

First quarter report 2009

Unaudited



DnB NOR Bank ASA

DnB NOR

Financial highlights

First quarter 2009

- Pre-tax operating profits before write-downs were NOK 6.0 billion (1.9)
 - Profit for the period was NOK 3.1 billion (1.4)
 - Return on equity was 17.3 per cent (8.1)
 - The cost/income ratio was 41.3 per cent (66.6)
 - The core capital ratio, including 50 per cent of interim profits, was 7.3 per cent (7.6)
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Figures for the DnB NOR Bank Group.

Comparable figures for the first quarter of 2008 in parentheses.

There has been no full or partial *external* audit of the first quarter report and the first quarter accounts, though the report has been reviewed and major accounting items and notes audited by DnB NOR's Group Audit.

Report for the first quarter of 2009

Sound performance under challenging circumstances

- Positive trend in spreads
- Increase in other operating income
- Write-downs on loans in line with estimates
- Long-term AA-credit rating (S&P) affirmed

Introduction

The DnB NOR Bank Group ¹⁾ recorded profits of NOK 3 078 million in the first quarter of 2009, up from NOK 1 365 million in the year-earlier period. Through its healthy first quarter profits, the banking group thus built up buffers to absorb expected future losses. Return on equity was 17.3 per cent, compared with 8.1 per cent in the first quarter of 2008.

Pre-tax operating profits before write-downs were NOK 5 991 million in the first quarter of 2009, up from NOK 1 860 million in the year-earlier period. The increase reflected higher income from widening spreads and a strong rise in other operating income, which increased from NOK 457 million in the first quarter of 2008 to NOK 4 424 million. The rise in other operating income was attributable to high income from foreign exchange and interest rate products in the first quarter of 2009, as well as sizeable write-downs on DnB NOR Markets' bond portfolio in the first quarter of 2008.

Average net customer lending increased from NOK 986 billion

in the January through March period in 2008, to NOK 1 189 billion in the corresponding period in 2009, though the upward trend clearly levelled off in 2009. Relative to the 3-month money market rate, lending spreads widened from 0.87 per cent to 1.56 per cent during the corresponding period, reflecting higher credit risk margins in the market. Parallel to this, there was a narrowing in deposit spreads.

Operating expenses rose by 14.1 per cent from the first quarter of 2008, to NOK 4 223 million. The number of full-time positions increased by 285 during the same period, to 12 730. Both growth initiatives implemented during the first half of 2008 and higher costs related to operational leasing contributed to the cost increase. A major part of the cost increases can be directly set off against income items.

The banking group's cost programme was on schedule, introducing measures which will have lasting cost-reducing effects. The annual cost reduction target in the cost programme has been increased from NOK 1.2 billion by year-end 2010 to NOK 1.7 billion by the end of 2012. A number of initiatives will help improve customer service and lower costs. The initiatives are based on the ambition to standardise and streamline the banking group's operations through joint solutions and processes. Service to retail customers and small and medium-sized enterprises will be coordinated and organised in one business area. In addition, a staff and support project has been established to streamline functions across the banking group, along with a group procurement programme to reduce purchasing costs and a project to coordinate the banking group's IT operations.

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

Write-downs on loans were within previously estimated levels during the first quarter. There were relatively large write-downs in DnB NORD's operations in the Baltic region. Write-downs in the banking group's Norwegian operations were at a normalised level, but showed a rising trend.

The cost/income ratio was 41.3 per cent in the first quarter of 2009, down from 66.6 per cent in the year-earlier period.

Access to long-term funding improved during the first quarter, partly due to the scheme to exchange covered bonds for Treasury bills, introduced in the fourth quarter of 2008. Financial markets remained volatile, however, and the price of long-term funding was very high compared with historical levels. In April 2009, the rating agency Standard & Poor's affirmed the bank's AA- long-term credit rating.

In consequence of the financial turmoil, credit demand in Norway was low in the first quarter. Lending growth slowed in the banking group's international operations. This, along with a stronger Norwegian krone, caused the growth in the banking group's total assets to level off. Including 50 per cent of interim profits, the core capital ratio increased from 6.9 per cent at end-December 2008 to 7.3 per cent at end-March 2009. As at 31 March 2008, the core capital ratio was also 7.0 per cent. The banking group is considered to be adequately capitalised relative to the risk in the loan portfolios and other operations, but the Board of Directors nevertheless aims to increase capital adequacy in future.

The annual employee satisfaction survey was conducted in the banking group at the beginning of 2009. The satisfaction score improved significantly from the previous year and the results have never been better. The DnB NOR Bank Group's motivated employees give the banking group a sound base for handling the challenges ahead.

Income statement

Net interest income

<i>Amounts in NOK million</i>	1st quarter		1st quarter	
	2009	Change	2008	
Net interest income	5 790	685	5 105	
Lending and deposit spreads		577		
Lending and deposit volumes		445		
Exchange rate movements		218		
Amortisation effect in the liquidity portfolio		213		
Guarantee fund levy		(108)		
Equity and non-interest-bearing items		(228)		
Increased funding costs		(366)		
Other net interest income		(66)		

Net interest income was NOK 5 790 million in the first quarter of 2009, up 13.4 per cent from the year-earlier period.

There was brisk lending growth during large parts of 2008, but this clearly levelled off in the first quarter of 2009. The average lending volume was up NOK 191 billion or 19.4 per cent from the first quarter of 2008 to the corresponding period in 2009. Annualised lending growth based on developments in the first quarter of 2009 is estimated at approximately 7 per cent. Deposit growth averaged NOK 56 billion or 10.3 per cent.

Compared with the first quarter of 2008, lending spreads widened by 0.7 percentage points, standing at 1.56 per cent. Lending spreads should cover both higher funding costs in excess of the money market rate, rising guarantee fund levies and the higher risk of lending. There was extensive repricing of risk in the corporate segment during the first quarter. However, due to a number of fixed-margin contracts in the portfolios, it takes time to achieve full coverage of higher risk costs. There was also strong competition for the best housing loan customers.

Deposit spreads declined by 0.9 percentage points during the period, to 0.33 per cent, reflecting intensifying competition.

Due to widening credit risk margins in global financial markets,

funding costs were NOK 366 million higher than in the first quarter of 2008. There was an overall increase in guarantee fund levies of NOK 108 million from the first quarter of 2008.

Net other operating income

<i>Amounts in NOK million</i>	1st quarter		1st quarter	
	2009	Change	2008	
Net other operating income	4 424	3 967	457	
Net gains on foreign exchange and interest rate instruments ¹⁾		1 113		
Net other commissions and fees		(55)		
Changes in credit margins		2 756		
Stock market-related income including financial instruments		154		
Other operating income		(1)		

1) Excluding guarantees and changes in credit margins.

Net other operating income amounted to NOK 4 424 million, a strong increase from NOK 457 million in the first quarter of 2008, which reflected a number of factors. Due to greater market volatility, income from foreign exchange and interest rate products rose by NOK 1 113 million. The volatility caused greater differences between ask and bid prices in the financial and currency markets. The fluctuations resulted from reactions to the financial turmoil and can be viewed in light of other negative profit effects. The rise in income reflects the DnB NOR Banking Group's broad income base, which enables the banking group to maintain a sound level of profits even when the financial markets are weak.

Net income from Eksportfinans came to NOK 881 million in the first quarter, an increase of NOK 1.2 billion from the year-earlier period due to changes in credit margins in the market. In the first quarter of 2008, DnB NOR Markets also recorded unrealised mark-to-market losses on bonds of NOK 1 566 million. With effect from the second half of 2008, these bonds were reclassified to the held-to-maturity category, and the banking group thus recorded no such losses in the first quarter of 2009.

Operating expenses

<i>Amounts in NOK million</i>	1st quarter		1st quarter	
	2009	Change	2008	
Operating expenses	4 223	520	3 702	
Norwegian units		382		
<i>Of which:</i>				
Performance-based pay		136		
IT expenses		123		
Wage and price inflation		97		
Agreement with Norway Post, including transfer of financial advisers		36		
Operational leasing		33		
Cost programme		(103)		
Restructuring expenses, cost programme		18		
New operations, including Bilfinans etc.		42		
International units		139		
<i>Of which:</i>				
DnB NOR Finans in Sweden and Denmark		53		
Banking operations in Singapore		20		
DnB NORD		53		
Other units		13		

Operating expenses totalled NOK 4 223 million, up 14 per cent from the first quarter of 2008. Several of the cost increases were a direct consequence of higher income. Both performance-based pay, the transfer of financial advisers from Norway Post and the increase in operational leasing were set off by income items. The increase also

reflected the acquisition and establishment of new operations both in Norway and internationally during 2008.

The banking group's cost programme has had a profound impact on the Norwegian cost base. Measures implemented up till end-March 2009, seen in isolation, brought down costs by NOK 103 million compared with the first quarter of 2008. The quarterly effect of the cost-reducing measures will represent NOK 133 million with effect from the second quarter of 2009. Restructuring costs in the first quarter were NOK 30 million, up NOK 18 million from the year-earlier period.

The number of full-time positions in the banking group rose by 285 from end-March 2008 to end-March 2009.

Net gains on fixed and intangible assets

Net gains on fixed and intangible assets were NOK 4 million in the first quarter of 2009, compared with NOK 31 million in the year-earlier period.

Write-downs on commitments

Net write-downs on loans and guarantees came to NOK 1 598 million for the quarter, compared with NOK 195 million in the year-earlier period.

Individual write-downs totalled NOK 1 208 million, representing 0.41 per cent of lending on an annual basis. The level of write-downs was higher than before the financial crisis started to have an impact on the real economy, but lower than in the fourth quarter of 2008. Individual write-downs in Norwegian units represented 0.29 per cent of lending on an annualised basis, while the corresponding figure for DnB NORD was 2.15 per cent. For the other international units, write-downs represented 0.07 per cent.

NOK 487 million of the write-downs in the first quarter referred to DnB NORD. Of this, NOK 446 million stemmed from the Baltic States, representing approximately 3.8 per cent of the portfolio in this region on an annual basis. Write-downs in DnB NORD represented 40 per cent of the The DnB NOR Bank Group's total net individual write-downs, while DnB NORD's lending volume represents only 8 per cent of the banking group's total lending when DnB NORD's portfolio is consolidated 100 per cent. Future developments in the Baltic economies will be of vital importance to loss developments in DnB NORD.

The effect of group write-downs on profits was reduced from NOK 615 million in the fourth quarter of 2008 to NOK 390 million in the first quarter of 2009.

After deductions for individual write-downs, net non-performing and impaired commitments came to NOK 14.0 billion as at 31 March 2009, up NOK 2.0 billion from end-December 2008. Non-performing and impaired commitments represented 1.17 per cent of lending volume at end-March 2009, compared with 0.42 per cent a year earlier.

Taxes

The DnB NOR Bank Group's tax charge for the first quarter of 2009 was NOK 1 319 million, compared with NOK 331 million in the year-earlier period. Estimated taxes for the first quarter are based on an annual estimate for 2009 corresponding to an effective tax charge of 30 per cent.

Balance sheet and liquidity

Total assets in the banking group's balance sheet were NOK 1 614 billion at end-March 2009, an increase of 19.8 per cent from a year earlier. Net lending to customers rose by NOK 163 billion or 15.9 per cent during the twelve-month period. Customer deposits were up NOK 71 billion or 13.4 per cent during the same period.

The market situation for short-term liquidity showed a clearly improved trend at the start of the quarter, partly due to expectations of further large interest rate cuts in various countries. Thus, investors chose to invest their liquid funds for somewhat longer periods before the interest rate cuts made an impact on the market. During the quarter, however, large international banks reported new

sizeable losses, followed by rescue operations by the authorities. Just as in 2008, the markets thus did not function satisfactorily at times. In the short-term markets, there were still major differences in the various banks' access to funding during the first quarter, depending on factors such as rating and nationality. The DnB NOR Bank Group had ample access to liquid funds throughout this period.

The Norwegian authorities' measures aimed at the financial services industry have a stabilising effect on the banks' liquidity situation. Among other things, the measures implemented in the fourth quarter of 2008 give Norwegian banks the opportunity to exchange covered bonds for Treasury bills. The Treasury bills are tradeable in the ordinary financial markets, and the scheme is instrumental in ensuring the banking group long-term funding.

