and long-term funding. Since 2007, the issue of covered bonds through DnB NOR Boligkreditt has been an important source of funding for the banking group's housing loans.

In spite of the significant turmoil in international financial markets throughout 2008, long-term funding corresponding to NOK 171 billion was raised during the year, mainly in foreign currencies. Included in this figure are subordinated loans for NOK 8 billion. After Lehman Brothers filed for bankruptcy protection on 15 September, the financial turmoil intensified, and at times, there was limited access to long-term funding. After coordinated, extensive government measures in a number of countries, including guarantees for interbank loans in the euro zone, capital injections in European and US banks, reductions in central bank interest rates and special schemes securing banks access to long-term liquidity, there was a gradual recovery in money markets towards the end of the year. Another important measure implemented in late 2008 was the establishment of the Money Market Investor Funding Facility, MMIFF, by the US authorities. The facility was set up by the Federal Reserve Bank of New York, to improve the liquidity situation in the money market by giving US money market funds greater options for selling their investments. DnB NOR Bank ASA was included on the list of eligible securities under this scheme.

During the fourth quarter of 2008, the Norwegian authorities introduced a scheme for long-term funding whereby government securities are exchanged for covered bonds issued by banks and secured by residential mortgages. In addition to liquidity injections in Norwegian kroner and foreign currencies, the scheme included 2-year F-loans (fixed-rate lending facility) aimed at small banks and an easing of banks' collateral requirements for lending in Norges Bank.

Due to the extensive raising of capital and measures initiated by the authorities, DnB NOR's liquidity situation at year-end 2008 can be characterised as sound. In consequence of wider credit margins in financial markets, however, costs relating to capital market funding have increased. At end-December 2008, the average remaining term to maturity for the portfolio of senior bond debt was 2.75 years, an increase from 2.4 years a year earlier. The Group aims to achieve a sound and stable maturity structure for funding over the next five years.

Insurance obligations in Vital are not included in the table below. A major part of investments in Vital is in the form of easily marketable securities. Cf. note 51 for additional information about insurance risk.

Residual maturity as at 31 December 2008 **DnB NOR Group**

Amounts in NOK million	Average interest rate (per cent)	Up to 1 month	From 1 month to 3 months	From 3 months to 1 year	From 1 year to 5 years	Over 5 years	No fixed maturity [1)]	Total
Loans and deposits from credit institutions	4.32	86 957	32 042	15 806	43 202	610	206	178 822
Deposits from customers	4.39	554 118	15 092	13 102	7 088	7 694	148	597 242
Securities issued	5.21	70 486	126 144	92 522	267 066	42 095	7 910	606 222
Sundry liabilities etc.		1 082	632	980	68	149	3 645	6 555
Subordinated loan capital [2)]	5.61			403	719	24 713	19 389	45 225
Financial derivatives, gross settlement (outgoing cash flows) [*)]		599 461	436 986	448 408	424 775	61 735		1 971 366
Financial derivatives, net settlement		(487)	483	1 014	9 870	1 142		12 021
Total payments		1 311 617	611 380	572 234	752 787	138 137	31 298	3 417 454
**) Financial derivatives, gross settlement (incoming cash flows)*		*594 397*	*436 031*	*452 509*	*440 676*	*62 086*		*1 985 699*

Residual maturity as at 31 December 2007 **DnB NOR Group**

Amounts in NOK million	Average interest rate (per cent)	Up to 1 month	From 1 month to 3 months	From 3 months to 1 year	From 1 year to 5 years	Over 5 years	No fixed maturity [1)]	Total
Loans and deposits from credit institutions	4.61	90 704	25 415	17 996	8 914	1 143	25	144 198
Deposits from customers	3.49	514 227	7 061	6 378	9 734	1 714	(963)	538 151
Securities issued	4.93	39 317	49 845	81 331	179 795	21 884	(387)	371 784
Sundry liabilities etc.		1 046	598	208	40	9	34 450	36 350
Subordinated loan capital [2)]	5.67					17 733	15 493	33 226
Financial derivatives, gross settlement (outgoing cash flows) [*)]		682 733	467 931	422 316	413 099	138 216		2 124 295
Financial derivatives, net settlement		716	391	420	378	0		1 906
Total payments		1 328 742	551 242	528 649	611 960	180 698	48 619	3 249 910
**) Financial derivatives, gross settlement (incoming cash flows)*		*683 363*	*465 517*	*418 362*	*411 347*	*141 830*		*2 120 420*

1) Including value adjustments for financial instruments carried at fair value.

2) The maturity structure for subordinated loan capital is based on final maturities and does not reflect options to make early redemptions.

Note 50 Liquidity risk (continued)

Credit lines, commitments and documentary credit	DnB NOR Group	
	31 Dec.	31 Dec.
Amounts in NOK million	2008	2007
Unutilised credit lines under 1 year	210 478	184 466
Unutilised credit lines over 1 year	175 677	142 530

Note 51 Insurance risk

Risk within insurance comprises market risk and insurance risk. Market risk is the risk that the return on financial assets will not be sufficient to meet the guaranteed rate of return specified in insurance policies (see description in notes 46-48), while insurance risk mainly relates to changes in future insurance liabilities due to changes in policyholders' life expectancy and disability rate.

Analysis of insurance liabilities, customers bearing the risk and liabilities to policyholders	DnB NOR Group [1]	
	Insurance liabilities,	Liabilities to
Amounts in NOK million	customers bearing the risk	policyholders
Balance sheet as at 31 December 2006	**18 840**	**188 096**
Deposits	4 030	12 832
Return	1 594	18 337
Inflow of reserves	1 343	3 098
Outflow of reserves	421	7 354
Insurance payments	4 851	19 462
Other changes	(667)	(3 922)
Balance sheet as at 31 December 2007	**19 868**	**191 626**
Deposits	3 573	13 659
Return	(4 544)	(34)
Inflow of reserves	1 170	3 203
Outflow of reserves	717	3 524
Insurance payments	2 771	16 442
Other changes	(124)	(3 696)
Balance sheet as at 31 December 2008	**16 454**	**184 791**

1) *Refers only to Vital.*

Description of the insurance products

The company offers traditional life and pension insurance, unit-linked insurance and non-life insurance. A calculation rate is used to determine provisions and premiums. The highest calculation rate is set by Kredittilsynet (the Financial Supervisory Authority of Norway). This interest rate is often called the base rate, and is 2.75 per cent for new contracts. The base rate is the annual guaranteed rate of return on policyholders' funds. In most unit-linked insurance products, policyholders bear the financial risk. Non-life insurance policies are products generating payments related to policyholders' life and health. These products are not subject to profit sharing and are repriced annually.

Group contracts

Under group defined-benefit pensions, pension payments are disbursed from an agreed age and until the death of the policyholder. It can also be agreed that the pension payments cease at a certain age. A defined-benefit pension may include a retirement pension, disability pension, dependent's pension and children's pension. Group defined-benefit pensions follow the new regulations for the insurance industry effective from 1 January 2008. This means that policyholders pay in advance an annual premium for interest rate risk, insurance risk and administration. The company is entitled to change the premium annually. Interest in excess of the guaranteed rate of return is awarded to policyholders in its entirety. If the interest is between 0 and the guaranteed rate of return, the company can use additional allocations to meet the guaranteed rate of return, otherwise the company must cover the deficit. A positive risk result may either be used to increase the risk equalisation fund or be distributed to the policyholders. No more than 50 per cent of annual profits may be allocated to the risk equalisation fund. The company must cover any remaining losses after the risk equalisation fund has been used. The administration result is allocated in its entirety to the company.

When a member terminates a pension agreement or a pension agreement ends, he or she is entitled to a paid-up policy. Rights earned on the termination date are continued in paid-up policies. Paid-up policies have a separate profit model where a minimum of 80 per cent of profits are distributed to policyholders. Profits for distribution consist of the interest result and the risk result. The administration result is allocated in its entirety to the company.

Group association insurance is pension insurance taken out by associations for their members. Association insurance can comprise retirement pensions, disability pensions, dependent pensions and children pensions.

Note 51 Insurance risk (continued)

Individual contracts

Individual annuity and pension insurance policies are savings schemes whereby the company disburses monthly amounts up until the death of the policyholder, or until the policyholder reaches an agreed age. This usually comprises a retirement pension, disability pension, dependent's pension and children's pension.

Individual endowment insurance policies are contracts whereby the company disburses an agreed amount upon the death of the policyholder or when the policyholder attains an agreed age. Individual endowment insurance may also include disability cover, which is a one-off benefit for permanent disability.

For individual contracts sold prior to 1 January 2008, the past profit-sharing scheme applies, which implies that the interest result, the risk result and the administration result are included in the profits to be distributed between policyholders and the company. No less than 65 per cent of annual profits must be distributed to policyholders. The new regulations apply to contracts sold as of 1 January 2008.

Contracts where policyholders bear the risk

Defined-contribution pensions are group pension schemes where the employees bear the financial risk. However, full or partial hedging of the paid amount can be bought upon retirement age.

Individual unit-linked insurance polices are endowment insurance policies or annuity insurance polices where policyholders bear the financial risk.

Other sectors

Group life insurance policies are death-risk insurance policies taken out by employers or associations for their employees or members and, where applicable, also for their spouses and children. The amount recoverable under the policy is disbursed upon the death of the policyholder. Group life insurance may also comprise disability cover, which is a one-off benefit for permanent disability.

Employer's liability insurance is a one-year risk product which companies link to their pension agreements. This may be corporate group life insurance or accident insurance. Occupational injury insurance is mandatory for all enterprises.

Specification of liabilities to policyholders recorded in the balance sheet as at 31 December 2008

DnB NOR Group 1)

	Group life insurance - defined-benefit pensions			Individual pension savings				
Amounts in NOK million	Private sector	Public sector	Group association insurance	Annuity and pension insurance	Endow-ment insurance	Other lines	Total 2008	Total 2007
Premium reserve	100 081	21 501	4 057	36 542	10 308	357	172 847	168 848
Additional allocations	2 690	850	167	1 418	215	0	5 341	8 632
Premium fund/pensioners' profit fund	3 025	1 560	83	561	0	0	5 229	5 447
Claims reserve	184	0	31	217	299	547	1 278	665
Security reserve	0	0	0	0	0	97	97	4 691
Total insurance liabilities	105 981	23 911	4 338	38 738	10 822	1 001	184 791	188 284
Securities adjustment reserve 2)	0	0	0	0	0	0	0	3 342
Liabilities to policyholders	**105 981**	**23 911**	**4 338**	**38 738**	**10 822**	**1 001**	**184 791**	**191 626**
Unrealised gains on commercial paper and bonds held to maturity 3)							200	(1 304)

1) *Refers only to Vital.*
2) *According to the accounting standard for insurance agreements (IFRS 4), the securities adjustment reserve is defined as a liability. The assumptions underlying the calculation of the insurance liabilities are described in a separate section under note 1 Accounting principles.*
3) *Unrealised gains on bonds held to maturity are not included in balance sheet values.*

Insurance risk

Within life insurance, insurance risk is mainly related to the likelihood of death and disability.

Insurance risk in Vital is divided, in varying degrees, between policyholders and the company. With respect to the non-life insurance products employers' liability insurance and certain pure risk products, the company is exposed to insurance risk. For group pension agreements and new individual pension and endowment insurance products, the company's risk represents its obligation to cover a possible negative risk result. The company is credited up to 50 per cent of any positive risk result in the form of allocations to the risk equalisation fund. With respect to individual insurance policies sold prior to 1 January 2008, the risk result is included in profits for allocation to policyholders and the company, where the company is entitled to receive up to 35 per cent of annual profits.

Risk for Vital related to changes in mortality rates is twofold. With respect to mortality risk coverage (mainly dependants' and children's pensions) lower mortality rates will give an improved risk result and a more limited need for provisions. For pensions that are currently payable, lower mortality rates will result in extended disbursement periods and thus require greater provisions. Pursuant to Sections 9-11 and 9-25 of the Insurance Act, it will be possible to cover the required increase in reserves relating to insurance risk by profits from future surpluses on investment results. Due to higher life expectancy, Vital needs to strengthen recorded premium reserves within individual pension insurance and group association insurance by an estimated NOK 2 billion. In accordance with Section 9-25 of the Insurance Act, the premium reserve will be increased over a period starting in 2009. Vital has applied to Kredittilsynet for permission to use a ten-year escalation period.

Note 51 Insurance risk (continued)

Disability risk is more exposed to short-term changes. No need has been identified to strengthen existing provisions relating to disability pensions or other disability products.

With respect to existing contracts, insurance risk is subject to continual review by analysing and monitoring risk results within each business sector. In addition, the company applies reinsurance as an instrument to reduce insurance risk. The company's current reinsurance contracts cover catastrophes and significant individual risks within group and individual insurance. The reinsurance agreements imply that Vital is responsible for risk up to a certain level while the reinsurer covers excess risk up to a maximum defined limit.

In order to reduce insurance risk exposure, it is mandatory that policyholders undergo a health check before entering into a contract for individual risk products. Individual health checks are also required under small-scale group schemes. In connection with the sale of disability pensions, policyholders are divided into risk categories based on a concrete risk assessment in each individual case.

Vital Forsikring's operations are concentrated in Norway. In this market, the portfolio is well diversified and without any concentrations of risk in specific geographical areas or industries.

The risk result arises when empirical data for mortality and disability deviate from the assumptions underlying the calculation base for premiums and provisions. When the risk result generates a surplus, the surplus can be allocated to the risk equalisation fund. The risk equalisation fund cannot exceed 150 per cent of the company's total risk premiums for the accounting year. If there is a deficit on the risk result, the risk equalisation fund can be used. The risk equalisation fund does not apply to risk insurance with a maximum term of one year, paid-up policies or individual contracts subject to the former profit sharing model.

Risk result **Vital**

	Group life insurance - defined-benefit pensions			Individual pension savings				
Amounts in NOK million	Private sector	Public sector	Group association insurance	Annuity and pension insurance	Endow-ment insurance	Other lines	Total 2008	Total 2007
Risk result								
Risk result in 2008 [1)]	17	160	21	(73)	47	(36)	136	-
Risk result in 2007	(168)	(70)	11	(60)	33	32	-	(222)
Sensitivities - effect on risk result in 2008								
1 per cent reduction in mortality rate	(2)	(1)	0	(2)	1	2	(3)	(3)
10 per cent reduction in mortality rate	(25)	(10)	(1)	(20)	5	20	(31)	(34)
5 per cent increase in disability rate	(63)	(7)	(1)	(7)	(5)	(16)	(97)	(95)
10 per cent increase in disability rate	(125)	(14)	(1)	(14)	(9)	(31)	(195)	(190)
1) Of which:								
Mortality risk	*34*	*19*	*36*	*8*	*42*	*18*	*156*	
Pure endowment risk	*(294)*	*(11)*	*(30)*	*(108)*	*0*	*0*	*(442)*	
Disability rate	*277*	*151*	*15*	*26*	*5*	*(54)*	*422*	

The table shows the effect on the risk result for 2008 of given changes in empirical mortality or disability data in 2008. Allocations of NOK 4.4 billion were made in 2007 in connection with the new calculation base for group pensions resulting from changes in assumptions concerning life expectancy and civil status patterns. For technical reasons, the full effect will not be reflected in the risk result until 2009. Thus, it is expected that pure endowment risk within group defined-benefit pensions will be balanced.

Permanent changes in the calculation assumptions will require changes in premiums and provisions. With respect to group life insurance and individual policies sold after 1 January 2008, it will be possible to finance higher premium reserve requirements by the risk result for the year, or by current or future investment results, cf. Sections 9-11 and 9-25 of the Insurance Act. For individual contracts sold prior to 1 January 2008, rising premium reserve requirements can be financed by profits for allocation or future profits for allocation in accordance with Section 9-25 of the Insurance Act. The table below shows the effect of changes in key calculation assumptions on gross premium reserves.

Calculation assumptions **Vital**

Amounts in NOK million	Change	Effect on gross premiumreserve
Mortality	-10%	+3 387
Disability	+10%	+1 893

Note 51 Insurance risk (continued)

Mortality and disability

The table shows the net annual risk premium for a sum assured of NOK 100 000. For dependant's pensions, the premium shown is for an annual disability pension of NOK 10 000 paid from the death of the primary policyholder until the spouse reaches the age of 77. For disability pensions, the premium shown is for an annual disability pension of NOK 10 000 paid until 67 years of age.

	Vital					
	Men			Women		
Amounts in NOK million	30 years	45 years	60 years	30 years	45 years	60 years
Individual life insurance	136	340	1 447	68	170	724
Individual disability lump sum	223	695	0	333	1 177	0
Individual disability pension	394	1 000	3 229	630	1 900	4 858
Dependant's pensions in group schemes	21	170	704	18	81	222
Disability pensions in group schemes	254	556	1 114	388	975	1 672

Premiums for individual disability pensions are based on the company's own experience and were last changed in 2006. Dependant's pensions in group schemes follow the new K2005 tariff rates with security margins. Group disability pension premiums are based on the company's own experience and were last changed in 2008.

Guaranteed rate of return

The table shows long-term developments in the average guaranteed rate of return for each sector. The guaranteed rate of return is shown as a percentage of the premium reserve, premium fund and additional allocations, and is measured as at 31 December. The guaranteed rate of return is gradually reduced each year as the rate for premiums paid within group pensions is guaranteed at 3 per cent.

	Vital			
Per cent	2008	2007	2006	2005
Group pension insurance, private sector	3.6	3.7	3.7	3.8
Group pension insurance, public sector	3.1	3.2	3.2	3.4
Individual pension insurance	3.4	3.4	3.4	3.5
Individual endowment insurance	3.3	3.4	3.4	3.4
Group association insurance	4.1	4.1	4.1	4.1
Total	3.5	3.6	3.6	3.7

Description of liability adequacy test

In accordance with IFRS 4, the company has assessed whether its premium reserves are adequate to cover its liabilities. If the test shows that the premium reserves are too low to bear the future liabilities of the company, the difference should be recorded on the test date. Adequacy tests are implemented each quarter based on the various profit-sharing models.

All tariff rates used by the company are based on past experience within product segments or business sectors. Thus, products may have different technical rates of interest, mortality and disability assumptions, and may incur different costs. The adequacy test assesses the margins in the tariff rates.

Long-term interest rate levels indicate the company's margin relative to the calculation rate used for premium reserves. Norwegian swap rates are used to estimate the risk-free interest rate in the test. Sensitivity analyses show that the premium reserve is adequate to tolerate long-term swap rates down to 3 per cent.

As at 31 December 2008, the average duration of the liabilities was approximately 16 years, while the average calculation rate was 3.5 per cent. The swap rate with a 10-year duration was 4.59 per cent as at 31 December 2008. The adequacy test thus indicated no need for further provisions covering liabilities to policyholders.

Solvency capital

The solvency capital consists of the securities adjustment reserve, additional allocations, the security reserve, equity, subordinated loan capital and perpetual subordinated loan capital securities and unrealised gains on long-term securities. All these elements, with the exception of part of the security reserve and risk equalisation fund, can be used to meet the guaranteed rate of return on policyholders' funds. The risk equalisation fund is included in equity.

	Vital	
Amounts in NOK million	31 Dec. 2008	31 Dec. 2007
Securities adjustment reserve	0	3 342
Additional allocations	5 360	8 632
Security reserve	97	255
Equity	8 740	8 363
Subordinated loan capital and perpetual subordinated loan capital securities	2 575	2 500
Unrealised gains on long-term securities	200	(1 304)
Total solvency capital	16 972	21 788
Guaranteed return on policyholders' funds	6 376	6 807

Note 51 Insurance risk (continued)

Capital adequacy

Capital adequacy regulations regulate the relationship between the company's primary capital and the investment exposure on the asset side of the balance sheet. Life insurance companies are subject to a minimum capital adequacy requirement of 8 per cent. At the end of 2008, Vital had a capital adequacy ratio of 12.3 per cent, compared with 9.7 per cent at the end of 2007. The core capital ratio was 9.8 per cent, as against 7.6 per cent a year earlier.

Risk weighted volume and eligible primary capital

	Vital			
	31 December 2008		31 December 2007	
Amounts in NOK million	Recorded	Weighted	Recorded	Weighted
Total assets	224 129	84 608	230 405	109 044
Primary capital				
Core capital		8 277		8 266
Net supplementary capital		2 120		2 268
Financial deduction		0		(4)
Total eligible primary capital		10 398		10 531
Capital adequacy requirement		6 769		8 724
Capital in excess of requirement		3 629		1 807

Solvency margin capital

Solvency margin capital is measured against the solvency margin requirement, which is linked to the company's insurance commitments. The solvency margin requirements for Norwegian life insurance companies are subject to regulations on the calculations of solvency margin capital requirements and solvency margin capital, as laid down by the Ministry of Finance on 19 May 1995.