In order to keep the DnB NOR Bank Group's liquidity risk at a low level, the banking group has decided that minimum 90 per cent of loans to customers should be financed through customer deposits, long-term securities, subordinated loan capital and equity. With respect to short-term funding, conservative limits have been set for refunding requirements. The banking group's ratio of deposits to net customer lending was 50.9 per cent at end-March 2009, down from 52.0 per cent a year earlier. The ratio of deposits to lending in DnB NOR Bank ASA was 73.5 per cent as at 31 March 2009. In light of the financial turmoil, the banking group aims to increase the ratio of deposits to lending in future.

Securities issued by the banking group increased by NOK 135 billion or 31.9 per cent from end-March 2008, totalling NOK 556 billion as at 31 March 2009. The average residual maturity of the portfolio of senior bonds was 2.7 years at end-March, compared with 2.6 years a year earlier.

Risk and capital adequacy

The risk situation in the first quarter of 2009 continued to be influenced by the financial crisis, and developments during the quarter were generally in line with expectations. The weak trend in the international real economy has gradually resulted in rising write-downs on ordinary bank loans. For the DnB NOR Bank Group, this was particularly the case in the Baltic States, where the banking group is exposed through DnB NORD. Liquidity risk improved during the first quarter, and the banking group has had ample access to capital market funding with short maturities and long-term funding through Norges Bank's swap scheme.

The DnB NOR Bank Group quantifies risk by measuring risk-adjusted capital. Net risk-adjusted capital in the first quarter of 2009 was virtually unchanged from the preceding quarter and was estimated at NOK 64.1 billion. The table below shows developments in risk-adjusted capital:

	31 March 2009	31 Dec. 2008	31 March 2008
<i>Amounts in NOK billion</i>			
Credit risk	58.4	59.2	47.5
Market risk	4.7	4.2	4.2
Operational risk	4.9	4.9	4.8
Business risk	3.3	2.8	2.4
Gross risk-adjusted capital	71.2	71.1	58.8
requirement			
Diversification effect ¹⁾	(7.1)	(6.9)	(6.8)
Net risk-adjusted capital	64.1	64.1	52.1
requirement			
Diversification effect in per cent			
of gross risk-adjusted capital			
requirement ¹⁾	10	10	12

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

Credit risk exhibited a mixed trend. Due to the strengthening of the Norwegian krone, especially against the euro, but also against the US dollar, there was a significant reduction in exposure measured in Norwegian kroner. This trend also caused a reduction in counterparty risk in derivative transactions. Measured credit quality remained relatively unchanged from year-end 2008, though credit was impaired within shipping and in DnB NORD. Before the financial crisis, the credit quality of the banking group's shipping portfolio was sound. Consequently, the banking group still did not have to record individual write-downs in this sector in the first quarter, in spite of continued weak freight rates for both the dry bulk, container and, in part, the tanker segment.

The rise in non-performing and impaired commitments was lower in the first quarter of 2009 than in the fourth quarter of 2008.

The rise in risk-adjusted capital for market risk was due to an increase in the value of Eksportfinans, which is recorded as an equity investment. A minor increase in interest risk limits for banking operations also gave a rise in risk-adjusted capital for market risk.

Operational risk, measured in terms of occurred incidents, was low and stable. The operational stability of the banking group's IT systems improved compared with previous years. These operations are still given high priority.

Risk-weighted volume included in the calculation of the formal capital adequacy requirement declined by NOK 53 billion during the quarter, to NOK 1 067 billion. There were no changes in the weighting of commitments from year-end 2008. The banking group's risk-weighted volume could not be reduced below 90 per cent of the Basel I requirement at year-end 2008. In 2009, the limitation is 80 per cent. The limitation according to the transitional rules was not effective at end-March 2009. Including 50 per cent of interim profits, the core capital ratio was 7.3, while the capital adequacy ratio was 10.1 per cent. In line with the approved capitalisation policy, the banking group will continue to increase its capital adequacy.

Business areas

Corporate Banking and Payment Services

Corporate Banking and Payment Services' first quarter performance in 2009 reflected the business area's ability to create results in a challenging market. Pre-tax operating profits of NOK 2 212 million were recorded in the first quarter of 2009, an increase from NOK 2 181 million in the year-earlier period.

	1st quarter 2009	1st quarter 2008	Change
<i>Income statement in NOK million</i>			
Net interest income	3 199	2 597	602
Other operating income	855	810	45
Total income	4 054	3 407	647
Operating expenses	1 273	1 162	111
Pre-tax operating profit before write-downs	2 781	2 245	536
Net gains on fixed assets	0	9	(9)
Net write-downs on loans	569	73	496
Pre-tax operating profit	2 212	2 181	31

Average balance sheet items in NOK billion

Net lending to customers	614.3	484.6	129.7
Deposits from customers	343.7	303.4	40.3

Key figures in per cent

Return on allocated capital ¹⁾	15.5	18.8
Cost/income ratio	31.4	34.1
Ratio of deposits to lending	55.9	62.6

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

There was sluggish credit demand in the first quarter of 2009, with a slightly downward trend in the underlying lending volume during the quarter. Compared with the first quarter of 2008, however, there was a relatively strong rise in lending, reflecting, among other things, an increase in the NOK value of foreign currency loans due to the weakening of the Norwegian krone relative to the euro and the US dollar.

Deposits showed a stable trend through the first quarter of 2009, with an average increase of 13.3 per cent compared with the year-earlier period. The ratio of deposits to lending was reduced by 6.7 percentage points from the first quarter of 2008.

Measured against the money market rate, average lending spreads in the first quarter of 2009 were 1.59 per cent, an increase of 0.54 percentage points from the year-earlier period. There was a rise in lending spreads in all segments. The widening spreads helped compensate for the increase in funding costs and guarantee fund levies.

Strong competition for deposits and falling money market rates resulted in narrowing deposit spreads from the first quarter of 2008 to the corresponding period in 2009. Relative to the money market rate, average deposit spreads were reduced by 0.46 percentage points to 0.31 per cent during the period.

Other operating income increased from the first quarter of 2008, partly due to an increase in income from foreign exchange and interest rate products resulting from the turmoil in financial markets.

Strong expansion in strategic priority areas during the first half of 2008 contributed to the rise in operating expenses compared with the year-earlier period. DnB NOR Finans' acquisition of operations in early 2008 contributed to the increase. Costs were brought down by 3.9 per cent from the fourth quarter of 2008. Depreciation on operational leasing was one of the cost elements which showed an increase, rising by NOK 63 million from the first quarter of 2008 and by NOK 17 million from the fourth quarter of 2008. At end-March 2009, staff in the business area represented 2 495 full-time positions, including 695 positions in international units and 648 positions in Norwegian subsidiaries.

The quality of the loan portfolio remained sound. However, macroeconomic developments have had a negative impact on the portfolio, and several corporate customers are feeling the consequences of the economic downturn. There was an increase in net write-downs on loans relative to the first quarter of 2008, representing 0.38 per cent of net customer lending on an annual basis, up from 0.06 per cent in the first quarter of 2008.

Customer satisfaction has shown a positive trend. The market share of total lending in Norway increased by 1.0 percentage point from end-March 2008, to 15.8 per cent at end-February 2009. Compared with other commercial and savings banks, the market share declined and was 32.4 per cent at end-February 2009, down 1.1 percentage point from end-March 2008. An important reason for this development was a reduced exposure towards commercial property. The market share of deposits in Norway increased, standing at 36.8 per cent at end-February 2009, compared with 34.5 per cent at end-March 2008.

It is expected that the economic slowdown may have negative consequences for some of the banking group's customers, and the number of customers who will have problems in serving their will thus increase. Corporate Banking and Payment Services will build on its sound professional skills to find good solutions for its customers, offering close follow-up and strong support. The DnB NOR Bank Group will give priority to strong, long-term and profitable customer relations. Credit demand is expected to be low during the remainder of 2009, coupled with pressure on deposit spreads. Higher funding cost and guarantee fund levies and a higher risk of losses will require lending spreads to be maintained at a relatively high level.

Retail Banking

Retail Banking recorded pre-tax operating profits of NOK 625 million in the first quarter of 2009, down NOK 321 million from the corresponding period in 2008.

	1st quarter 2009	1st quarter 2008	Change
<i>Income statement in NOK million</i>			
Net interest income	1 926	1 895	31
Other operating income	676	786	(110)
Total income	2 601	2 680	(79)
Operating expenses	1 824	1 673	152
Pre-tax operating profit before write-downs	777	1 008	(231)
Net gains on fixed assets	0	0	0
Net write-downs on loans	152	62	91
Pre-tax operating profit	625	946	(321)

Average balance sheet items in NOK billion

Net lending to customers	471.5	443.2	28.3
Deposits from customers	248.4	228.3	20.0

Key figures in per cent

Return on allocated capital ¹⁾	24.0	39.1
Cost/income ratio	70.1	62.4
Ratio of deposits to lending	52.7	51.5

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

Average lending increased by 6.4 per cent from the first quarter of 2008, whereas deposits were up 8.8 per cent in the same period. The ratio of deposits to lending rose by 1.2 percentage points to 52.7 per cent.

Net interest income from ordinary operations was affected by the declining interest rate level. Due to notification periods for interest rate adjustments, there was a certain lag before the changes are reflected in lending and deposit rates. A reduction in money market rates during the quarter thus gave high margin income on loans and correspondingly low margin income on deposits. The weighted interest rate margin, defined as total margin income on loans and deposits relative to average loans and deposits, was 1.14 per cent in the first quarter of 2009, up from 1.01 per cent in the first quarter of 2008.

The business area's first quarter performance reflected declining sales of mutual fund and life insurance products and a reduction in income after the removal of charges on the bank's loyalty programmes on 1 May 2008. The establishment of DnB NOR's own non-life insurance company will also result in reduced income during the start-up phase due to the need to build reserves in the company. Income from real estate broking operations in Norway had a positive effect on income compared with the first quarter of 2008.

There was a rise in operating expenses, reflecting IT development, the establishment of the Group's own non-life insurance company and changes in the agreement with Norway Post. The banking group will take over approximately 170 advisers from Norway Post. The formal transfer will take place from May, but has accounting effect as from 1 January 2009. Retail Banking staff numbered 3 979 full-time positions at end-March 2009, including positions taken over from Norway Post. Streamlining measures in the banking group's cost programme resulted in staff reductions in Norwegian operations compared with the first quarter of 2008.

Annualised net write-downs relative to average net lending rose from 0.06 per cent in the first quarter of 2008 to 0.13 per cent in the first quarter of 2009. There was a satisfactory trend in non-performing loans during the period.

At end-February 2009, the market share of credit to retail customers was 28.2 per cent, continuing the stable trend of the past two quarters. The market share of savings was 35.4 per cent at end-February 2009.

DnB NOR launched its own non-life insurance company, DnB NOR Skadeforsikring, on 1 January 2009. Non-life insurance is one of Retail Banking's priority areas, and the Group is aiming for a 12 per

cent share of the Norwegian market in 2012. Since 1 January 2009, the banking group has been responsible for all banking services at Oslo Airport.

The mobile phone is the DnB NOR Bank Group's fastest growing distribution channel, and the banking group has taken a leading position in the Nordic region within mobile banking services. In March 2009, approximately 2.1 million SMS messages were received, a doubling from March 2008. BankID is now available for all customers under the DnB NOR brand, and BankID via mobile phones will gradually be offered. The advantage of this service, so far, is that customers no longer need their code device to use the Internet bank. In autumn 2009, DnB NOR Kort will introduce a service enabling customers to order credit cards and consumer credit using BankID signature. As the first Norwegian bank, DnB NOR Bank also offers banking services via iPhone and Ipad Touch.

It is expected that the cyclical downturn will give lower earnings for the business area in 2009 than in 2008. The fall in interest rates will intensify competition for deposits and increase the pressure on spreads.

DnB NOR Markets

DnB NOR Markets achieved a record level of profits in the January through March period in 2009. Pre-tax operating profits totalled NOK 2 133 million, an increase of NOK 2 836 million from the first quarter of 2008.