	Vital	
Amounts in NOK million	31 Dec. 2008	31 Dec. 2007
Total eligible primary capital	10 398	10 531
Additional allocations (50 per cent)	2 680	4 316
Risk equalisation fund (50 per cent)	124	-
Security reserve in excess of the lower limit (55 per cent)	-	111
Solvency margin capital	13 202	14 958
Solvency margin capital requirement	8 147	7 510

Note 52 Remunerations etc.

Pursuant to Section 6-16a of the Norwegian Public Limited Companies Act, the Board of Directors will present the following remuneration guidelines to the Annual General Meeting:

"The Board of Directors' statement on the stipulation of salaries and other remunerations to senior executives

DnB NOR's guidelines for determining remunerations to the group chief executive and other members of the group management team should, at all times, support prevailing strategy and values, while contributing to the attainment of the Group's targets. The remunerations should inspire conduct to build the desired corporate culture with respect to performance and profit orientation. In connection with this statement, the Board of Directors has passed no resolution entailing changes to the principles for the stipulation of remunerations compared with statements presented previously.

Decision-making process

The Board of Directors in DnB NOR ASA has established a compensation committee consisting of three members: the chairman of the Board, the vice-chairman and one board member.

The Compensation Committee prepares matters for the Board of Directors and has the following main responsibilities:

- Make an annual evaluation and present its recommendations regarding the total remuneration awarded to the group chief executive.
- Annually prepare a recommendation for the group chief executive's score card.
- Based on suggestions from the group chief executive, decide the remuneration and other key benefits awarded to the group executive vice president, Group Audit.
- Act in an advisory capacity to the group chief executive regarding remunerations and other key benefits for members of the group management team and, when applicable, for others who report to the group chief executive.
- Consider other matters as decided by the Board of Directors and/or the Compensation Committee.
- Other personnel-related issues which can be assumed to entail great risk to the Group's reputation, should be referred to the Committee.

A. Guidelines for the coming accounting year

<u>Remuneration to the group chief executive</u>

The total remuneration to the group chief executive consists of basic salary (main element), benefits in kind, variable salary, pension and insurance schemes. The total remuneration is determined based on a total evaluation where the following elements are emphasised: financial performance, customer satisfaction, employee satisfaction and the DnB NOR Group's reputation.

The basic salary is subject to an annual evaluation and is determined based on general salary levels in the labour market and especially in the financial industry.

Variable salary to the group chief executive is determined based on specific performance measurements of defined target areas and a discretionary assessment based on the group chief executive's score card. Variable salary cannot exceed 50 per cent of fixed salary. The group chief executive is not awarded performance-based payments other than the stated bonus.

In addition to variable salary, the group chief executive can be granted benefits in kind such as company car, newspapers/periodicals and telephone schemes. Benefits in kind should be relevant to the group chief executive's function or in line with market practice, and should not be significant relative to the group chief executive's basic salary.

The Group will respect the agreement entered into with the group chief executive, whereby his retirement age is 60 years with a pension representing 70 per cent of fixed salary. If employment is terminated prior to the age of 60, the pension will be paid from the age of 60 with the deduction of 1/14 of the pension amount for each full year remaining to his 60th birthday. According to the agreement, the group chief executive is entitled to a termination payment for two years if employment is terminated prior to the age of 60. If, during this period, the group chief executive receives income from other employment, the termination payment will be reduced by an amount corresponding to the salary received from this employment. Benefits in kind will be maintained for a period of three months.

<u>Remuneration to other senior executives</u>

The group chief executive determines the remunerations to senior executives in agreement with the Chairman of the Board of Directors. The Board of Directors will honour existing binding agreements.

The total remuneration to senior executives consists of basic salary (main element), benefits in kind, variable salary, and pension and insurance schemes. The total remuneration is determined based on the need to offer competitive terms in the various business areas. The remunerations should promote the Group's competitiveness in the relevant labour market, as well as the Group's profitability, including the desired trend in income and costs. The total remuneration must neither pose a threat to DnB NOR's reputation nor be market-leading, but should ensure that DnB NOR attracts and retains senior executives with the desired skills and experience.

The basic salary is subject to an annual evaluation and is determined based on general salary levels in the labour market and especially in the financial industry.

Benefits in kind may be offered to senior executives to the extent the benefits have a relevant connection to the employee's function in the Group or are in line with market practice. The benefits should not be significant relative to the employee's basic salary.

Note 52 Remunerations etc. (continued)

Variable salary is determined based on specific performance measurements of defined target areas which each executive can influence, and a discretionary assessment based on the executive's score card. The scheme should be performance-based without exposing the Group to unwanted risk, nor should the scheme pose a threat to DnB NOR's reputation. Variable salary (bonus) cannot exceed 50 per cent of fixed salary. The Board of Directors can make exceptions for certain positions if this is necessary to ensure competitive terms. Though salary in the latter case should be competitive, it should not be market-leading.

Pension schemes and any agreements on termination payments etc. should be considered relative to other remuneration and should ensure competitive terms. The various components in pension schemes and severance pay, either alone or together, must not be such that they could pose a threat to DnB NOR's reputation.

As a main rule, senior executives are entitled to a pension at the age of 65, though this can be deviated from. In accordance with the Group's pension scheme for all employees, pension entitlements should not exceed 70 per cent of fixed salary. However, the DnB NOR Group will honour existing agreements.

As a main rule, no termination payment agreements will be signed. However, the Group will honour existing agreements.

If DnB NOR Bank ASA, after negotiations, receives core capital from the Norwegian State Finance Fund, the Group will act in accordance with the parameters determined for salaries to senior executives.

When entering into new agreements, the guidelines generally apply and comprise all senior executives.

See table of remunerations for senior executives below.

B. Binding guidelines for shares, subscription rights, options etc. for the coming accounting year.
80 per cent of the variable salary of the group chief executive and senior executives is paid in cash, while 20 per cent is paid in the form of shares in DnB NOR ASA with a minimum holding period of two years. Guidelines have been established.

No additional shares, subscription rights, options or other forms of remuneration only linked to shares or only to developments in the share price of the company or other companies within the Group, will be awarded to the group chief executive or senior executives. The group chief executive and senior executives are, however, given the opportunity to participate in a share subscription scheme on the same terms as other employees in the DnB NOR Group.

C. Statement on the senior executive salary policy in the previous account year
An agreement stipulating a retirement age of 62 years has been entered into with a senior executive who joined the Group in 2008.

Group chief executive Rune Bjerke earned a bonus during 2008 based on the Group's financial performance during the year, but has chosen to renounce the bonus payment and nominal wage increases in 2009.

The current defined-benefit pension scheme for senior executives with salaries exceeding 12G (12 times the National Insurance basic amount) has been closed.

In all other respects, the guidelines determined for 2008 have been followed.

D. Statement on the effects for the company and the shareholders of remuneration agreements awarding shares, subscription rights, options etc.
80 per cent of the variable salary of the group chief executive and senior executives is paid in cash, while 20 per cent is paid in the form of shares in DnB NOR ASA. The Board of Directors believes that the awarding of shares to senior executives, in view of the total number of shares in the company, will have no negative consequences for the company or the shareholders."

Terms for the chairman of the Board of Directors
Chairman of the Board of Directors of DnB NOR ASA from 18 June 2008, Anne Carine Tanum, received a total remuneration of NOK 358 000 in 2008. In addition, Anne Carine Tanum received remuneration for other board positions within the DnB NOR Group. In 2008, she received NOK 188 000 as chairman of the Board of Directors of DnB NOR Bank ASA. Benefits in kind from the DnB NOR Group were estimated at NOK 1 000.

Chairman of the Board of Directors of DnB NOR ASA until 18 June 2008, Olav Hytta, received a total remuneration of NOK 225 000 in 2008, compared with NOK 380 000 in 2007. In addition, Olav Hytta received remuneration for other board positions within the DnB NOR Group. In 2008, he received NOK 168 000 as chairman of the Board of Directors of DnB NOR Bank ASA, compared with NOK 325 000 in 2007. Benefits in kind from the DnB NOR Group were estimated at NOK 4 000, compared with NOK 5 000 in 2007. In 2008, pension payments totalled NOK 1 852 000, compared with NOK 1 842 000 in 2007.

Terms for the group chief executive
Rune Bjerke received an ordinary salary of NOK 4 311 000 in 2008, compared with NOK 4 200 000 in 2007. The Board of Directors of DnB NOR ASA stipulated the group chief executive's bonus payment for 2007 at NOK 1 276 000. The bonus was paid in 2008. Benefits in kind amounted to NOK 246 000, compared with NOK 258 000 in 2007. Costs for DnB NOR in connection with the group chief executive’s pension scheme were NOK 2 995 000 for the 2008 accounting year, compared with NOK 2 913 000 in 2007. Costs are divided between DnB NOR ASA and DnB NOR Bank ASA.

Note 52 Remunerations etc. (continued)

Remunerations etc. in 2008

DnB NOR Group

Amounts in NOK 1 000	Fixed annual salary as at 31 Dec. 2008 [1]	Paid remunera-tion in 2008 [2]	Paid salaries in 2008 [3]	Bonus earned in 2007, paid in 2008 [4]	Benefits in kind in 2008 [5]	Total remunera-tion in 2008	Bonus earned in 2008, to be paid in 2009	Loans as at 31 Dec. 2008 [6]	Accrued pension expenses	Current value of pension agree-ment [7]
Board of Directors of DnB NOR ASA										
Olav Hytta (chairman until 18 June 2008) [8]	-	393	-	-	4	396	-	164	-	-
Anne Carine Tanum (chairman from 18 June 2008) [8]	-	545	-	-	1	546	-	0	-	-
Johan Nic. Vold (vice-chairman until 18 June 2008) [8]	-	183	-	-	0	183	-	25	-	-
Bjørn Sund (vice-chairman from 18 June 2008) [8] [9]	-	378	-	-	2	379	-	0	-	-
Per Hoffmann	559	505	588	16	192	1 301	0	1 699	47	1 762
Nina Britt Husebø (until 18 June 2008)	-	123	457	53	199	831	-	4	40	784
Jørn O. Kvilhaug	869	443	1 269	61	150	1 922	0	415	87	3 869
Bent Pedersen [9]	-	610	-	-	0	610	-	0	-	-
Tore Olaf Rimmereid (from 18 June 2008) [8]	-	253	-	-	1	253	-	0	-	-
Trine Sæther Romuld [9]	-	333	-	-	0	333	-	0	-	-
Ingjerd Skjeldrum	600	505	656	16	325	1 502	0	93	68	1 978
Siri Pettersen Strandenes [9]	-	499	-	-	1	499	-	0	-	-
Total Board of Directors	2 028	4 766	2 970	146	873	8 755	0	2 399	242	8 393
Group management										
Rune Bjerke, CEO	4 437	-	4 311	1 276	246	5 833	0	98	2 995	5 583
Tom Grøndahl, deputy CEO (until 1 March 2008)	-	-	2 893	819	349	4 061	-	675	2 492	31 196
Ottar Ertzeid, group EVP	1 650	-	2 600	7 016	357	9 973	6 300	0	617	6 385
Liv Fiksdahl, group EVP	1 715	-	1 794	725	417	2 936	497	2 908	768	6 206
Anne-Brit Folkvord, group EVP (until 29 September 2008)	-	-	1 755	500	339	2 594	-	819	1 054	10 148
Cathrine Klouman, group EVP	2 098	-	2 140	610	191	2 941	629	3 185	1 146	6 012
Bjørn Erik Næss, CFO (from 9 March 2008)	3 186	-	2 422	-	150	2 573	956	7 844	3 593	3 489
Kari Olrud Moen, acting group EVT (from 29 September 2008)	1 383	-	1 486	447	146	2 079	277	0	506	1 322
Tom Rathke, group EVP	2 800	-	3 144	1 618	194	4 956	420	1 610	2 042	10 472
Åsmund Skår, group EVP	2 912	-	3 035	841	551	4 427	437	1 539	1 641	20 618
Leif Teksum, group EVP	3 195	-	3 283	916	359	4 558	959	2 070	2 118	30 361
Total group management	23 376	-	28 862	14 769	3 300	46 931	10 474	20 747	18 974	131 793
Control Committee										
Frode Hassel (chairman)	-	385	-	-	-	385	-	0	-	-
Svein Brustad	-	240	-	-	-	240	-	0	-	-
Svein Norvald Eriksen	-	245	-	-	-	245	-	1 398	-	-
Ingebjørg Harto	-	240	-	-	-	240	-	0	-	-
Merete Smith (from 30 April 2008)	-	200	-	-	-	200	-	0	-	-
Thorstein Øverland	-	270	-	-	-	270	-	0	-	-
Total Control Committee	-	1 581	-	-	-	1 581	-	1 398	-	-
Total Supervisory Board	4 663	1 264	5 239	262	1 478	8 242	0	28 800	-	-
Total	30 067	7 611	37 072	15 176	5 651	65 509	10 474	53 343	19 216	140 185
Total lending to other employees								12 810 324		

Note 52 Remunerations etc. (continued)

Remunerations etc. in 2007

DnB NOR Group

Amounts in NOK 1 000	Fixed annual salary as at 31 Dec. 2007 [1)]	Paid remunera-tion [2)]	Paid salaries [3)]	Paid bonus [4)]	Benefits in kind [5)]	Paid total remunera-tion	Loans as at 31 Dec. 2007 [6)]	Accrued pension expenses	Current value of pension agree-ment [7)]
Board of Directors of DnB NOR ASA									
Olav Hytta (chairman) [8)]	-	705	-	-	5	710	10	545	18 414
Johan Nic. Vold (vice-chairman) (from 19 June 2007) [8)]	-	160	-	-	-	160	3	-	-
Per Hoffmann	456	477	535	15	8	1 035	1 733	29	134
Nina Britt Husebø	349	238	407	33	16	694	136	32	224
Berit Kjøll (until 19 June 2007)	-	118	-	-	-	118	25	-	-
Jørn O. Kvilhaug	808	420	830	100	25	1 375	711	86	2 450
Bent Pedersen [9)]	-	579	-	-	-	579	0	-	-
Heidi M. Petersen (until 5 November 2007)	-	380	-	-	-	380	2	-	-
Trine Sæther Romuld (from 19 June 2007) [9)]	-	168	-	-	-	168	0	-	-
Ingjerd Skjeldrum	570	477	582	15	15	1 089	131	82	1 155
Siri Pettersen Strandenes (from 11 Dec. 2007)	-	182	-	-	1	182	0	-	-
Bjørn Sund [9)]	-	358	-	-	-	358	0	-	-
Anne Carine Tanum [8)]	-	238	-	-	-	238	0	-	-
Per Terje Vold (until 19 June 2007)	-	153	-	-	1	154	0	-	-
Total Board of Directors	2 183	4 652	2 354	162	71	7 240	2 750	775	22 378
Group management									
Rune Bjerke, CEO	4 200	-	4 200	-	258	4 458	0	2 913	2 913
Tom Grøndahl, deputy CEO	2 678	-	2 824	818	215	3 857	695	2 441	27 192
Bård Benum, group EVP (until 30 April 2007)	-	-	1 233	15	130	1 378	4	513	-
Øyvind Birkeland, group EVP (until 11 June 2007)	-	-	2 182	15	213	2 409	3 945	885	11 068
Ottar Ertzeid, group EVP	1 600	-	2 455	7 465	189	10 109	0	559	4 865
Liv Fiksdahl, group EVP (from 11 June 2007)	1 615	-	1 349	724	163	2 236	2 233	598	4 073
Anne-Brit Folkvord, group EVP (from 11 June 2007)	1 615	-	1 349	499	173	2 021	882	742	5 557
Helge Forfang, group EVP (until 11 June 2007)	-	-	2 232	15	219	2 466	6 035	1 318	12 652
Cathrine Klouman, group EVP (from 11 June 2007)	1 979	-	1 783	609	140	2 531	3 238	824	3 636
Evlyn Raknerud, group EVP (until 11 June 2007)	-	-	1 496	15	776	2 287	0	452	9 143
Tom Rathke, group EVP (from 30 April 2007)	2 604	-	2 376	1 617	165	4 157	1 110	1 541	6 517
Åsmund Skår, group EVP	2 750	-	2 761	840	270	3 871	536	1 698	19 003
Leif Teksum, group EVP	3 000	-	2 983	915	234	4 132	2 207	1 646	21 103
Total group management	22 041	-	29 223	13 545	3 144	45 912	20 884	16 130	127 722
Control Committee									
Frode Hassel (chairman)	-	328	-	-	-	328	0	-	-
Helge B. Andresen (until 24 April 2007)	-	173	-	-	-	173	0	-	-
Svein Brustad	-	233	-	-	-	233	0	-	-
Svein Norvald Eriksen (from 24 April 2007)	-	159	-	-	-	159	1 519	-	-
Ingebjørg Harto (from 24 April 2007)	-	159	-	-	-	159	0	-	-
Kristin Normann (until 24 April 2007)	-	136	-	-	-	136	0	-	-
Thorstein Øverland	-	233	-	-	-	233	0	-	-
Total Control Committee	-	1 418	-	-	-	1 418	1 519	-	-
Total Supervisory Board	4 065	1 262	6 204	348	439	8 253	28 118	-	-
Total	28 288	7 332	37 781	14 056	3 654	62 824	53 271	16 904	150 100
Total lending to other employees							11 127 293		

Note 52 Remunerations etc. (continued)

1) *Fixed annual salary at year-end for employees who were members of the Board of Directors, the group management team or the Supervisory Board at year-end.*
2) *Includes remuneration received from all companies within the DnB NOR Group for service on Boards of Directors and committees. Remuneration from DnB NOR ASA was NOK 3 126 000 in 2008.*
3) *Includes salary payments for the entire year and holiday pay on bonuses. Some employees were members of the Board of Directors, the group management team or the Supervisory Board for only parts of the year.*
4) *The bonus of group chief executive Rune Bjerke for 2007 was stipulated at maximum 30 per cent of annual fixed salary. The bonus was paid in 2008. Group executive vice president Ottar Ertzeid, head of DnB NOR Markets, has a performance-based salary including both fixed and variable payments. The size of the bonus depends on results achieved by the business area and on long-term performance. All members of the group management team, apart from Rune Bjerke and Ottar Ertzeid, were paid the bonus earned in 2007 during the same year. The bonus payment in 2007 to group executive vice president Tom Rathke comprised NOK 836 000 related to 2006 and NOK 781 000 related to 2007.*
5) *Benefits in kind include payments from the employee investment funds and pension payments.*
6) *Loans to shareholder-elected representatives are extended on ordinary customer terms. Loans to DnB NOR employees are extended on special terms, which are close to ordinary customer terms.*
7) *The net present value of pension agreements represents accrued pension commitments excluding payments into funded pension schemes. Assumptions used in actuarial calculations of accrued pension expenses and the present value of pension agreements are shown in note 11 Pensions.*
8) *Also a member of the Compensation Committee.*
9) *Also a member of the Audit Committee.*

Other information on pension agreements

Ottar Ertzeid, Liv Fiksdahl, Cathrine Klouman, Bjørn Erik Næss, Kari Olrud Moen, Tom Rathke and Leif Teksum have pension agreements entitling them to a pension representing 70 per cent of fixed salary from the age of 62. Rune Bjerke and Åsmund Skår have pension agreements entitling them to a pension representing 70 per cent of fixed salary from the age of 60.

Subscription rights programme for employees

There was no subscription rights programme for employees in the DnB NOR Group at year-end 2008.

Remuneration to the statutory auditor	**DnB NOR ASA**		**DnB NOR Group**	
Amounts in NOK 1 000	2008	2007	2008	2007
Statutory audit [1]	575	469	18 238	16 383
Other certification services	175	73	3 271	2 464
Tax-related advice [2]	0	0	2 532	1 897
Other services [3]	5	283	908	2 820
Total remuneration to the statutory auditor	755	825	24 949	23 564
Additional services 1 January to 30 April 2008 [4]	180		896	

1) *Includes fees for auditing funds managed by DnB NOR.*
2) *Mainly related to assistance in tax matters for employees outside Norway.*
3) *Other non-auditing services primarily represented assistance in connection with courses and training measures, and advisory services related to functionality requirements in connection with changes in IT systems.*
4) *The auditing firm Ernst & Young AS was elected new auditor for DnB NOR ASA with effect from 2008 at the general meeting on 30 April 2008. Additional services in the period 1 January to 30 April 2008 were performed by the previous auditor.*

Note 53 Information on related parties

The largest owner of the DnB NOR Group is the Norwegian government, represented by the Ministry of Trade and Industry, which owns and controls 34 per cent of the shares in the parent company DnB NOR ASA. See note 55 Largest shareholders.