	1st quarter 2009	1st quarter 2008	Change
<i>Income statement in NOK million</i>			
FX, interest rate and commodity derivatives	488	434	54
Investment products	185	117	68
Corporate finance	131	129	2
Securities services	41	85	(44)
Total customer revenues	846	765	81
Changes in credit spreads	0	(1 566)	1 566
Other market making/trading revenues	1 766	427	1 339
Total trading revenues	1 766	(1 139)	2 905
Interest income on allocated capital	51	47	3
Total income	2 662	(327)	2 989
Operating expenses	528	375	153
Pre-tax operating profit before write-downs	2 133	(702)	2 836
Net gains on fixed assets	0	0	0
Net write-downs on loans	0	0	0
Pre-tax operating profit	2 133	(702)	2 836
<u>Key figures in per cent</u>			
Return on allocated capital ¹⁾	113.3	(64.1)	
Cost/income ratio	19.9	(114.7)	

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

Due to a high level of activity and large fluctuations in both exchange rates and interest rates, earnings from customer and own account trading increased compared with the first quarter of 2008. Due to the high level of profits, there was a rise in performance-based costs, while the cost/income ratio declined to 19.9 per cent. Full-time positions numbered 656 at end-March 2009.

Customer-related income from foreign exchange and interest rate and commodity derivatives increased by NOK 54 million from the first quarter of 2008. Risk management remains high on clients' agendas, which contributed to increasing income from interest-rate and currency hedging products. DnB NOR Markets introduced currency trading on the multibank portal FXAll and completed the first CO₂ emission rights transactions. The branch in Shanghai was granted a licence to engage in customer trading in, among other things, freight derivatives. Web TV was launched as an information channel for clients, reporting on important micro and macroeconomic events.

Customer-related income from the sale of securities and other investment products was up NOK 37 million compared with the first quarter of 2008. A lower level of stock market activity among both international clients and Norwegian institutions was offset by brisker activity among private investors. DnB NOR Markets was the second largest brokerage house on Oslo Børs within equities and number one within equity derivatives in the first quarter of 2009.

Customer-related revenues from corporate finance services were on a level with the first quarter of 2008. There was greater demand for advisory services, while there was little activity within initial public offerings. Share issue activity picked up towards the end of the quarter. DnB NOR Markets was awarded the Marine Money Magazine's Deal of the Year for the most innovative shipping transaction in 2008. The business area had a record level of activity in arranging corporate bond issues and strengthened its position as the largest arranger of Norwegian bond issues.

Customer-related revenues from custodial and other securities services declined by NOK 44 million from the year-earlier period, reflecting a lower level of stock market activity, reduced market values and pressure on prices. A new processing system for securitisation was introduced during the quarter.

Extensive market volatility within DnB NOR Markets' core areas, including Norwegian kroner products, contributed to high earnings from market making and other proprietary trading. The liquidity portfolio was reclassified as held-to-maturity investments during the third quarter of 2008. In the first quarter of 2008, this portfolio was carried at fair value, which resulted in unrealised mark-to-market losses of NOK 1 566 million, compared with realised gains of NOK 213 million in the first quarter of 2009.

Developments in the equity, credit, commodity, currency and interest rate markets will be decisive for the business area's future performance. DnB NOR Markets' strong market position in these product areas and in the Norwegian market provides a good platform for future profit performance.

DnB NOR

DnB NOR's performance in the first quarter of 2009 reflected the economic downturn, and high write-downs on loans gave a pre-tax operating loss of NOK 374 million, a reduction of NOK 521 million from the year-earlier period.

	1st quarter 2009	1st quarter 2008	Change
<i>Income statement in NOK million</i>			
Net interest income	448	389	59
Other operating income	185	149	36
Total income	633	538	95
Operating expenses	417	365	53
Pre-tax operating profit before write-downs	216	173	43
Net gains on fixed assets	1	6	(5)
Net write-downs on loans	590	32	558
Pre-tax operating profit	(374)	147	(521)
<i>Average balance sheet items in NOK billion</i>			
Net lending to customers	90.7	62.6	28.1
Deposits from customers	22.4	21.3	1.0
<i>Key figures in per cent</i>			
Return on allocated capital ¹⁾	(15.6)	8.8	
Cost/income ratio	65.9	67.8	
Ratio of deposits to lending	24.7	34.1	

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

Average customer lending showed continued brisk growth compared with the first quarter of 2008. However, the growth slowed down considerably towards the end of 2008, and there was a negative growth rate in the first quarter of 2009. From end-December 2008 to end-March 2009, net lending was down 10.2 per cent measured in Norwegian kroner, corresponding to a 1.6 per cent reduction in euro.

The market for customer deposits was characterised by fierce competition, and the level of deposits remained stable.

Falling interest rate levels, rising funding costs and strong competition for deposits caused pressure on net interest income in the first quarter of 2009. Higher IT and rental expenses resulted in a rise in costs during this period, though the cost/income ratio was scaled back by 1.9 percentage points from the first quarter of 2008. DnB NOR is closely monitoring cost developments in the various units, and the number of full-time positions was reduced by 117 from end-December 2008, to 3 480 at end-March 2009.

Net write-downs on loans totalled NOK 590 million in the first quarter of 2009, with NOK 487 million representing individual write-downs and NOK 104 million group write-downs. Relative to average lending during the period, the annual level of individual write-downs was 2.15 per cent, while total write-downs represented 2.64 per cent. During the first quarter of 2008, total write-downs represented 0.21 per cent of lending on an annual basis. The majority of the write-downs refer to Lithuania and Latvia at NOK 301 million and NOK 220 million, respectively, for the quarter.

The Baltic countries have experienced a serious economic cool-down over the past few quarters, and DnB NOR expects a rise in the level of write-downs in the region. The Danish property portfolio still represents a challenge, though the level of write-downs in 2009 is expected to remain below the level in the fourth quarter of 2008. DnB NOR expects total write-downs to represent between 3 and 4 per cent of lending in 2009. The outlook is more positive for the Polish economy, and DnB NOR will continue to develop products and services for retail customers. In other markets, DnB NOR will concentrate on consolidating operations and improving cost efficiency. High-risk commitments will be closely followed up in all markets.

Macroeconomic developments

The world economy is in a deep downturn. The credit markets are functioning better, but have not yet resumed normal activity, in spite of extensive measures implemented by international governments. The high level of uncertainty and lack of funding have had a negative effect on both consumption and the willingness and ability to invest. The recession has resulted in rising unemployment in many countries. GDP growth expectations for 2009 and 2010 have repeatedly been revised downwards and prognoses from the OECD published at the end of March showed a 4.3 per cent overall decline in GDP in 2009 for the OECD countries.

Production in Norway has fallen and unemployment has risen, but from a low level. The export sector has been hit particularly hard by the international economic downturn. Households are more pessimistic with regard to the country's future economic prospects, but the expectation indicators are now more stable. Goods consumption has declined, but housing prices, housing sales and household credit growth picked up during the first quarter, and here the interest rate cuts by Norges Bank were a key factor. There has been a decrease in both housing and corporate investments. However, Norges Bank expects positive growth in the Norwegian economy from the second half of 2009, driven by a rise in private consumption resulting from low interest rates, growth in real income, an increase in government transfers and strong growth in public expenditure.

Future prospects

There is still considerable uncertainty about future economic developments. Furthermore, the financial services industry will face significant challenges if market interest rates approach nil. Credits must be priced higher to compensate for higher risk and increased funding costs.

The main challenges for the banking group in 2009 will be to strengthen operations, follow up problem commitments and solve problems in cooperation with customers. More resources have been allocated to these activities.

Compared with 2008, write-downs on loans are expected to

increase in both the banking group's Norwegian and international operations. The greatest challenges are expected within shipping and commercial property and in DnB NOR. The banking group estimates that write-downs on loans may reach NOK 8-10 billion in 2009. Write-downs in DnB NOR are expected to be approximately NOK 3-4 billion. For shipping, write-downs are estimated at NOK 0.7-1 billion. For the remaining portfolio, of which Norwegian operations form a major part, write-downs are estimated at NOK 4-5 billion. Write-downs on loans may be somewhat higher in 2010.

Strengthening the banking group's capitalisation requires tight control on lending, focusing on growth within priority areas, whereas commitments within other areas must be reduced. During the coming year, the DnB NOR Bank Group will give priority to lending to Norwegian and Norwegian-related operations. The banking group has sufficient capital to meet credit growth in its Norwegian customer base.

New financial target figures for DnB NOR have been communicated. Compared with previous targets, they take into consideration lower interest rate levels, widening lending spreads, lower deposit spreads, higher write-downs and a lower cost level. The target of NOK 20 billion in pre-tax operating profits before write-downs in 2010 remains firm and reflects expectations of healthy earnings from ongoing operations. Capital built through operations will be adequate to cover a rise in write-downs while the core capital ratio will be increased to at least 8 per cent by year-end 2010. The Group aims to have a core capital ratio of minimum 8 per cent in times of recession and a ratio well above 8 per cent in periods of growth.

Oslo, 5 May 2009
The Board of Directors of DnB NOR Bank ASA

Anne Carine Tanum
(chairman)

Bent Pedersen
(vice-chairman)

Per Hoffmann

Kari Lotsberg

Kai Nyland

Torill Rambjør

Ingjerd Skjeldrum

Rune Bjerke
(group chief executive)

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After the release of the preliminary and unaudited accounts for the fourth quarter of 2008, some adjustments were made in the DnB NOR Bank ASA's figures for 2008. Figures for the fourth quarter of 2008 have been adjusted accordingly in this report.

Income statement

		DnB NOR Bank ASA			
		1st quarter	1st quarter	Full year	Full year
<i>Amounts in NOK million</i>		2009	2008	2008	2007
	Note				
Total interest income	4	14 062	16 315	70 478	56 598
Total interest expenses	4	10 258	12 328	53 373	41 748
Net interest income	4	3 804	3 987	17 105	14 850
Commissions and fees receivable etc.	5	1 150	1 370	5 274	5 916
Commissions and fees payable etc.	5	375	445	1 878	1 923
Net gains on financial instruments at fair value	5, 6	2 894	(1 112)	1 626	3 009
Profit from companies accounted for by the equity method	5	0	0	0	0
Other income	5	366	258	1 695	2 621
Net other operating income	5	4 035	72	6 716	9 624
Total income		7 839	4 059	23 821	24 474
Salaries and other personnel expenses	7, 8	1 714	1 484	6 306	6 347
Other expenses	7	1 307	1 212	5 013	4 364
Depreciation and write-downs of fixed and intangible assets	7	100	83	465	409
Total operating expenses	7	3 121	2 779	11 784	11 119
Net gains on fixed and intangible assets		2	40	47	1 566
Write-downs on loans and guarantees	9	840	138	1 586	75
Pre-tax operating profit		3 880	1 182	10 499	14 846
Taxes		1 280	204	2 889	3 705
Profit from discontinuing operations after taxes		0	0	0	0
Profit for the period		2 599	978	7 610	11 141

Comprehensive income statement according to IAS 1 ¹⁾

		DnB NOR Bank ASA			
		1st quarter	1st quarter	Full year	Full year
<i>Amounts in NOK million</i>		2009	2008	2008	2007
Profit for the period		2 599	978	7 610	11 141
Exchange differences arising from the translation of foreign operations		(127)	(110)	434	(216)
Comprehensive income for the period		2 473	868	8 044	10 924

1) The table is adjusted in accordance with the revised IAS 1 as from 1 January 2009. See note 1 Accounting principles.

Balance sheet

		DnB NOR Bank ASA			
		31 March	31 Dec.	31 March	31 Dec.
<i>Amounts in NOK million</i>	Note	2009	2008	2008	2007
Assets					
Cash and deposits with central banks		55 292	47 705	10 068	6 602
Lending to and deposits with credit institutions	10	244 495	245 652	181 294	178 742
Lending to customers	10, 11	777 094	824 223	786 153	763 472
Commercial paper and bonds	12	136 087	82 058	106 663	112 273
Shareholdings	13	9 034	9 317	10 433	8 731
Financial derivatives		112 441	137 751	107 912	65 135
Commercial paper and bonds, held to maturity	12	91 763	100 278	0	0
Investment property		0	0	0	0
Investments in associated companies		1 064	1 069	1 059	585
Investments in subsidiaries		18 631	19 192	14 990	12 716
Intangible assets	14	2 198	2 173	2 087	2 087
Deferred tax assets		9	10	8	8
Fixed assets		822	844	845	882
Discontinuing operations		0	0	0	0
Other assets		6 466	5 941	14 175	13 087
Total assets		1 455 395	1 476 214	1 235 686	1 164 320
Liabilities and equity					
Loans and deposits from credit institutions		199 895	147 371	128 051	129 162
Deposits from customers		571 299	570 312	503 330	510 745
Financial derivatives		96 768	119 168	107 167	63 257
Securities issued	15	456 659	507 680	365 208	335 772
Payable taxes		1 363	215	496	343
Deferred taxes		3 778	3 734	1 111	1 100
Other liabilities		8 451	10 608	31 263	25 711
Provisions		4 327	4 299	4 422	4 566
Subordinated loan capital	15	41 164	43 612	32 597	32 491
Total liabilities		1 383 705	1 406 998	1 173 645	1 103 147
Minority interests		0	0	0	0
Share capital		17 514	17 514	17 514	17 514
Share premium reserve		12 695	12 695	12 695	12 695
Other equity		41 481	39 007	31 831	30 964
Total equity		71 691	69 217	62 040	61 173
Total liabilities and equity		1 455 395	1 476 214	1 235 686	1 164 320
Off-balance sheet transactions and contingencies	19				

Income statement

		DnB NOR Bank Group			
		1st quarter	1st quarter	Full year	Full year
<i>Amounts in NOK million</i>		2009	2008	2008	2007
	Note				
Total interest income	4	17 921	18 618	82 741	62 214
Total interest expenses	4	12 131	13 513	60 406	44 199
Net interest income	4	5 790	5 105	22 335	18 015
Commissions and fees receivable etc.	5	1 384	1 590	6 236	6 632
Commissions and fees payable etc.	5	415	474	2 021	2 040
Net gains on financial instruments at fair value	5, 6	2 140	(784)	3 430	3 187
Profit from companies accounted for by the equity method	5	897	(294)	632	9
Other income	5	417	419	1 569	1 628
Net other operating income	5	4 424	457	9 847	9 416
Total income		10 214	5 562	32 182	27 431
Salaries and other personnel expenses	7, 8	2 258	1 968	8 299	8 144
Other expenses	7	1 652	1 512	6 348	5 296
Depreciation and write-downs of fixed and intangible assets	7	312	222	1 296	860
Total operating expenses	7	4 223	3 702	15 942	14 300
Net gains on fixed and intangible assets		4	31	52	2 481
Write-downs on loans and guarantees	9	1 598	195	3 509	220
Pre-tax operating profit		4 396	1 695	12 784	15 392
Taxes		1 319	331	3 568	4 010
Profit from discontinuing operations after taxes		0	0	0	0
Profit for the period		3 078	1 365	9 215	11 382
Profit attributable to shareholders		3 239	1 299	9 508	11 139
Profit attributable to minority interests		(161)	66	(293)	242

Comprehensive income statement according to IAS 1 ¹⁾

		DnB NOR Bank Group			
		1st quarter	1st quarter	Full year	Full year
<i>Amounts in NOK million</i>		2009	2008	2008	2007
Profit for the period		3 078	1 365	9 215	11 382
Exchange differences arising from the translation of foreign operations		(548)	(78)	929	(240)
Comprehensive income for the period		2 529	1 287	10 144	11 142
Comprehensive income attributable to shareholders		3 055	1 196	9 885	10 972
Comprehensive income attributable to minority interests		(526)	92	259	171

1) The table is adjusted in accordance with the revised IAS 1 as from 1 January 2009. See note 1 Accounting principles.

Balance sheet

		DnB NOR Bank Group			
		31 March	31 Dec.	31 March	31 Dec.
<i>Amounts in NOK million</i>	Note	2009	2008	2008	2007
Assets					
Cash and deposits with central banks		58 185	51 147	13 067	9 816
Lending to and deposits with credit institutions	10	73 685	54 187	60 104	52 302
Lending to customers	10, 11	1 188 648	1 206 842	1 025 653	980 239
Commercial paper and bonds	12	57 001	58 219	108 460	114 542
Shareholdings	14	9 483	9 642	10 743	9 104
Financial derivatives		111 456	136 567	107 503	64 445
Commercial paper and bonds, held to maturity	12	91 763	100 278	0	0
Investment property		663	167	161	170
Investments in associated companies		3 391	2 499	1 596	1 416
Investments in subsidiaries		-	-	-	-
Intangible assets	14	5 792	6 105	5 720	4 733
Deferred tax assets		236	253	142	128
Fixed assets		5 133	5 271	3 788	3 439
Discontinuing operations		201	246	232	225
Other assets		8 335	6 781	9 580	9 067
Total assets		1 613 973	1 638 205	1 346 750	1 249 625
Liabilities and equity					
Loans and deposits from credit institutions		230 242	178 834	148 467	144 228
Deposits from customers		605 294	606 915	533 846	542 307
Financial derivatives		77 611	93 207	104 517	61 731
Securities issued	15	556 247	614 183	421 696	371 784
Payable taxes		1 470	317	939	767
Deferred taxes		5 059	5 054	1 599	1 381
Other liabilities		10 903	12 380	29 349	23 205
Provisions		4 638	4 607	4 878	4 930
Subordinated loan capital	15	42 624	45 225	33 724	33 226
Total liabilities		1 534 089	1 560 721	1 279 014	1 183 558
Minority interests		3 644	4 211	3 137	2 662
Share capital		17 514	17 514	17 514	17 514
Share premium reserve		13 411	13 411	13 411	13 411
Other equity		45 315	42 346	33 673	32 480
Total equity		79 885	77 483	67 735	66 068
Total liabilities and equity		1 613 973	1 638 205	1 346 750	1 249 625
Off-balance sheet transactions and contingencies	19				

Statement of changes in equity

DnB NOR Bank ASA				
<i>Amounts in NOK million</i>	Share capital	Share premium reserve	Other equity ¹⁾	Total equity ¹⁾
Balance sheet as at 31 December 2007	17 514	12 695	30 964	61 173
Comprehensive income for the period			868	868
Balance sheet as at 31 March 2008	17 514	12 695	31 831	62 040
Balance sheet as at 31 December 2008	17 514	12 695	39 007	69 217
Comprehensive income for the period			2 473	2 473
Balance sheet as at 31 March 2009	17 514	12 695	41 481	71 691
1) <i>Of which currency translation reserve:</i>				
<i>Balance sheet as at 31 December 2007</i>			(248)	(248)
<i>Comprehensive income for the period</i>			(110)	(110)
<i>Balance sheet as at 31 March 2008</i>			(358)	(358)
<i>Balance sheet as at 31 December 2008</i>			185	185
<i>Comprehensive income for the period</i>			(127)	(127)
<i>Balance sheet as at 31 March 2009</i>			59	59

DnB NOR Bank Group					
<i>Amounts in NOK million</i>	Minority interests ¹⁾	Share capital	Share premium reserve	Other equity ¹⁾	Total equity ¹⁾
Balance sheet as at 31 December 2007	2 662	17 514	13 411	32 480	66 068
Comprehensive income for the period	92			1 195	1 287
Net dividends/group contribution paid for 2007				0	0
Minority interests DnB NOR	383				383
Balance sheet as at 31 March 2008	3 137	17 514	13 411	33 673	67 735
Balance sheet as at 31 December 2008	4 211	17 514	13 411	42 346	77 483
Comprehensive income for the period	(526)			3 055	2 529
Minority interests DnB NOR	(49)			(77)	(126)
Other minority interests	8			(8)	0
Balance sheet as at 31 March 2009	3 644	17 514	13 411	45 315	79 885
1) <i>Of which currency translation reserve:</i>					
<i>Balance sheet as at 31 December 2007</i>	(28)			(206)	(234)
<i>Comprehensive income for the period</i>	26			(104)	(78)
<i>Balance sheet as at 31 March 2008</i>	(2)			(310)	(312)
<i>Balance sheet as at 31 December 2008</i>	524			170	695
<i>Comprehensive income for the period</i>	(365)			(183)	(548)
<i>Balance sheet as at 31 March 2009</i>	160			(13)	147

Cash flow statement

DnB NOR Bank ASA				DnB NOR Bank Group				
Full year	Full year	1st quarter	1st quarter		1st quarter	1st quarter	Full year	Full year
2007	2008	2008	2009	<i>Amounts in NOK million</i>	2009	2008	2008	2007
Operations								
(49 089)	7 482	(25 219)	27 662	Net receipts/payments on loans to customers	(10 520)	(37 222)	(152 300)	(146 922)
59 589	38 198	(8 726)	4 248	Net receipts on deposits from customers	3 601	(9 898)	42 427	63 859
41 105	51 882	12 283	9 570	Interest received from customers	14 901	16 066	71 823	50 680
(17 296)	(24 112)	(5 516)	(4 154)	Interest paid to customers	(4 424)	(5 763)	(25 220)	(18 052)
Net receipts/payments on the sale/aquisition of								
26 919	(49 460)	5 344	(44 647)	financial assets for investment or trading	14 948	4 869	(28 759)	(967)
4 027	3 398	997	614	Net receipts on commissions and fees	808	1 188	4 217	4 625
(13 087)	(8 821)	(3 229)	(3 659)	Payments to operations	(3 987)	(4 014)	(12 148)	(15 816)
(2 671)	(386)	(40)	(82)	Taxes paid	(146)	(149)	(927)	(2 832)
993	1 692	320	390	Other receipts	441	480	1 566	1 607
50 489	4 909	(23 786)	(10 058)	Net cash flow relating to operations	15 623	(34 442)	(99 322)	(63 819)
Investment activity								
Net receipts/payments on the sale/acquisition								
2 857	(462)	(4)	(107)	of fixed assets	(96)	(519)	(3 374)	3 187
Receipts on the sale of long-term investments								
9	118	15	0	in shares	0	15	133	9
Payments on the acquisition of long-term								
(4 080)	(6 993)	(2 819)	0	investments in shares	0	(2 493)	(2 721)	(4 080)
Dividends received on long-term investments								
1 347	144	15	13	in shares	13	15	147	248
133	(7 193)	(2 794)	(94)	Net cash flow relating to investment activity	(84)	(2 982)	(5 815)	(636)
Funding activity								
Net receipts/payments on loans to/from								
(49 164)	(46 802)	2 295	51 972	credit institutions	28 853	(7 265)	12 969	29 435
Net receipts/payments on other short-term								
(7 064)	(266)	4 122	(2 821)	liabilities	(2 730)	6 886	11 000	(2 416)
25 377	104 901	33 979	(27 810)	Net issue of bonds and commercial paper	(27 949)	53 432	151 691	58 281
5 436	8 030	2 532	0	Issue of subordinated loan capital	0	2 926	8 747	5 583
(3 917)	(3 196)	(1 594)	0	Redemptions of subordinated loan capital	0	(1 594)	(3 196)	(4 017)
3 000	0	0	0	Receipts of increase in share capital	0	0	0	3 000
(7 700)	(379)	0	0	Dividend/group contribution payments	0	0	(1 807)	(7 700)
(14 553)	(19 054)	(4 599)	(3 208)	Net interest payments on funding activity	(6 948)	(7 074)	(32 990)	(20 420)
(48 586)	43 234	36 735	18 132	Net cash flow from funding activity	(8 773)	47 311	146 413	61 745
2 036	40 950	10 154	7 980	Net cash flow	6 766	9 886	41 276	(2 710)
21 783	23 819	23 819	64 769	Cash as at 1 January	56 795	15 520	15 520	18 230
2 036	40 950	10 154	7 980	Net receipts/payments of cash	6 766	9 886	41 276	(2 710)
23 819	64 769	33 974	72 748	Cash at end of period ¹⁾	63 561	25 406	56 795	15 520
*) <i>Of which:</i>								
6 602	47 705	10 068	55 292	<i>Cash and deposits with central banks</i>	58 185	13 067	51 147	9 816
17 217	17 064	23 906	17 456	<i>Deposits with credit institutions with no agreed period of notice ¹⁾</i>	5 377	12 339	5 648	5 703

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

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

Note 1 Accounting principles

The first quarter accounts have been prepared according to IAS 34 Interim Financial Reporting. A description of the accounting principles applied in preparing the accounts of the bank and the banking group is found in the annual report for 2008. The annual and interim accounts are prepared according to IFRS principles as approved by the EU. New or amended standards which have an impact on the accounts of the DnB NOR Bank Group as from 1 January 2009 are described below.