A large number of bank transactions are entered into with related parties as part of ordinary business transactions, comprising loans, deposits and foreign exchange transactions. These transactions are based on market terms. The table below shows transactions with related parties, including balance sheets at year-end and related expenses and income for the year. Related companies are associated companies plus Sparebankstiftelsen DnB NOR (the Savings Bank Foundation). See note 31 for a specification of associated companies. Loans to board members and their spouses/partners and under-age children are extended on ordinary customer terms. Loans to group management, like loans to other group employees, are extended on special terms, which are close to ordinary customer terms.

Transactions with related parties **DnB NOR Group**

	Group management and Board of Directors		Related companies	
Amounts in NOK million	2008	2007	2008	2007
Loans as at 1 January	16	24	14	0
New loans/repayments during the year	6	(8)	(5)	14
Changes in related parties	4	0	-	-
Loans as at 31 December	**26**	**16**	**9**	**14**
Interest income	**1**	**1**	**1**	**0**
Deposits as at 1 January [1)]	13	14	10 109	10 753
Deposits/withdrawals during the year	10	3	984	(644)
Changes in related parties	(5)	(3)	(9)	-
Deposits as at 31 December	**18**	**13**	**11 084**	**10 109**
Interest expenses	**1**	**0**	**400**	**398**
Guarantees [1)]	**-**	**-**	**17 220**	**9 448**

1) *DnB NOR carries loans in its balance sheets which according to a legal agreement have been transferred to Eksportfinans and are guaranteed by DnB NOR. According to the agreement, DnB NOR still carries interest rate risk and credit risk associated with the transferred portfolio. These portfolios totalled NOK 9 673 million and NOK 9 999 million respectively at year-end 2007 and 2008. The loans are set off by deposits/payments from Eksportfinans. DnB NOR has also issued guarantees for other loans in Eksportfinans.*

No write-downs were made on loans to related parties in 2007 and 2008. Reference is made to note 52 for information on loans to group management members and directors. Transactions with deputy members of the Board of Directors are not included in the table above. In general, DnB NOR employee loans should be paid by automatic debit in monthly instalments in arrear. Employees' commitments are within the term limits applying to general customer relationships. Security is furnished for employee loans in accordance with legal requirements.

Eksportfinans

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

- A share issue of NOK 1.2 billion aimed at the company's owners was implemented, and all owners participated based on their proportional shares.
- A portfolio hedge agreement was entered into, and the owners were invited to participate. As at 30 June 2008, shareholders representing 99.5 per cent of the shares had agreed to participate, including the Norwegian government, which has a 15 per cent holding. At end-December 2008, DnB NOR Bank ASA's share of the agreement corresponded to 40.43 per cent. The agreement secures Eksportfinans against further decreases in portfolio values of up to NOK 5 billion effective from 29 February 2008. Any recovery of values relative to nominal values will accrue to the participants in the portfolio hedge agreement as payment for their hedging commitment.
- During the first quarter of 2008, Eksportfinans' largest owner banks, DnB NOR Bank ASA, Nordea Bank AB and Danske Bank A/S approved a committed credit line giving the company access to a liquidity reserve of up to USD 4 billion. DnB NOR Bank ASA's share of this agreement represents approximately USD 2.2 billion. At end-December 2008, Eksportfinans had not availed itself of this credit line.

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

Note 53 Information on related parties (continued)

Stimulus packages

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

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

DnB NOR Bank ASA has purchased bonds from DnB NOR Boligkreditt which have been used as collateral for swap agreements with Norges Bank. The bank is required to repurchase the covered bonds at the original selling price. The Bank receives yield from the covered bonds as if they never had been sold. The accounting treatment of sales of financial instruments where the seller retains substantially all the risks and returns associated with the instrument, is described in IAS 39 Financial Instruments – Recognition and Measurement, Section 20. DnB NOR 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 DnB NOR Bank ASA. On a consolidated basis, the bonds will be treated as own bonds and netted against issued bonds in DnB NOR Boligkreditt.

In practice, the swap agreements imply that the bank purchases Treasury bills from Norges Bank. These are initially recorded as investments in Treasury bills. The obligation to repurchase the bonds at a price corresponding to the value of the Treasury bills, is recorded as funding from Norges Bank. At end-December 2008, this funding represented NOK 29 billion. DnB NOR Bank ASA's investment in Treasury Bills amounted to NOK 12 billion at 31 December 2008.

Note 54 Earnings per share

	DnB NOR Group	
	2008	2007
Profit for the year (NOK million)	8 918	15 022
Profit attributable to shareholders (NOK million) [1)]	9 211	14 780
Average number of shares (in 1 000) [2)]	1 332 654	1 333 402
Average number of shares, fully diluted (in 1 000) [2)]	1 332 654	1 333 402
Earnings per share (NOK) [1)]	6.91	11.08
Earnings per share, fully diluted (NOK) [1)]	6.91	11.08

1) *Excluding discontinuing operations and profits attributable to minority interests.*
2) *Holdings of own shares are not included in calculations of the number of shares.*

Note 55 Largest shareholders

Shareholder structure in DnB NOR ASA as at 31 December 2008	Shares in 1 000	Ownership in per cent
Norwegian Government/Ministry of Trade and Industry	453 102	34.00
Savings Bank Foundation	151 845	11.39
National Insurance Scheme Fund	40 499	3.04
Capital Research/Capital International	26 407	1.98
Barclays Global Investors	25 567	1.92
Jupiter Asset Management	21 688	1.63
DnB NOR Asset Management	13 510	1.01
People's Bank of China	13 433	1.01
Putnam	11 348	0.85
Orkla ASA	9 350	0.70
State of New Jersey Com Pension Fund	8 500	0.64
Blackrock Funds	8 045	0.60
Canada Life Funds	7 451	0.56
Dexia	7 163	0.54
Neuberger Berman	6 992	0.52
Deutche Bank AG/DWS Investments	6 818	0.51
State Street Global Advisors	6 574	0.49
Inv. Danske Invest	6 503	0.49
Frank Mohn AS	6 250	0.47
L&G Legal & General Funds	5 987	0.45
Total largest shareholders	837 031	62.81
Other	495 622	37.19
Total	1 332 654	100.00

Note 56 Off-balance sheet transactions, contingencies and post-balance sheet events

Off-balance sheet transactions		**DnB NOR Group**	
		31 Dec.	31 Dec.
Amounts in NOK million		2008	2007
Unutilised ordinary credit lines		337 818	307 303
Documentary credit commitments		24 896	19 693
Other commitments		540	1 082
Total commitments		363 254	328 078
Performance guarantees		34 367	23 304
Payment guarantees		24 582	21 753
Loan guarantees [1)]		16 202	13 044
Guarantees for taxes etc.		4 801	4 948
Other guarantee commitments		5 448	4 799
Total guarantee commitments [2)]		85 399	67 848
Support agreements		4 499	1 933
Total guarantee commitments etc. [*)]		89 899	69 781
*) Of which:			
Counter-guaranteed by financial institutions		566	1 300
Securities		202 611	92 668
are pledged as security for:	Loans [3)]	202 464	92 556
	Other activities	147	112

1) *DnB NOR carries loans in its balance sheet that subject to legal agreement have been transferred to Eksportfinans and for which DnB NOR has issued guarantees. According to the agreement, DnB NOR still carries interest rate risk and credit risk for the transferred portfolio. Customer loans in the portfolio totalling NOK 9 999 million were recorded in the balance sheet as at 31 December 2008.*
2) *Liabilities included in issued financial guarantees are measured at fair value and recorded in the balance sheet. See note 18 Information on fair value and note 41 Provisions.*
3) *NOK 72 390 million in securities as at 31 December 2008 has been pledged as collateral for credit facilities with Norges Bank (the Norwegian central bank). According to regulations, these loans must be fully collateralised by a mortgage on interest-bearing securities and/or the bank's deposits with Norges Bank.*

As a member of Continuous Linked Settlement Bank (CLS Bank) DnB NOR has an obligation to contribute to cover any deficit in CLS Bank's central settlement account for member banks, even if the default is caused by another member bank. Initially, such deficit will be sought covered by other member banks based on transactions the respective banks have had with the member bank which has caused the deficit in CLS Bank. Should there remain an uncovered deficit in CLS Bank, this will be covered pro rata by the member banks in CLS (currently 71 of the world's largest banks), according to Article 9 "Loss Allocations" of CLS Bank's International Rules. According to the agreements between CLS and the member banks, the pro rata payment obligations related to such coverage of any remaining deficit are limited to USD 30 million per member bank. At the end of 2008, DnB NOR had not recorded any obligations in relation to CLS.

Contingencies

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

In 2004, DnB NOR Bank issued a writ against the Norwegian government, represented by the Central Tax Office for Large Enterprises, requiring that the tax assessment for 2002 be invalidated. The bank claimed that the tax authorities made incorrect use of the realisation principle with respect to currency and interest rate swaps, as no tax credit was awarded for net losses in the tax assessment in line with the bank's view. The bank lost the case in the District Court in 2006 and in the Court of Appeal in 2008. In January 2009, the Supreme Court delivered a judgment in the matter whereby the court found in favour of the bank with respect to interest rate swaps, while the judgments reached in the lower courts with respect to currency swaps were upheld. The Supreme Court sentence has no material effect on the Group's accounts.

In January 2009, Heidelberger Cement Pensjonskasse/Norcem AS issued a writ in the previously described action against Vital Forsikring, with a claim for damages of up to NOK 110 million. It is claimed that Vital Forsikring ASA gave incorrect advice in connection with a transfer of assets from a premium fund under the company's pension scheme. The claim is contested.

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

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

Post balance-sheet events

Developments in the financial markets at the beginning of 2009 have reinforced the picture of a severe cyclical downturn, and most economic indicators show a negative trend for the future. Up until the end of February 2009, the stock markets have also been in decline.

Though the situation must be expected to become more challenging for many of DnB NOR's customers, no new information has come to light about important matters which had occurred on the balance sheet date 31 December 2008 and up until the Board of Directors' final consideration of the annual accounts on 16 March 2009.