IAS 1 – Presentation of Financial Statements (revised)

The banking group has applied the revised IAS 1 with effect from 1 January 2009. The implementation has resulted in changes in the bank and the banking group's statement of changes in equity and income statement. According to the revised standard, the statement of changes in equity shall only show details on transactions with owners. Other transactions recognised directly in equity should be presented on a separate line in the statement of changes in equity. In the income statement, these transactions should be shown in a statement of comprehensive income according to IAS 1 under the income statement

Note 2 Estimates and discretionary assessments

When preparing the accounts of the bank and the banking group, management makes estimates and discretionary assessments and prepares assumptions that influence the effect of the accounting principles applied and thus the recorded values of assets and liabilities, income and expenses. A more detailed account of important estimates and assumptions is presented in note 2 Important accounting estimates and discretionary assessments in the annual report for 2008.

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

Note 3 Segments

Business areas

The operational structure of the DnB NOR Bank Group includes three business areas and four staff and support units. In addition, DnB NORD is reported as a separate profit centre. The business areas carry responsibility for customer segments served by the Group, as well as the products offered.

Corporate Banking and product	- offers a broad range of financial products and services in cooperation with several of the Bank Group's
Payment Services	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 Bank 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	- the key products include foreign exchange, interest rate and commodity products, securities and other investment products, debt and equity financing in capital markets, research and advisory services, as well as custodial and other securities services.
DnB NORD	- provides a broad range of products to both the retail and corporate markets.

The income statement and balance sheet for the business areas have been prepared on the basis of internal financial reporting for the functional organisation of the DnB NOR Bank Group into business areas. Figures for the business areas are based on DnB NOR Bank Group's management model and the Bank Group's accounting principles. The figures have been restated in accordance with the Bank Group's current principles for allocating costs and capital between business areas and are based on a number of assumptions, estimates and discretionary distribution. Internal transfer rates used between the business areas are determined based on observable market rates, e.g. NIBOR. Additional costs relating to the Bank Group's long-term funding are charged to the business areas. According to the Bank Group's liquidity management policy, 90 per cent of lending is financed through stable deposits and long-term funding. The additional costs thus arising were charged to the business areas. In the management accounts, Corporate Banking and Payment Services and Retail Banking are measured based on the business areas' ordinary operations. Random IFRS effects are not taken into consideration.

Note 3 Segments (continued)

Income statement

	DnB NOR Bank Group													
	Corporate Banking and Payment Services				Retail Banking		DnB NOR Markets		DnB NOR		Other operations/ eliminations ¹⁾		DnB NOR Bank Group	
	1st quarter		1st quarter		1st quarter		1st quarter		1st quarter		1st quarter			
<i>Amounts in NOK million</i>	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008		
Net interest income - ordinary operations	2 815	2 095	1 856	1 790	239	37	409	329	472	855	5 790	5 105		
Interest on allocated capital	384	502	70	105	51	47	39	60	(544)	(714)	0	0		
Net interest income	3 199	2 597	1 926	1 895	290	84	448	389	(72)	140	5 790	5 105		
Net other operating income	855	810	676	786	2 372	(412)	185	149	336	(876)	4 424	457		
Total income	4 054	3 407	2 601	2 680	2 662	(327)	633	538	264	(735)	10 214	5 562		
Operating expenses	1 273	1 162	1 824	1 673	528	375	417	365	179	128	4 223	3 702		
Pre-tax operating profit before write-downs	2 781	2 245	777	1 008	2 133	(702)	216	173	84	(863)	5 991	1 860		
Net gains on fixed and intangible assets	0	9	0	0	0	0	1	6	3	16	4	31		
Write-downs on loans and guarantees	569	73	152	62	0	0	590	32	286	28	1 598	195		
Pre-tax operating profit	2 212	2 181	625	946	2 133	(702)	(374)	147	(199)	(876)	4 396	1 695		

1) Of which elimination of double entries:

<i>Amounts in NOK million</i>	1st quarter	
	2009	2008
Net interest income - ordinary operations	0	0
Interest on allocated capital		
Net interest income	0	0
Net other operating income	(409)	(415)
Total income	(409)	(415)
Operating expenses	0	0
Pre-tax operating profit before write-downs	(409)	(415)
Net gains on fixed and intangible assets	0	0
Write-downs on loans and guarantees	0	0
Pre-tax operating profit	(409)	(415)

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.

Main average balance sheet items

	DnB NOR Bank Group													
	Corporate Banking and Payment Services				Retail Banking		DnB NOR Markets		DnB NOR		Other operations/ eliminations		DnB NOR Bank Group	
	1st quarter		1st quarter		1st quarter		1st quarter		1st quarter		1st quarter			
<i>Amounts in NOK billion</i>	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008		
Net lending to customers ¹⁾	614.3	484.6	471.5	443.2	4.8	14.4	90.7	62.6	10.0	2.1	1 191.3	1 006.9		
Deposits from customers ¹⁾	343.7	303.4	248.4	228.3	17.3	21.1	22.4	21.3	(6.4)	(8.8)	625.3	565.4		

Key figures

	DnB NOR Bank Group													
	Corporate Banking and Payment Services				Retail Banking		DnB NOR Markets		DnB NOR		Other operations		DnB NOR Bank Group	
	1st quarter		1st quarter		1st quarter		1st quarter		1st quarter		1st quarter			
<i>Per cent</i>	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008		
Cost/income ratio ²⁾	31.4	34.1	70.1	62.4	19.9	(114.7)	65.9	67.8			41.3	66.6		
Ratio of deposits to lending ^{1) 3)}	55.9	62.6	52.7	51.5			24.7	34.1			52.5	56.1		
Return on allocated capital, annualised ⁴⁾	15.5	18.8	24.0	39.1	113.3	(64.1)	(15.6)	8.8						
Number of full-time positions as at 31 March ⁵⁾	2 495	2 395	3 979	3 883	656	617	3 480	3 329	2 120	2 221	12 730	12 445		

1) Based on nominal values and includes lending to and deposits from credit institutions.

2) Total operating expenses relative to total income.

3) Deposits from customers relative to net lending to customers.

4) The return is calculated on the basis of internal measurement of risk-adjusted capital.

5) 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. Due to changes in the agreement with Norway Post, DnB NOR will take over approximately 170 full-time positions from Norway Post. Costs and corresponding head-count figures were included with effect from the first quarter of 2009.

Note 4 Net interest income

<i>Amounts in NOK million</i>	DnB NOR Bank ASA			
	1st quarter 2009	1st quarter 2008	Full year 2008	Full year 2007
Interest on loans to and deposits with credit institutions	2 332	2 608	12 045	9 060
Interest on loans to customers	9 551	12 256	51 814	41 292
Interest on impaired commitments	15	20	61	112
Interest on commercial paper and bonds	2 155	1 458	6 975	5 699
Front-end fees etc.	87	104	431	427
Other interest income	(78)	(131)	(848)	7
Total interest income	14 062	16 315	70 478	56 598
Interest on loans and deposits from credit institutions	1 182	1 450	6 099	6 169
Interest on demand deposits from customers	4 137	5 487	24 100	17 703
Interest on securities issued	3 131	4 180	16 912	15 410
Interest on subordinated loan capital	384	483	2 084	1 959
Other interest expenses ¹⁾	1 425	728	4 179	507
Total interest expenses	10 258	12 328	53 373	41 748
Net interest income	3 804	3 987	17 105	14 850

<i>Amounts in NOK million</i>	DnB NOR Bank Group			
	1st quarter 2009	1st quarter 2008	Full year 2008	Full year 2007
Interest on loans to and deposits with credit institutions	706	1 035	3 991	4 898
Interest on loans to customers	14 877	16 032	71 734	50 850
Interest on impaired commitments	19	28	82	129
Interest on commercial paper and bonds	2 258	1 514	7 308	5 912
Front-end fees etc.	100	107	440	445
Other interest income	(40)	(99)	(815)	(19)
Total interest income	17 921	18 618	82 741	62 214
Interest on loans and deposits from credit institutions	1 421	1 638	7 256	6 792
Interest on demand deposits from customers	4 406	5 734	25 208	18 459
Interest on securities issued	4 795	4 861	21 583	16 322
Interest on subordinated loan capital	393	493	2 125	2 001
Other interest expenses ¹⁾	1 116	786	4 234	626
Total interest expenses	12 131	13 513	60 406	44 199
Net interest income	5 790	5 105	22 335	18 015

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

Note 5 Net other operating income

<i>Amounts in NOK million</i>	DnB NOR Bank ASA			
	1st quarter 2009	1st quarter 2008	Full year 2008	Full year 2007
Money transfer fees receivable	646	642	2 678	2 594
Fees on asset management services	4	13	31	78
Fees on custodial services	63	95	372	407
Fees on securities broking	63	98	333	398
Corporate finance	39	93	295	693
Interbank fees	23	27	112	123
Credit broking commissions	89	56	402	335
Sales commissions on insurance products	67	82	287	283
Sundry commissions and fees receivable on banking services	155	265	763	1 006
Total commissions and fees receivable etc.	1 150	1 370	5 274	5 916
Money transfer fees payable	213	207	888	943
Commissions payable on fund management services	(16)	3	22	98
Fees on custodial services payable	29	33	135	140
Interbank fees	35	42	174	188
Credit broking commissions	(2)	30	119	61
Commissions payable on the sale of insurance products	0	1	4	5
Sundry commissions and fees payable on banking services	116	130	537	490
Total commissions and fees payable etc.	375	445	1 878	1 923
Net gains on financial instruments at fair value	2 894	(1 112)	1 626	3 009
Income from owned/leased premises	28	31	101	122
Miscellaneous operating income	338	228	1 594	2 499
Total other income	366	258	1 695	2 621
Net other operating income	4 035	72	6 716	9 624

Note 5 Net other operating income (continued)

<i>Amounts in NOK million</i>	DnB NOR Bank Group			
	1st quarter 2009	1st quarter 2008	Full year 2008	Full year 2007
Money transfer fees receivable	703	697	2 899	2 807
Fees on asset management services	19	17	70	87
Fees on custodial services	65	97	382	415
Fees on securities broking	63	98	334	400
Corporate finance	61	104	378	792
Interbank fees	24	28	117	127
Credit broking commissions	90	57	406	338
Sales commissions on insurance products	104	120	443	297
Sundry commissions and fees receivable on banking services	256	370	1 208	1 368
Total commissions and fees receivable etc.	1 384	1 590	6 236	6 632
Money transfer fees payable	227	222	942	995
Commissions payable on fund management services	(16)	3	22	98
Fees on custodial services payable	29	33	135	140
Interbank fees	36	43	180	194
Credit broking commissions	(2)	28	119	55
Commissions payable on the sale of insurance products	5	3	27	5
Sundry commissions and fees payable on banking services	136	143	597	555
Total commissions and fees payable etc.	415	474	2 021	2 040
Net gains on financial instruments at fair value	2 140	(784)	3 430	3 187
Profit from companies accounted for by the equity method ¹⁾	897	(294)	632	9
Income from owned/leased premises	17	19	45	95
Fees on real estate broking	168	162	658	782
Net unrealised gains on investment property	0	0	0	(2)
Miscellaneous operating income	233	237	866	753
Total other income	417	419	1 569	1 628
Net other operating income	4 424	457	9 847	9 416

1) *Widening credit spreads have had a negative effect on Eksportfinans' liquidity portfolio of bonds. The company has entered into an agreement with a syndicate comprising most of Eksportfinans' owners. With effect from 1 March 2008, the agreement will protect Eksportfinans from further value reductions in the portfolio. Taking the guarantee into account, there was a profit contribution of NOK 881 million from the company in the first quarter of 2009. Liabilities in Eksportfinans are largely recorded at fair value, and widening credit margins have a positive effect on the company's profits. At end-March 2009, the accumulated effect of widening credit margins raised DnB NOR Bank Group's share of profits in the company by approximately NOK 2.2 billion.*

Note 6 Net gains on financial instruments at fair value

<i>Amounts in NOK million</i>	DnB NOR Bank ASA			
	1st quarter	1st quarter	Full year	Full year
	2009	2008	2008	2007
Dividends	12	17	177	163
Net gains on commercial paper and bonds ¹⁾	800	(1 653)	(969)	(1 252)
Net gains on shareholdings	(2)	(231)	(1 161)	528
Net gains on other financial assets ²⁾	2 084	755	3 579	3 571
Net gains on financial instruments at fair value	2 894	(1 112)	1 626	3 009

<i>Amounts in NOK million</i>	DnB NOR Bank Group			
	1st quarter	1st quarter	Full year	Full year
	2009	2008	2008	2007
Dividends	14	21	162	176
Net gains on commercial paper and bonds ¹⁾	247	(1 670)	(763)	(1 233)
Net gains on shareholdings	(5)	(277)	(1 298)	515
Net gains on other financial assets ²⁾	1 885	1 143	5 331	3 730
Net gains on financial instruments at fair value	2 140	(784)	3 430	3 187

1) The reclassification of the liquidity portfolio in DnB NOR Markets in the third quarter of 2009 resulted in a NOK 1 566 million rise in net gains on financial instruments at fair value compared in the first quarter of 2009 compared with the first quarter of 2008.

2) Due to highly volatile interest rate markets in the first quarter of 2009, unrealised losses of 316 million were recorded on financial derivatives entered into in connection with funding of the Bank's balance sheet in US dollar.

Note 7 Operating expenses

<i>Amounts in NOK million</i>	DnB NOR Bank ASA			
	1st quarter	1st quarter	Full year	Full year
	2009	2008	2008	2007
Ordinary salaries	1 231	1 051	4 480	4 212
Employer's national insurance contributions	179	141	678	550
Pension expenses	177	203	796	923
Allocation to employees ¹⁾	0	0	0	341
Restructuring expenses ²⁾	16	12	70	48
Other personnel expenses	110	76	283	273
Total salaries and other personnel expenses	1 714	1 484	6 306	6 347
Fees	252	213	945	589
EDP expenses	328	310	1 241	1 143
Postage and telecommunications	81	72	299	321
Office supplies	14	16	62	71
Marketing and public relations	110	96	502	423
Travel expenses	29	38	168	171
Reimbursement to Norway Post for transactions executed	51	53	207	221
Training expenses	17	14	53	52
Operating expenses on properties and premises	270	246	988	854
Operating expenses on machinery, vehicles and office equipment	25	23	87	92
Other operating expenses ²⁾	128	132	460	427
Other expenses	1 307	1 212	5 013	4 364
Depreciation and write-downs of fixed and intangible assets	100	83	465	409
Total operating expenses	3 121	2 779	11 784	11 119

Note 7 Operating expenses (continued)

<i>Amounts in NOK million</i>	DnB NOR Bank Group			
	1st quarter 2009	1st quarter 2008	Full year 2008	Full year 2007
Ordinary salaries	1 647	1 420	6 033	5 554
Employer's national insurance contributions	253	211	920	765
Pension expenses	210	230	906	1 010
Allocation to employees ¹⁾	0	0	0	414
Restructuring expenses ²⁾	17	12	70	48
Other personnel expenses	132	95	370	352
Total salaries and other personnel expenses	2 258	1 968	8 299	8 144
Fees	282	247	1 092	657
EDP expenses	405	361	1 478	1 329
Postage and telecommunications	106	92	389	393
Office supplies	25	23	100	107
Marketing and public relations	144	141	670	585
Travel expenses	41	51	227	218
Reimbursement to Norway Post for transactions executed	51	53	207	221
Training expenses	25	21	80	72
Operating expenses on properties and premises	325	290	1 188	889
Operating expenses on machinery, vehicles and office equipment	40	34	141	138
Other operating expenses ²⁾	209	199	775	686
Other expenses	1 652	1 512	6 348	5 296
Depreciation and write-downs of fixed and intangible assets	312	222	1 296	860
Total operating expenses	4 223	3 702	15 942	14 300

1) Allocations to the employees in 2007 were in the form of bonuses of NOK 158 million and NOK 130 million, including employer's national insurance contributions, for the DnB NOR Bank Group and DnB NOR Bank ASA, respectively. In addition, provisions relating to the winding up of the employee investment funds represented NOK 257 million for the DnB NOR Bank Group and NOK 212 million for DnB NOR Bank ASA.

2) Restructuring costs relating to the cost programme were NOK 30 million in the first quarter of 2009 for both the DnB NOR Bank Group and DnB NOR Bank ASA.

Note 8 Number of employees/full-time positions

	DnB NOR Bank ASA			
	1st quarter 2009 ¹⁾	1st quarter 2008	Full year 2008 ²⁾	Full year 2007
Number of employees at end of period	7 450	7 493	7 376	7 373
of which number of employees abroad	437	362	429	323
Number of employees calculated on a full-time basis at end of period	7 202	7 154	7 140	7 133
of which number of employees calculated on a full-time basis abroad	427	356	422	319
Average number of employees	7 500	7 420	7 414	7 355
Average number of employees calculated on a full-time basis	7 256	7 130	7 145	7 115

	DnB NOR Bank Group			
	1st quarter 2009 ¹⁾	1st quarter 2008	Full year 2008 ²⁾	Full year 2007
Number of employees at end of period	13 079	12 775	13 207	12 610
of which number of employees abroad	4 676	4 352	4 806	4 171
Number of employees calculated on a full-time basis at end of period	12 730	12 445	12 848	12 290
of which number of employees calculated on a full-time basis abroad	4 599	4 299	4 713	4 126
Average number of employees	13 240	12 685	12 965	11 928
Average number of employees calculated on a full-time basis	12 887	12 355	12 638	11 592

1) Due to changes in the agreement with Norway Post, DnB NOR will take over approximately 170 full-time positions from Norway Post. Costs and corresponding head-count figures relating to these positions were included with effect from the first quarter of 2009.

2) 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.

Note 9 Write-downs on loans and guarantees

<i>Amounts in NOK million</i>	DnB NOR Bank ASA			
	1st quarter 2009	1st quarter 2008	Full year 2008	Full year 2007
Write-offs	21	27	196	199
New individual write-downs	789	203	1 331	595
Total new individual write-downs	811	230	1 527	794
Reassessed individual write-downs	136	54	127	187
Total individual write-downs	675	176	1 400	607
Recoveries on commitments previously written off	88	79	303	298
Change in group write-downs on loans	253	41	489	(234)
Write-downs on loans and guarantees ¹⁾	840	138	1 586	75
Write-offs covered by individual write-downs made in previous years	221	136	617	605
1) <i>Of which individual write-downs on guarantees</i>	3	24	(15)	5

<i>Amounts in NOK million</i>	DnB NOR Bank Group			
	1st quarter 2009	1st quarter 2008	Full year 2008	Full year 2007
Write-offs	33	31	335	230
New individual write-downs	1 446	293	2 925	850
Total new individual write-downs	1 479	324	3 260	1 080
Reassessed individual write-downs	179	81	246	308
Total individual write-downs	1 300	243	3 014	772
Recoveries on commitments previously written off	92	84	335	350
Change in group write-downs on loans	390	37	830	(202)
Write-downs on loans and guarantees ¹⁾	1 598	195	3 509	220
Write-offs covered by individual write-downs made in previous years	540	136	678	663
1) <i>Of which individual write-downs on guarantees</i>	2	34	5	22

Note 10 Lending to customers

DnB NOR Bank ASA				Amounts in NOK million	DnB NOR Bank Group			
31 Dec. 2007	31 March 2008	31 Dec. 2008	31 March 2009		31 March 2009	31 Dec. 2008	31 March 2008	31 Dec. 2007
594 067	615 791	645 492	595 920	Lending to customers, nominal amount	995 093	1 022 108	852 100	808 811
1 082	1 141	1 758	2 178	Individual write-downs	4 886	4 256	2 079	1 953
592 985	614 650	643 734	593 741	Lending to customers, after individual write-downs	990 207	1 017 852	850 021	806 857
2 338	2 552	2 653	1 904	+ Accrued interest and amortisation	2 835	3 762	3 182	2 909
376	399	439	466	- Individual write-downs of accrued interest and an	525	478	412	388
477	436	994	1 233	- Group write-downs	1 911	1 625	665	712
594 471	616 367	644 954	593 946	Lending to customers, at amortised cost	990 606	1 019 511	852 126	808 667
168 166	168 788	176 928	181 573	Lending to customers, nominal amount	196 037	184 639	172 531	170 765
1 236	1 284	1 882	1 444	+ Accrued interest	1 481	1 907	1 301	1 247
(401)	(286)	460	131	+ Adjustment to fair value	523	785	(305)	(440)
169 001	169 786	179 269	183 148	Lending to customers, at fair value ¹⁾	198 042	187 331	173 527	171 572
763 472	786 153	824 223	777 094	Lending to customers	1 188 648	1 206 842	1 025 653	980 239

1) The fair value of loans in Norwegian kroner was reduced by NOK 190 million in the first quarter of 2009 due to widening credit margins.

Note 11 Net non-performing and impaired commitments for principal sectors ¹⁾

DnB NOR Bank ASA				Amounts in NOK million	DnB NOR Bank Group			
31 Dec. 2007	31 March 2008	31 Dec. 2008	31 March 2009		31 March 2009	31 Dec. 2008	31 March 2008	31 Dec. 2007
1 749	1 736	2 554	2 701	Retail customers	4 822	4 129	2 352	2 237
0	0	0	0	International shipping	39	37	52	32
208	247	944	976	Real estate	2 627	2 447	435	317
70	80	1 504	1 354	Manufacturing	2 313	2 322	385	364
132	165	504	420	Services	908	823	352	381
88	101	99	959	Trade	1 216	275	208	164
0	0	171	156	Oil and gas	156	172	0	1
64	56	89	329	Transportation and communication	719	485	198	193
87	78	126	175	Building and construction	520	347	132	208
0	0	1	1	Power and water supply	7	26	1	0
14	6	365	9	Seafood	67	443	71	88
21	25	68	68	Hotels and restaurants	111	115	50	68
47	76	125	132	Agriculture and forestry	308	206	130	92
0	0	0	0	Central and local government	0	0	0	0
0	0	1	5	Other sectors	67	95	65	29
2 480	2 570	6 551	7 285	Total customers	13 880	11 921	4 431	4 174
0	0	0	2	Credit institutions	72	0	4	0
2 480	2 570	6 551	7 287	Total	13 952	11 921	4 435	4 174

1) Includes non-performing commitments and commitments subject to individual write-downs. 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 12 Investments in bonds

Information about the portfolios

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

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 March 2009, the liquidity portfolio in DnB NOR Markets represented the equivalent of NOK 91.1 billion. 98.8 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.

	Rating	DnB NOR Bank Group	
		Per cent 31 March 2009	NOK million 31 March 2009
Asset class			
Consumer credit	AAA	4	4 057
Residential mortgages	AAA	74	69 556
Corporate loans	AAA/AA	10	9 181
Government-related	AAA	11	10 405
Insurance	AAA/AA/A	0	290
Total liquidity portfolio DnB NOR Markets, nominal values		100	93 490
Accrued interest ¹⁾			(2 344)
Total liquidity portfolio DnB NOR Markets			91 146

1) Including amortisation effects.

In addition, DnB NOR Bank had Norwegian bonds and fixed-income securities equivalent to a balance sheet value of NOK 52.0 billion used for customer trading and position taking in Norwegian interest rate instruments.

Like DnB NOR Bank, DnB NOR and Eksportfinans use investments in bonds and fixed-income securities for liquidity purposes and as a basis for furnishing collateral to central banks. At end-March 2009, the value of the DnB NOR portfolio was equivalent to NOK 5.6 billion. Eksportfinans had a liquidity portfolio of NOK 66.3 billion. The Eksportfinans portfolio was structured largely in line with DnB NOR Bank's portfolio, though it contained a larger share of financial sector investments. Through its ownership interest and the issue of guarantees, DnB NOR Bank is exposed to 40.4 per cent of value changes in the portfolio. In addition, a guarantee of up to NOK 142 million has been issued to one of the other owners of Eksportfinans.

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 could 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 amendments to the Norwegian rules in the accounting standards IAS 39 and IFRS 7.

In the third quarter accounts, the banking group chose to reclassify the liquidity portfolio in DnB NOR Markets from the "fair value through profit or loss" category to the "held to maturity" category. This resulted in an accumulated rise in profits of NOK 2 777 million compared with the result if the previous valuation principle had been retained. For the first quarter of 2009, there would have been a NOK 224 million rise in profits if the portfolio had not been reclassified. On the reclassification date, the book value of the portfolio was NOK 88.0 billion, compared with NOK 91.1 billion at end-March 2009. The increase mainly reflected exchange rate movements.