Income statement

Amounts in NOK million	Note	DnB NOR ASA 2008	2007
Total interest income		261	275
Total interest expenses		538	265
Net interest income		**(277)**	**10**
Commissions and fees payable etc.		5	6
Other income [1)]	2	179	3 268
Net other operating income		**173**	**3 262**
Total income		**(104)**	**3 272**
Salaries and other personnel expenses		5	1
Other expenses		241	210
Depreciation and write-downs of fixed and intangible assets		850	0
Total operating expenses		**1 097**	**211**
Pre-tax operating profit		**(1 201)**	**3 061**
Taxes	4	(736)	409
Profit for the year		**(465)**	**2 652**
Earnings per share (NOK) [2)]		(0.35)	1.99
Earnings per share for discontinuing operations (NOK) [2)]		0.00	0.00

1) *Dividends from group companies/group contributions.*
2) *DnB NOR has not issued options or other financial instruments that could cause dilution of earnings per share.*

Balance sheet

Amounts in NOK million	Note	DnB NOR ASA 31 Dec. 2008	31 Dec. 2007
Assets			
Deposits with DnB NOR Bank ASA		4 426	2 781
Lending to other group companies		231	230
Investments in group companies	5	51 058	51 642
Other receivables due from group companies		179	14 371
Other assets		125	0
Total assets		**56 019**	**69 023**
Liabilities and equity			
Loans from DnB NOR Bank ASA	6	10 598	5 632
Loans from other group companies		727	12 999
Other liabilities and provisions		0	5 233
Paid-in capital		24 994	24 994
Retained earnings		19 700	20 165
Total liabilities and equity		**56 019**	**69 023**

Statement of changes in equity

Amounts in NOK million	Share capital	Share premium reserve [1]	Other equity [2]	Total equity
				DnB NOR ASA
Balance sheet as at 31 December 2006	**13 341**	**11 934**	**23 337**	**48 612**
Profit for the period			2 652	2 652
Dividends for 2007			(5 997)	(5 997)
Redemption of shares	(14)	(267)	173	(108)
Balance sheet as at 31 December 2007	**13 327**	**11 668**	**20 165**	**45 159**
Profit for the period			(465)	(465)
Balance sheet as at 31 December 2008	**13 327**	**11 668**	**19 700**	**44 694**

1) *The share premium reserve can be used to cover financial losses.*
2) *Retained earnings can be used in accordance with stipulations in the Public Limited Companies Act.*

The share capital of DnB NOR ASA is NOK 13 326 536 150 divided into 1 332 653 615 shares of NOK 10 each. Each share carries one vote at the Annual General Meeting.

The Board of Directors of DnB NOR ASA has proposed a dividend of NOK 0 per share for 2008.

Cash flow statement

	DnB NOR ASA	
Amounts in NOK million	2008	2007
Operations		
Payments to operations	(46)	(29)
Taxes paid	0	(1 043)
Net cash flow relating to operations	**(46)**	**(1 072)**
Investment activity		
Receipts on the sale of long-term investments in shares	0	0
Payments on the acquisition of long-term investments in shares	(265)	(3 000)
Net cash flow relating to investment activity	**(265)**	**(3 000)**
Equity funding		
Group contributions from subsidiaries	3 268	8 836
Dividend payments	(5 997)	(5 336)
Repurchase of own shares	0	(108)
Net cash flow relating to equity funding	**(2 729)**	**3 392**
Other liquidity financing		
Net receipts/payments on long-term liabilities	4 783	(217)
Net investments in credit institutions	(1 646)	836
Net interest payments on other liquidity financing	(97)	61
Net cash flow relating to other liquidity financing	**3 040**	**680**
Net cash flow	**0**	**0**

Note 1 – Transition to IFRS and accounting principles

Transition to IFRS

As of 1 January 2007 DnB NOR ASA has prepared accounts according to the Norwegian Ministry of Finance's regulations on annual accounts, Section 1-5, on the use of IFRS (International Financial Reporting Standards), hereinafter called the Norwegian IFRS regulations. These regulations give permission to record provisions for dividends and group contributions in subsidiaries as income and record the Board of Directors' proposed dividends and group contributions as liabilities on the balance sheet date. According to IFRS, dividends should be classified as equity until approved by the general meeting. DnB NOR ASA is the parent company in the DnB NOR Group, which implemented IFRS in the consolidated accounts as of 1 January 2005. The DnB NOR Group's opening balance date was 1 January 2004.

Up until 31 December 2006, DnB NOR ASA prepared statutory accounts based on Norwegian accounting legislation, the accounting regulations issued by the Ministry of Finance and Norwegian generally accepted accounting principles, hereinafter referred to as NGAAP. The transition to IFRS did not have any effect on the accounts other than certain reclassifications in the income statement:

- The line "Dividends from group companies/group contributions" is no longer included, and these items are presented under "Other income".
- The lines "Net gains on foreign exchange and financial instruments" and "Net gains on long-term securities" are no longer included, and these items are presented on the line "Net gains on financial instruments at fair value".

Accounting principles

Changes in accounting principles

The effects of changes in accounting principles are recorded directly against equity.

Ownership interests in group companies

Subsidiaries are defined as companies in which DnB NOR ASA has control, directly or indirectly, through a long-term ownership interest and a holding of more than 50 per cent of the voting share capital or primary capital. DnB NOR ASA's subsidiaries are DnB NOR Bank ASA, Vital Forsikring ASA, DnB NOR Kapitalforvaltning Holding AS, DnB NOR Skadeforsikring AS and Vital Skade AS. All subsidiaries are 100 per cent owned.

In the accounts of DnB NOR ASA, investments in subsidiaries are recorded at cost.

Transactions with group companies

Transactions with subsidiaries are conducted in accordance with general business conditions and principles whereby income, expenses, losses and gains are distributed as correctly as possible between the group companies.

Dividends and group contributions

Dividends and group contributions from group companies are recorded in the accounts in the same year as provisions are made in the relevant companies. Group contributions received are classified as dividends when considered to represent return on invested capital. Distributed dividends and group contributions are recorded as liabilities in accordance with the Board of Directors proposal on the balance sheet date.

Taxes

Taxes for the year comprise payable taxes for the financial year and changes in the value of deferred taxes and deferred tax assets.

Deferred taxes are calculated on the basis of differences between the profits stated in the accounts and the profits computed for tax purposes, which will be offset in the future. Evaluations are based on the balance sheet and tax position on the balance sheet date. Taxable and tax-deductible timing differences will be netted against each other within the same time interval. Deferred tax assets can be recognised as assets in the balance sheet when it is considered probable that the tax-deductible timing differences may be realised.

Note 2 Dividends/group contributions from subsidiaries

Dividends/group contributions from subsidiaries	DnB NOR ASA	
Amounts in NOK million	2008	2007
Group contributions received from:		
Vital Forsikring ASA	74	0
Other group companies	105	240
Dividends received from:		
Vital Forsikring ASA	0	3 028
Total dividends/group contributions from subsidiaries	**179**	**3 268**

Allocations	DnB NOR ASA	
Amounts in NOK million	2008	2007
Proposed dividends per share (NOK)	0.00	4.50
Share dividend	0	5 997
Transfers to/from other equity	(465)	(3 345)
Total allocations	**(465)**	**2 652**

Note 3 Remunerations etc.

All employees in DnB NOR ASA are also employed in one of the underlying companies within the Group. The holding company purchases services from other units within the Group. The group chief executive and group executive vice presidents are employed in both DnB NOR ASA and one of the subsidiaries in the Group. Personnel expenses and other administrative expenses relating to these individuals are divided between the subsidiaries and DnB NOR ASA according to use.

See note 52 for the DnB NOR Group for further details on remunerations etc. See also note 7 for DnB NOR ASA, specifying shares in DnB NOR ASA owned by senior executives and members of governing bodies.

Note 4 Taxes

	DnB NOR ASA	
Amounts in NOK million	2008	2007
Tax base		
Operating profit in DnB NOR ASA	(1 201)	3 061
Calculated effect from dividends/group contributions from subsidiaries	(95)	(1 599)
Tax-exempt income and non-deductible expenses	850	0
Tax base for the year	(446)	1 462
Taxes		
Payable taxes	0	409
Deferred taxes	(125)	0
Other changes in estimates	(611)	0
Total taxes	**(736)**	**409**

Note 5 Investments in subsidiaries as at 31 December 2008 [1)]

Amounts in 1 000 *Values in NOK unless otherwise indicated*		Share capital	Number of shares		Nominal value	Ownership share in per cent	DnB NOR ASA Recorded value
DnB NOR Bank		17 514 311	175 143 110		17 514 311	100.0	41 892 502
DnB NORD	EUR	882 095	449 868 501	EUR	449 869	51.0	
Den Norske Syndicates	GBP	200	200 000	GBP	200	100.0	
DnB NOR Asia	SGD	20 000	20 000 000	SGD	20 000	100.0	
DnB NOR Bogstadveien 45 A		12 181	12 181 162		12 181	100.0	
DnB NOR Boligkreditt		1 152 000	11 520 000		1 152 000	100.0	
DnB NOR Bygg		112 826	112 826		112 826	100.0	
DnB NOR Eiendom		10 003	100 033		10 003	100.0	
DnB NOR Eiendomsutvikling		91 000	91 000 000		91 000	100.0	
DnB NOR Finans		1 032 000	10 320 000		1 032 000	100.0	
DnB NOR Invest Holding		200 000	200 000		200 000	100.0	
DnB NOR Luxembourg	EUR	17 352	70 000	EUR	17 352	100.0	
DnB NOR Markets Inc.	USD	1	1 000	USD	1	100.0	
DnB NOR Meglerservice		1 200	12		1 200	100.0	
DnB NOR Monchebank	RUB	500 000	500 000 000	RUB	500 000	100.0	
DnB NOR Næringsmegling		1 000	10 000		1 000	100.0	
DnB NOR Reinsurance		21 000	21 000		21 000	100.0	
Hafjell Holding		10 000	1 000		10 000	100.0	
Lørenfaret NE 1		500	5 000		500	100.0	
Nordlandsbanken		625 062	50 004 984		625 062	100.0	
Postbanken Eiendom		2 000	20 000		2 000	100.0	
Realkreditt Eiendom		11 000	11 000		11 000	100.0	
SalusAnsvar	SEK	85 614	21 403 568	SEK	85 614	100.0	
Svensk Fastighetsförmedling	SEK	8 940	89 400	SEK	8 940	100.0	
Viul Hovedgård		7 500	750 000		7 500	100.0	
DnB NOR Kapitalforvaltning Holding		220 050	220 050		220 050	100.0	1 365 929
DnB NOR Kapitalforvaltning		109 680	548 402		109 680	100.0	
DnB NOR Asset Management Holding (Sweden)	SEK	135 200	1 352 000	SEK	135 200	100.0	
DnB NOR Fondene		10 000	10 000		10 000	100.0	
DnB NOR Skadeforsikring		265 000	265 000		265 000	100.0	266 000
Vital Forsikring		1 320 682	52 827 288		1 320 682	100.0	7 495 045
Vital Eiendom		10 000	20 000		10 000	100.0	
Vital Eiendomsforvaltning		3 000	3 000		3 000	100.0	
Vital Pekon		1 400	1 400		1 400	100.0	
Vital Skade		13 500	13 500		13 500	100.0	38 440
Total investments in subsidiaries							**51 057 916**

1) *Major subsidiaries and sub-subsidiaries in the DnB NOR Group.*

Note 6 Loans and deposits from credit institutions

Loan totalling NOK 10 598 million has been granted by DnB NOR Bank ASA at general market terms.