Note 12 Investments in bonds (continued)

Effects of the reclassification of the liquidity portfolio

<i>Amounts in NOK million</i>	DnB NOR Bank Group			
	1st quarter 2009	1st quarter 2008	Full year 2008	Full year 2007
Amortisation effect	213		487	
Net interest income	213	0	487	0
Value adjustment		(1 733)	(1 827)	(1 337)
Maturity effects		167	494	84
Net gains on financial instruments at fair value	0	(1 566)	(1 333)	(1 253)
Effects of reclassification on profits				
Recorded amortisation effect	213		487	
Net gain if valued at fair value	(437)		2 514	
Effects of reclassification on profits	(224)	0	3 001	0
Effects of reclassification on the balance sheet				
Recorded, unrealised losses at end of period	1 886	2 819	2 099	1 253
Unrealised losses, if valued at fair value	4 663	2 819	5 100	1 253
Effects of reclassification on the balance sheet	2 777	0	3 001	0

Measurement

With effect from 1 July 2008, the liquidity portfolio in DnB NOR Markets is reclassified as held-to-maturity investments. During the fourth quarter of 2008, the bank also invested in a portfolio of commercial paper with maturities ranging between three and six months. At end-March 2009, the portfolio totalled NOK 0.6 billion. Portfolios in this category are recorded at amortised cost and written down if there is objective evidence of a decrease in value.

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

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 before the reclassification. Due to the financial turmoil, such prices have been virtually non-existent. In order to meet the disclosure requirement at end-March 2009, the liquidity portfolio has been measured at fair value according to models used for financial instruments not traded in an active market. The model applied is based on a regression analysis whereby historical market data (explanatory variables) which have been observable even during the financial turmoil are used to explain historical changes in value in the liquidity portfolio. During the period from the fourth quarter of 2006 up to and including the second quarter of 2008, the model shows a high level of correlation between changes in given market data and changes in value in the liquidity portfolio, which at the time was priced in an active market or through broker quotes which were believed to be fairly reliable. If the model had been applied to the liquidity portfolio in the first quarter of 2009, profits would have risen by NOK 224 million. A corresponding model has also been used for valuing part of the bond portfolio in Eksportfinans.

The remaining term to maturity of DnB NOR Markets' liquidity portfolio is estimated at three years, and the value of one basis point was NOK 28 million at end-March 2009.

Note 13 Investments in shares

Investments in shares are carried at fair value. Measurement at fair value is described in Note 1 Accounting principles in the annual report for 2008. The market situation has resulted in greater uncertainty regarding fair value assessments, especially for shares not listed on a stock exchange.

The banking group's investments in Private Equity, PE, and Management Buyout Funds totalled NOK 316 million at end-March 2009. At end-December 2008, the portfolio totalled NOK 325 million. 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 and is based on reports on returns from portfolio companies, with a time lag of approximately three months. This has represented a challenge in the market situation prevailing during the past year, which has been characterised by considerable uncertainty and a sharp fall in equity prices. Valuations of PE investments in DnB NOR Bank are based on developments in the Oslo Børs benchmark index. This index has remained virtually unchanged in 2009, and thus no adjustment reflecting the time lag in information relating to DnB NOR Bank's portfolio was made in the first quarter.

Note 14 Intangible assets

DnB NOR Bank ASA					DnB NOR Bank Group			
31 Dec. 2007	31 March 2008	31 Dec. 2008	31 March 2009	<i>Amounts in NOK million</i>	31 March 2009	31 Dec. 2008	31 March 2008	31 Dec. 2007
1 653	1 653	1 657	1 650	Goodwill	4 263	4 548	4 655	3 850
51	51	51	51	Postbanken brand name	51	51	51	51
362	362	448	481	Systems development	916	860	464	464
22	21	18	16	Other intangible assets	562	645	551	367
2 087	2 087	2 173	2 198	Total intangible assets	5 792	6 105	5 720	4 733

Note 15 Securities issued and subordinated loan capital

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

Securities issued	DnB NOR Bank ASA			
	31 March 2009	31 Dec. 2008	31 March 2008	31 Dec. 2007
<i>Amounts in NOK million</i>				
Commercial paper issued, nominal amount	186 351	194 700	124 698	97 711
Bond debt, nominal amount	263 379	305 356	239 587	236 890
Adjustments	6 929	7 623	924	1 171
Total securities issued	456 659	507 680	365 208	335 772

Changes in securities issued	DnB NOR Bank ASA					
	Balance sheet 31 March 2009	Issued 2009	Matured/ redeemed 2009	Exchange rate movements 2009	Other adjustments 2009	Balance sheet 31 Dec. 2008
<i>Amounts in NOK million</i>						
Commercial paper issued, nominal amount	186 351	168 050	175 341	(1 058)		194 700
Bond debt, nominal amount	263 379	3 454	23 972	(21 458)		305 356
Adjustments	6 929				(694)	7 623
Total securities issued	456 659	171 504	199 313	(22 517)	(694)	507 680

Subordinated loan capital and perpetual subordinated loan capital securities	DnB NOR Bank ASA					
	Balance sheet 31 March 2009	Issued 2009	Matured/ redeemed 2009	Exchange rate movements 2009	Other adjustments 2009	Balance sheet 31 Dec. 2008
<i>Amounts in NOK million</i>						
Term subordinated loan capital, nominal amount	22 410			(1 433)		23 843
Perpetual subordinated loan capital, nominal amount	7 553			(454)		8 007
Perpetual subordinated loan capital securities, nominal amount ²⁾	9 154			(588)		9 742
Adjustments	2 048				29	2 019
Total subordinated loan capital and perpetual subordinated loan capital securities	41 164	0	0	(2 476)	29	43 612

Securities issued	DnB NOR Bank Group			
	31 March 2008	31 Dec. 2008	31 March 2008	31 Dec. 2007
<i>Amounts in NOK million</i>				
Commercial paper issued, nominal amount	186 441	194 852	124 828	97 806
Bond debt, nominal amount ¹⁾	354 910	405 040	294 776	272 432
Adjustments	14 897	14 291	2 091	1 546
Total securities issued	556 247	614 183	421 696	371 784

Changes in securities issued	DnB NOR Bank Group					
	Balance sheet 31 March 2009	Issued 2009	Matured/ redeemed 2009	Exchange rate movements 2009	Other adjustments 2009	Balance sheet 31 Dec. 2008
<i>Amounts in NOK million</i>						
Commercial paper issued, nominal amount	186 441	168 066	175 393	(1 085)		194 852
Bond debt, nominal amount ¹⁾	354 910	3 971	24 593	(29 508)		405 040
Adjustments	14 897				606	14 291
Total securities issued	556 247	172 037	199 986	(30 593)	606	614 183

Subordinated loan capital and perpetual subordinated loan capital securities	DnB NOR Bank Group					
	Balance sheet 31 March 2009	Issued 2009	Matured/ redeemed 2009	Exchange rate movements 2009	Other adjustments 2009	Balance sheet 31 Dec. 2008
<i>Amounts in NOK million</i>						
Term subordinated loan capital, nominal amount	23 860			(1 572)		25 432
Perpetual subordinated loan capital, nominal amount	7 553			(454)		8 007
Perpetual subordinated loan capital securities, nominal amount ²⁾	9 154			(588)		9 742
Adjustments	2 058				14	2 044
Total subordinated loan capital and perpetual subordinated loan capital securities	42 624	0	0	(2 615)	14	45 225

1) Minus own bonds. Outstanding covered bonds in DnB NOR Boligkreditt totalled NOK 172.9 billion as at 31 March 2009. The cover pool represented NOK 215.3 billion.

2) 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 that the securities should be written down proportionally to equity if the bank's core capital ratio falls below 5 per cent or capital adequacy ratio falls below 6 per cent. Amounts written down on the securities must be revalued before the distribution of dividends to shareholders or revaluation of equity.

Note 16 Capital adequacy

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

DnB NOR Bank ASA		Primary capital	DnB NOR Bank Group	
31 Dec. 2008	31 March 2009		31 March 2009	31 Dec. 2008
		<i>Amounts in NOK million</i>		
17 514	17 514	Share capital	17 514	17 514
51 702	51 577	Other equity	59 133	59 969
69 217	69 091	Total equity	76 647	77 483
		Deductions		
0	0	Pension funds above pension commitments	(3)	(1)
(1 657)	(1 650)	Goodwill	(4 452)	(4 737)
(10)	(9)	Deferred tax assets	(289)	(306)
(516)	(548)	Other intangible assets	(1 557)	(1 584)
0	0	Unrealised gains on fixed assets	(28)	(30)
(1 070)	(1 061)	50 per cent of investments in other financial institutions	(1 061)	(1 070)
(288)	(244)	50 per cent of expected losses exceeding actual losses, IRB portfolios	(319)	(339)
(323)	(323)	Adjustments for unrealised losses/(gains) on liabilities recorded at fair value	(2 039)	(2 284)
		Additions		
555	-	Portion of unrecognised actuarial gains/losses, pension costs ¹⁾	-	594
65 908	65 256	Equity Tier 1 capital	66 899	67 726
9 742	9 154	Perpetual subordinated loan capital securities ^{2) 3)}	9 345	9 945
75 649	74 410	Core capital	76 244	77 671
8 007	7 553	Perpetual subordinated loan capital	7 553	8 007
23 843	22 410	Term subordinated loan capital ³⁾	24 452	26 083
		Deductions		
(1 070)	(1 061)	50 per cent of investments in other financial institutions	(1 061)	(1 070)
(288)	(244)	50 per cent of expected losses exceeding actual losses, IRB portfolios	(319)	(339)
		Additions		
0	0	45 per cent of unrealised gains on fixed assets	18	18
30 492	28 657	Supplementary capital	30 643	32 700
106 141	103 067	Total eligible primary capital ⁴⁾	106 887	110 371
965 059	923 973	Risk-weighted volume	1 067 483	1 120 428
77 205	73 918	Minimum capital requirement	85 399	89 634
6.8	7.1	Equity Tier 1 ratio (%)	6.3	6.0
7.8	8.1	Core capital ratio (%)	7.1	6.9
11.0	11.2	Capital ratio (%)	10.0	9.9
-	7.2	Equity Tier 1 ratio including 50 per cent of profit for the period (%)	6.4	-
-	8.2	Core capital ratio including 50 per cent of profit for the period (%)	7.3	-
-	11.3	Capital ratio including 50 per cent of profit for the period (%)	10.1	-

- 1) Upon implementation of NRS 6A (IAS 19) in 2005, unrecognised actuarial gains/losses for pension commitments were charged to equity in the accounts. The Ministry of Finance established a transitional rule for the years 2005 to 2008 meant to reduce the negative effect when calculating capital adequacy.
- 2) Perpetual subordinated loan capital securities can represent up to 15 per cent of core capital. The excess will qualify as perpetual supplementary capital.
- 3) As at 31 March 2009, calculations of capital adequacy included a total of NOK 783 million in subordinated loan capital in associated companies, in addition to subordinated loan capital in the banking group's balance sheet.
- 4) Primary capital and nominal amounts used in calculating risk-weighted volume deviate from figures in the DnB NOR Bank Group's accounts since a different consolidation method is used. Associated companies are consolidated gross in the capital adequacy calculations while the equity method is used in the accounts.

Due to transitional rules, the minimum capital adequacy requirements for 2008 and 2009 cannot be reduced below 90 and 80 per cent respectively relative to the Basel I requirements.

Note 16 Capital adequacy (continued)

Basel II implementation

Further progress

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

Portfolios	31 Dec. 2008			31 Dec. 2009			31 Dec. 2010		
	Approaches			Approaches			Approaches		
	Stand-ardised	Founda-tion IRB	Ad-vanced IRB	Stand-ardised	Founda-tion IRB	Ad-vanced IRB	Stand-ardised	Founda-tion IRB	Ad-vanced 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 NOR, DnB NOR Luxembourg, Monchebank and various other portfolios	X			X			X		

Note 17 Liquidity risk

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

The Board of Directors has established internal limits which restrict the short-term maturity of the bank's liabilities during various time periods. In addition, limits have been approved for structural liquidity risk, which implies that lending to the general public should largely be financed through customer deposits, subordinated capital and long-term funding. The banking group's ratio of deposits to lending was 50.9 per cent at end-March 2009, an increase from 50.3 per cent at the end of fourth quarter 2008.