Note 7 Shares in DnB NOR ASA held by members of governing bodies and senior executives

	Number of shares 31 Dec. 2008
Supervisory Board of DnB NOR ASA	
Members elected by shareholders	
Benedicte Berg Schilbred, chairman	4 001
Ole-Eirik Lerøy, vice-chairman	0
Nils Halvard Bastiansen	0
Jan-Erik Dyvi	27 664
Toril Eidesvik	0
Anne Cathrine Frøstrup	424
Elisabeth Grændsen	200
Herbjørn Hansson	40 000
Knut Hartvig Johannson	10 000
Erik Sture Larre sr.	486 639
Tomas Leire	1 200
Eldbjørg Løwer	0
Dag J. Opedal	1 395
Gudrun B. Rollefsen	0
Merethe Smith	0
Arthur Sletteberg	2 000
Birger Solberg	4 000
Tove Storrødvann	209
Gine Wang	0
Hanne Rigmor Egenæss Wiig	1 705
Members elected by employees	
Else Carlsen	1 291
Bente H. Espenes	379
Yvonne Fjellvang	408
Svein Ove Kvalheim	1 000
Carl A. Løvvik	95
Marit Pettersvold	88
Anne Liv Reistad	569
Eli Solhaug	293
Marianne Steinsbu	2 705
Berit Ur	3 869

	Number of shares 31 Dec. 2008
Control Committee of DnB NOR ASA	
Frode Hassel, chairman	0
Svein Norvald Eriksen	0
Ingebjørg Harto	0
Thorstein Øverland	0
Board of Directors of DnB NOR ASA	
Anne Carine Tanum, chairman	200 000
Bjørn Sund, vice-chairman	25 524
Per Hoffmann	1 492
Jørn O. Kvilhaug	563
Bent Pedersen	12 701
Tore Olaf Rimmereid	5 000
Trine Sæther Romuld	0
Ingjerd Skjeldrum	4 434
Siri Pettersen Strandenes	101
Senior executives	
Rune Bjerke, CEO	10 371
Bjørn Erik Næss, CFO	10 278
Ottar Ertzeid, group executive vice president	50 273
Liv Fiksdahl, group executive vice president	598
Cathrine Klouman, group executive vice president	3 565
Kari Olrud Moen, group executive vice president (acting	371
Jarle Mortensen, group executive vice president (acting from 15 February 2009)	3 578
Tom Rathke, group executive vice president	1 120
Åsmund Skår, group executive vice president (until 15 February 2009)	6 541
Leif Teksum, group executive vice president	26 363
Group Audit	
Harald Jægtnes, group executive vice president	4 610

The statutory auditor owns no shares in DnB NOR ASA

The figures also include shares held by the immediate family and companies in which the shareholder has such influence as stated in Section 7-26 of the Act relating to annual accounts, etc.

Oslo, 16 March 2009
The Board of Directors of DnB NOR ASA

Anne Carine Tanum
(chairman)

Bjørn Sund
(vice-chairman)

Per Hoffmann   Jørn O. Kvilhaug   Bent Pedersen   Tore Olaf Rimmereid

Trine Sæther Romuld   Ingjerd Skjeldrum   Siri Pettersen Strandenes

Rune Bjerke
(group chief executive)

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

We hereby confirm that the annual accounts for the Group and the company for 2008 to the best of our knowledge have been prepared in accordance with applicable accounting standards and give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group and the company taken as a whole.

The directors' report gives a true and fair review of the development and performance of the business and the position of the Group and the company, as well as a description of the principal risks and uncertainties facing the Group.

Oslo, 16 March 2009
The Board of Directors of DnB NOR ASA

Anne Carine Tanum
(chairman)

Bjørn Sund
(vice-chairman)

Per Hoffmann

Jørn O. Kvilhaug

Bent Pedersen

Tore Olaf Rimmereid

Trine Sæther Romuld

Ingjerd Skjeldrum

Siri Pettersen Strandenes

Rune Bjerke
(group chief executive)

Bjørn Erik Næss
(chief financial officer)

Auditor's report

Statsautoriserte revisorer
Ernst & Young AS

Christian Frederiks pl. 6, NO-0154 Oslo
Oslo Atrium, P.O.Box 20, NO-0051 Oslo

Foretaksregisteret: NO 976 389 387 MVA
Tlf.: +47 24 00 24 00
Fax: +47 24 00 24 01
www.ey.no

Medlemmer av Den norske Revisorforening

To the Annual Shareholders' Meeting and Supervisory Board of
DnB NOR ASA

Auditor's report for 2008

We have audited the annual financial statements of DnB NOR ASA as of 31 December 2008, showing a loss of NOK 465 million for the Parent Company and a profit of NOK 8 918 million for the Group. We have also audited the information in the Directors' report concerning the financial statements, the going concern assumption, and the proposal for the coverage of the loss. The financial statements comprise the financial statements for the Parent Company and the Group. The financial statements of the Parent Company comprise the balance sheet, the statements of income and cash flows, the statement of changes in equity and the accompanying notes. The financial statements of the Group comprise the balance sheet, the statements of income and cash flows, the statement of changes in equity and the accompanying notes. Simplified IFRSs pursuant to the Norwegian Accounting Act § 3-9 have been applied in the preparation of the financial statements of the Parent Company. IFRSs as adopted by the EU have been applied in the preparation of the financial statements of the Group. These financial statements and the Directors' report are the responsibility of the Company's Board of Directors and Group Chief Executive. Our responsibility is to express an opinion on these financial statements and on other information according to the requirements of the Norwegian Act on Auditing and Auditors.

We conducted our audit in accordance with laws, regulations and auditing standards and practices generally accepted in Norway, including the auditing standards adopted by the Norwegian Institute of Public Accountants. These auditing standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. To the extent required by law and auditing standards, an audit also comprises a review of the management of the Company's financial affairs and its accounting and internal control systems. We believe that our audit provides a reasonable basis for our opinion.

In our opinion,

- the financial statements of the Parent Company are prepared in accordance with laws and regulations and present fairly, in all material respects the financial position of the Company as of 31 December 2008, and the results of its operations and cash flows and the changes in equity for the year then ended, in accordance with simplified IFRSs pursuant to the Norwegian Accounting Act § 3-9
- the financial statements of the Group are prepared in accordance with laws and regulations and present fairly, in all material respects, the financial position of the Group as of 31 December 2008, and the results of its operations and its cash flows and the changes in equity for the year then ended, in accordance with IFRSs as adopted by the EU
- the Company's management has fulfilled its duty to properly record and document the Company's accounting information as required by law and bookkeeping practice generally accepted in Norway
- the information in the Directors' report concerning the financial statements, the going concern assumption, and the proposal for the coverage of the loss is consistent with the financial statements and complies with law and regulations.

Oslo, 16 March 2009
Ernst & Young AS
Erik Mamelund
State Authorised Public Accountant (Norway)
(sign.)
Note: The translation to English has been prepared for information purposes only.

A member firm of Ernst & Young Global Limited

Control Committee's Report

To the Supervisory Board and the Annual General Meeting of DnB NOR ASA

The Control Committee has carried out internal controls in DnB NOR ASA and the Group in accordance with law and instructions laid down by the Supervisory Board.

In connection with the closing of the accounts for the 2008 financial year, the Control Committee has examined the Directors' Report, the annual accounts and the Auditor's Report for DnB NOR ASA.

The Committee finds that the Board of Directors gives an adequate description of the financial position of DnB NOR and the Group, and recommends the approval of the Directors' Report and annual accounts for the 2008 financial year.

Oslo, 16 March 2009

Frode Hassel
(chairman)

Svein N. Eriksen

Ingebjørg Harto

Thorstein Øverland

Svein Brustad
(deputy)

Merete Smith
(deputy)

Key figures

	DnB NOR Group		
	2008	2007	2006
Interest rate analysis			
1. Average combined spread for lending and deposits (%)	1.04	1.00	1.08
2. Spread for ordinary lending to customers (%)	1.01	0.84	1.17
3. Spread for deposits from customers (%)	1.08	1.27	0.92
Rate of return/profitability			
4. Net other operating income, per cent of total income	36.2	43.5	46.3
5. Cost/income ratio (%)	54.5	50.6	50.1
6. Return on equity (%)	12.4	22.0	19.5
7. RARORAC (%)	17.3	21.6	22.0
8. RORAC (%)	14.9	28.4	30.9
9. Average equity including allocated dividend (NOK million)	74 044	67 063	59 862
10. Return on average risk-weighted volume (%)	0.79	1.66	1.50
Financial strength			
11. Core (Tier 1) capital ratio at end of period (%)	6.7	7.2	6.7
12. Capital adequacy ratio at end of period (%)	9.5	9.6	10.0
13. Core capital at end of period (NOK million)	80 010	71 392	59 054
14. Risk-weighted volume at end of period (NOK million)	1 200 590	991 455	880 292
Loan portfolio and write-downs			
15. Individual write-downs relative to average net lending to customers (%)	0.25	0.05	0.02
16. Write-downs relative to average net lending to customers (%)	0.33	0.02	(0.03)
17. Net non-performing and impaired commitments, per cent of net lending	0.99	0.42	0.45
18. Net non-performing and impaired commitments at end of period (NOK million)	11 922	4 174	3 800
Liquidity			
19. Ratio of customer deposits to net customer lending at end of period (%)	50.1	55.5	57.3
Total assets owned or managed by DnB NOR			
20. Assets under management at end of period (NOK billion)	510	575	567
21. Total combined assets at end of period (NOK billion)	2 141	1 834	1 688
22. Average total assets (NOK billion)	1 635	1 412	1 209
23. Customer savings at end of period (NOK billion)	1 108	1 111	1 052
Staff			
24. Number of full-time positions at end of period	14 057	13 455	11 824
The DnB NOR share			
25. Number of shares at end of period (1 000)	1 332 654	1 332 654	1 334 089
26. Average number of shares (1 000)	1 332 654	1 333 402	1 335 449
27. Earnings per share (NOK)	6.91	11.08	8.74
28. Dividend per share (NOK) [1)]	0.00	4.50	4.00
29. Total shareholders' return (%)	(65.6)	(1.7)	27.8
30. Dividend yield (%)	0.00	5.42	4.52
31. Equity per share including allocated dividend at end of period (NOK)	57.83	55.01	48.13
32. Share price at end of period (NOK)	27.00	83.00	88.50
33. Price/earnings ratio	3.91	7.49	10.13
34. Price/book value	0.47	1.51	1.84
35. Market capitalisation (NOK billion)	36.0	110.6	118.1

1) Proposed dividend for 2008.

For definition of selected key figures, see next page.

Key figures (continued)

Definitions

1, 2, 3	Based on nominal values excluding lending to and deposits with credit institutions and impaired loans, measured against the 3-month money market rate.
5	Total expenses relative to total income. Expenses are exclusive of allocations to employees.
6	Profit for the period, excluding profit attributable to minority interests, adjusted for the period's change in fair value recognised in equity. Average equity is calculated on the basis of recorded equity excluding minority interests.
7	RARORAC (Risk-Adjusted Return On Risk-Adjusted Capital) is defined as risk-adjusted profits relative to risk-adjusted capital requirements. Risk-adjusted profits indicate the level of profits in a normalised situation. The risk-adjusted capital requirement is described in further detail in the chapter "Management in DnB NOR".
8	RORAC (Return On Risk-Adjusted Capital) is defined as profits for the period relative to risk-adjusted capital requirements. Profits for the period are exclusive of profits attributable to minority interests and are adjusted for the period's change in fair value recognised directly in equity and for the difference between recorded interest on average equity and interest on risk-adjusted capital.
10	Profit for the period relative to average risk-weighted volume.
20	Total assets under management for customers in Life and Asset Management.
21	Total assets and assets under management.
23	Total deposits from customers, assets under management and equity-linked bonds.
25	The Annual General Meeting on 30 April 2008 authorised the Board of Directors of DnB NOR ASA to acquire own shares for a total face value of up to NOK 1 332 653 615, corresponding to 10 per cent of share capital. The shares may be purchased through the stock market. Each share may be purchased at a price between NOK 10 and NOK 150. The authorisation is valid for a period of 12 months from 30 April 2008. Acquired shares shall be redeemed in accordance with regulations on the reduction of capital. An agreement has been signed with the Ministry of Trade and Industry for the redemption of a proportional share of government holdings to ensure that the government's percentage ownership does not change as a result of the redemption of repurchased shares. DnB NOR has no outstanding subscription rights for employees.
27	Excluding discontinuing operations and profits attributable to minority interests. Holdings of own shares are not included in calculations of the number of shares.
29	Closing price at end of period less closing price at beginning of period, including dividends reinvested in DnB NOR shares on the dividend payment date, relative to closing price at beginning of period.
31	Equity at end of period excluding minority interests relative to the number of shares at end of period.
32	Closing price at end of period relative to annualised earnings per share.
34	Closing price at end of period relative to recorded equity at end of period.
35	Number of shares multiplied by closing price at end of period.

Contact information

DnB NOR ASA
Group chief executive: Rune Bjerke
Mailing address: NO-0021 Oslo
Visiting address: Stranden 21, Oslo
dnbnor.com
Tel: +47 915 03000

DnB NOR Markets
Mailing address: NO-0021 Oslo
Visiting address: Stranden 21, Oslo
dnbnor.no/markets
Tel: +47 915 03000

Vital Forsikring ASA
Mailing address: P.O. Box 7500, NO-5020 Bergen
Visiting addresses: Folke Bernadottes vei 40, Fyllingsdalen, Beddingen 16, Trondheim and Vollsveien 17 A, Lysaker
vital.no
Tel: +47 55 17 70 00

DnB NOR Kapitalforvaltning ASA
Mailing address: NO-0021 Oslo
Visiting address: Øvre Slottsgate 3, Oslo
dnbnor.no/kapitalforvaltning
Tel: +47 915 03000

Nordlandsbanken ASA
Mailing address: NO-8002 Bodø
Visiting address: Moloveien 16, Bodø
nordlandsbanken.no
Tel: +47 915 08900

Postbanken
Mailing address: NO-0021 Oslo
Visiting address: Kirkegata 21, Oslo
postbanken.no
Tel: +47 915 03800

DnB NOR Finans AS
Mailing address: P.O. Box 7125, NO-5020 Bergen
Visiting address: Lars Hillesgate 30, Bergen
dnbnor.no/finans
Tel: +47 56 12 85 00

DnB NOR Eiendom AS
Mailing address: NO-0021 Oslo
Visiting address: Kirkegata 21, Oslo
dnbnoreiendom.no
Tel: +47 915 03000

Postbanken Eiendom AS
Mailing address: NO-0021 Oslo
Visiting address: Kirkegata 21, Oslo
postbankeneiendom.no
Tel: +47 915 03000

DnB NOR Boligkreditt AS
Mailing address: NO-0021 Oslo
Visiting address: Kirkegata 21, Oslo
Tel: +47 915 03000

DnB NOR Næringsmegling AS
Mailing address: NO-0021 Oslo
Visiting address: Stranden 21, Oslo
dnbnornaringsmegling.no
Tel: +47 22 94 86 60

International branches

DnB NOR Bank ASA, Denmark Branch
Mailing address: Amerikakaj, P.O. Box 879, DK-1200 Copenhagen Ø, Denmark
Visiting address: Dampfærgevej 28, Copenhagen
Tel: + 45 333 66 200

DnB NOR Bank ASA, Finland Branch
Address: Urho Kekkosen katu 7B, 5 krs, FI-00100 Helsinki, Finland
Tel: +358 10 548 2100

DnB NOR Bank ASA, Sweden Branch
Mailing address: P.O. Box 3041, SE-103 63 Stockholm, Sweden
Visiting address: Kungsgatan 18, Stockholm
Tel: +46 8 473 41 00

DnB NOR Bank ASA, Filiale Deutschland
Mailing address: Postfach 301260, DE-20305 Hamburg, Germany
Visiting address: Neuer Wall 72, Hamburg
Tel: +49 40 3575200

DnB NOR Bank ASA, London Branch
Address: 20, St. Dunstan's Hill, GB-London EC3R 8HY, England
Tel: +44 207 621 1111

DnB NOR Bank ASA, New York Branch
Address: 200 Park Avenue 31st Floor, New York, N.Y. 10166-0396, USA
Tel: +1 212 681 3800

DnB NOR Bank ASA, Singapore Branch
Address: 8 Shenton Way, #48-02, Temasek Tower, Singapore 068811
Tel: +65 6220 6144

DnB NOR Bank ASA, Shanghai Branch
Address: 901 Shanghai Central Plaza, 381 Huai Hai Zhong Lu
Shanghai 200020, China
Tel: +86 21 6132 2888

DnB NOR Bank ASA, Chile Branch
Address: Magdalena 140, piso 19
Las Condes, Santiago
Tel: +56 2923 0101

Subsidiaries

Bank DnB NORD A/S
Address: Dampfærgevej 28, DK-2100 Copenhagen Ø, Denmark
Tel: +45 76 70 05 00

DnB NOR Luxembourg S.A.
Mailing address: P.O. Box 867, L-2018 Luxembourg
Visiting address: 13, rue Goethe, Luxembourg
Tel: +352 45 49 451

DnB NOR Markets, Inc. New York
Address: 200 Park Avenue 31st Floor,
New York, N.Y. 10166-0396, USA
Tel: +1 212 681 3800

DnB NOR Asset Management AB
Mailing address: Box 3510, SE-103 69 Stockholm, Sweden
Visiting address: Kungsgatan 18, Stockholm
Tel: +46 8 473 41 00

OAO DnB NOR Monchebank
Address: Lenina Avenue 14, 183032 Murmansk, Russia
Tel: +7 8152 555 301

Representative offices

Houston, USA
Address: Three Allen Center 333 Clay Street,
Suite 4010 Houston, Texas 77002, USA
Tel: + 1 832 214 5800

Rio de Janeiro, Brazil
Mailing address: Caixa Postal 1620,
CEP 20001-970 Rio de Janeiro, RJ Brazil
Visiting address: Praia do Flamengo 66, Bloco,
B/Sala 1014, Rio de Janeiro
Tel: +55 21 2285 1795

DnB NOR Bank ASA, India Representative Office
Address: c/o DBS Office Business Center
Raheja Chambers, 213 Nariman Point
Mumbai 400 021, India
Tel: +91 22 4050 9200

Athens, Greece
Address: 38, Patriarchou Ioakim Street,
106 75 Athens, Greece
Tel: +30 210 720 9570

Investor Relations

Bjørn Erik Næss
Chief financial officer
Tel: +47 22 48 29 22
bjorn.erik.naess@dnbnor.no

Per Sagbakken
Head of Investor Relations/Long-term Funding
Tel: +47 22 48 20 72
per.sagbakken@dnbnor.no

Thor Tellefsen
Tel: +47 22 94 93 88
thor.tellefsen@dnbnor.no

Jo Teslo
Tel: +47 22 94 92 86
jo.teslo@dnbnor.no

Corporate Communications

Trond Bentestuen
Group executive vice president
Tel: +47 950 28 448
trond.bentestuen@dnbnor.no

For information about customer service, branch offices and Internet banks,
see dnbnor.no or call +47 915 04800 (Retail Banking) or +47 915 07700 (Corporate Banking).
For information about press contacts, see dnbnor.com

Annual General Meeting

The Annual General Meeting will be held on 21 April 2009 at 6 p.m. at DnB NOR's premises in Kirkegt. 21, Oslo. Information on how to register attendance and items on the agenda can be found at: www.dnbnor.com/agm.

Shareholders registered as owners in DnB NOR ASA with the Norwegian Central Securities Depository (VPS) may opt to receive annual reports and the notice of the Annual General Meeting electronically. For more information about Investor Account Services, please contact your VPS registrar. Shareholders with VPS accounts in DnB NOR who do not wish to receive reports or notices by regular mail, may register at: www.dnbnor.no/en/markets/securities_services

Cautionary statement regarding forward-looking statements

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

The annual report has been produced by Group Financial Reporting, Corporate Communications and Designteam in DnB NOR.

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