The market situation for short-term liquidity had improved considerably at the beginning of 2009, partly due to expectations of further large interest rate cuts in various countries. Thus, investors chose to invest their liquid funds for somewhat longer periods before the interest rate cuts made an impact on the market. During the quarter, however, large international banks reported new sizeable losses, followed by rescue operations by the authorities. Just as in 2008, the markets thus functioned less satisfactorily at times. In the short-term markets, there were still major differences in the various banks' access to funding during the first quarter, depending on factors such as rating and nationality.

In the international bond market, a number of issues were launched during the first quarter. The market makes a clear distinction between banks with and without government guarantees and is considered to remain vulnerable to negative news.

The Norwegian authorities' measures aimed at the financial services industry have a stabilising effect on the banks' liquidity situation. Among other things, the measures implemented in the fourth quarter of 2008 give Norwegian banks the opportunity to exchange covered bonds for Treasury bills. The Treasury bills are tradeable in the ordinary financial markets, and the scheme is instrumental in ensuring the DnB NOR Bank Group long-term funding.

DnB NOR Bank Group's liquidity situation at end-March 2009 can be characterised as sound. In consequence of wider credit margins in financial markets, however, costs relating to capital market funding have increased. At end-March 2009, the average remaining term to maturity for the portfolio of senior bond debt was 2.7 years, an increase from 2.6 years a year earlier. The DnB NOR Bank Group aims to achieve a sound and stable maturity structure for funding over the next five years.

Note 18 Information on related parties

Major transactions and agreements with related parties:

Eksportfinans

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

- A share issue of NOK 1.2 billion aimed at the company's owners was implemented, and all owners participated based on their proportional shares.
- A portfolio hedge agreement was entered into, and the owners were invited to participate. 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-March 2009, Eksportfinans had not availed itself of this credit line.

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

DnB NOR Boligkreditt

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

The transfer agreement regulates the transfer of loan portfolios qualifying as collateral for the issue of covered bonds. In 2008 portfolios representing NOK 93.6 billion were transferred from the bank to Boligkreditt, while a total of NOK 21.4 billion was transferred in the first quarter of 2009. The transfers are based on market terms.

Pursuant to the management agreement, Boligkreditt purchases services from the bank, including administration, bank production, distribution, customer contact, IT operations, financial and liquidity management. Boligkreditt pays an annual management fee for these services based on the lending volume under management. For new loans approved through the bank's channels, a sales commission for each loan is also paid. The fee paid for the period January through March 2009 totalled NOK 166 million.

DnB NOR Bank ASA invested NOK 54.1 billion in covered bonds issued by Boligkreditt in the first quarter of 2009, bringing its total invested amount to NOK 84.7 billion. The bank uses bonds issued by Boligkreditt as security for Treasury bills purchased from Norges Bank as part of the stimulus package for the Norwegian financial services industry.

Vital Forsikring

As part of the company's ordinary investment activity, Vital Forsikring ASA (Vital) has subscribed for covered bonds issued by Boligkreditt. Vital's investments in Boligkreditt are limited to listed covered bonds. Vital's holding of Boligkreditt bonds was valued at NOK 7.4 billion at end-March 2009.

DnB NOR Bank ASA has sold foreign currency loans guaranteed by GIEK, the Norwegian Guarantee Institute for Export Credits, to Vital for an accumulated amount equivalent to NOK 3.1 billion. In connection with the sale, interest rate and currency swaps were entered into, protecting Vital against currency risk and providing a total return based on Norwegian interest rates. DnB NOR Bank ASA still carries interest rate, settlement and credit risk associated with the relevant loans. According to the IFRS regulations, the loans have therefore not been removed from the balance sheet. The set-offs to the loans are recorded as deposits from customers.

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

Note 18 Information on related parties (forts.)

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 Group 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 the bank. On a consolidated basis, the bonds will be treated as own bonds and netted against issued bonds in DnB NOR Boligkreditt.

In practice, the swap agreements imply that the bank purchases Treasury bills from Norges Bank. These are initially recorded as investments in Treasury bills. The obligation to repurchase the bonds at a price corresponding to the value of the Treasury bills, is recorded as funding from Norges Bank. At end-March 2009, this funding represented NOK 57.1 billion. The bank's investment in Treasury bills amounted to NOK 16.9 billion at 31 March 2009.

Note 19 Off-balance sheet transactions and contingencies

Off-balance sheet transactions and additional information

DnB NOR Bank ASA				Amounts in NOK million	DnB NOR Bank Group				
31 Dec. 2007	31 March 2008	31 Dec. 2008	31 March 2009		31 March 2009	31 Dec. 2008	31 March 2008	31 Dec. 2007	
282 169	288 355	299 210	304 905	Unutilised ordinary credit lines	308 946	337 818	314 507	307 303	
19 391	18 653	24 627	21 533	Documentary credit commitments	21 770	24 896	18 906	19 693	
963	495	496	466	Other commitments	500	540	652	1 082	
302 523	307 503	324 333	326 904	Total commitments	331 216	363 254	334 065	328 078	
22 135	23 888	32 575	26 591	Performance guarantees	28 141	34 367	25 315	23 304	
21 139	19 907	22 553	21 164	Payment guarantees	23 656	24 582	20 952	21 753	
11 460	13 276	14 871	14 299	Loan guarantees ¹⁾	15 529	16 202	13 984	13 044	
4 921	5 125	4 759	5 264	Guarantees for taxes etc.	5 308	4 801	5 154	4 948	
4 451	4 541	4 764	4 597	Other guarantee commitments	5 240	5 448	4 972	4 799	
64 105	66 737	79 522	71 914	Total guarantee commitments ²⁾	77 874	85 399	70 378	67 848	
0	0	0	0	Support agreements	4 728	4 499	2 084	1 933	
64 105	66 737	79 522	71 914	Total guarantee commitments etc. ¹⁾	82 602	89 899	72 462	69 781	
				*) Of which:					
1 292	436	360	223	Counter-guaranteed by financial institutions	324	566	713	1 300	
92 668	87 539	202 611	151 847	Securities	151 847	202 611	87 539	92 668	
92 556	87 426	202 464	151 704	are pledged as security for: Loans ³⁾	151 704	202 464	87 426	92 556	
112	113	147	143	Other activities	143	147	113	112	

1) DnB NOR Bank carries loans in its balance sheet that subject to legal agreement have been transferred to Eksportfinans and for which DnB NOR Bank has issued guarantees. According to the agreement, DnB NOR Bank still carries interest rate risk and credit risk for the transferred portfolio. Customer loans in the portfolio totalling NOK 9 514 million were recorded in the balance sheet as at 31 March 2009.

2) Liabilities included in issued financial guarantees are measured at fair value and recorded in the balance sheet.

3) As at 31 March 2009, NOK 40 081 million in securities has been pledged as collateral for credit facilities with Norges Bank (the Norwegian central bank). According to regulations, these loans must be fully collateralised by a mortgage on interest-bearing securities and/or the bank's deposits with Norges Bank.

Contingencies

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

Bovista ApS in Copenhagen, which is a wholly-owned subsidiary of RC Real Estate, has sued Bank DnB NOR for up to DKK 180 million plus interest, claiming that the bank has wrongfully used proceeds from the sale of properties as loan repayments without consulting the company. The bank contests the claim.

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

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

Key figures

		DnB NOR Bank Group			
		1st quarter	1st quarter	Full year	Full year
		2009	2008	2008	2007
Interest rate analyses					
1.	Combined weighted total average spread for lending and deposits (%)	1.14	1.00	1.02	0.98
2.	Spread for ordinary lending to customers (%)	1.56	0.87	1.00	0.83
3.	Spread for deposits from customers (%)	0.33	1.23	1.07	1.25
Rate of return/profitability					
4.	Net other operating income, per cent of total income	43.3	8.2	30.6	34.3
5.	Cost/income ratio (%)	41.3	66.6	49.5	50.6
6.	Return on equity, annualised (%)	17.3	8.1	14.0	19.7
Financial strength					
7.	Core (Tier 1) capital ratio at end of period (%)	7.1	7.6	6.9	7.9
8.	Core (Tier 1) capital incl. 50 per cent of profit for the period (%)	7.3	7.6	0.0	0.0
9.	Capital adequacy ratio at end of period (%)	10.0	10.2	9.9	10.5
10.	Capital adequacy ratio incl. 50 per cent of profit for the period (%)	10.1	10.3	0.0	0.0
11.	Core capital at end of period (NOK million)	76 244	67 794	77 671	69 579
12.	Risk-weighted volume at end of period (NOK million)	1 067 483	895 846	1 120 428	886 099
Loan portfolio and write-downs					
13.	Individual write-downs relative to average net lending to customers, annualised	0.41	0.06	0.25	0.05
14.	Write-downs relative to average net lending to customers, annualised	0.54	0.08	0.33	0.02
15.	Net non-performing and impaired commitments, per cent of net lending	1.17	0.42	0.98	0.42
16.	Net non-performing and impaired commitments at end of period (NOK million)	13 952	4 435	11 922	4 174
Liquidity					
17.	Ratio of customer deposits to net lending to customers at end of period (%)	50.9	52.0	50.3	55.3
Staff					
18.	Number of full-time positions at end of period	12 730	12 445	12 848	12 290

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 excluding 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.

Profit and balance sheet trends

Income statement

<i>Amounts in NOK million</i>	DnB NOR Bank ASA				
	1st quarter 2009	4th quarter 2008	3rd quarter 2008	2nd quarter 2008	1st quarter 2008
Total interest income	14 062	19 038	18 343	16 782	16 315
Total interest expenses	10 258	14 515	13 736	12 795	12 328
Net interest income	3 804	4 523	4 607	3 988	3 987
Commissions and fees receivable etc.	1 150	1 199	1 289	1 416	1 370
Commissions and fees payable etc.	375	471	463	499	445
Net gains on financial instruments at fair value	2 894	368	1 064	1 306	(1 112)
Profit from companies accounted for by the equity method	0	0	0	0	0
Other income	366	907	279	250	258
Net other operating income	4 035	2 003	2 169	2 473	72
Total income	7 839	6 526	6 776	6 461	4 059
Salaries and other personnel expenses	1 714	1 657	1 633	1 532	1 484
Other expenses	1 307	1 292	1 211	1 297	1 212
Depreciation and write-downs of fixed and intangible assets	100	219	79	84	83
Total operating expenses	3 121	3 168	2 924	2 914	2 779
Net gains on fixed and intangible assets	2	3	5	0	40
Write-downs on loans and guarantees	840	910	370	167	138
Pre-tax operating profit	3 880	2 450	3 486	3 380	1 182
Taxes	1 280	762	976	946	204
Profit from discontinuing operations after taxes	0	0	0	0	0
Profit for the period	2 599	1 688	2 510	2 434	978

Profit and balance sheet trends (continued)

Balance sheet	DnB NOR Bank ASA				
	31 March 2009	31 Dec. 2008	30 Sept. 2008	30 June 2008	31 March 2008
<i>Amounts in NOK million</i>					
Assets					
Cash and deposits with central banks	55 292	47 705	42 544	13 409	10 068
Lending to and deposits with credit institutions	244 495	245 652	216 137	207 012	181 294
Lending to customers	777 094	824 223	805 129	793 193	786 153
Commercial paper and bonds	136 087	82 058	33 665	113 743	106 663
Shareholdings	9 034	9 317	10 718	9 617	10 433
Financial derivatives	112 441	137 751	77 219	59 830	107 912
Commercial paper and bonds, held to maturity	91 763	100 278	88 008	0	0
Investment property	0	0	0	0	0
Investments in associated companies	1 064	1 069	1 060	1 058	1 059
Investments in subsidiaries	18 631	19 192	16 512	16 274	14 990
Intangible assets	2 198	2 173	2 091	2 089	2 087
Deferred tax assets	9	10	9	8	8
Fixed assets	822	844	809	801	845
Discontinuing operations	0	0	0	0	0
Other assets	6 466	5 941	7 623	8 381	14 175
Total assets	1 455 395	1 476 214	1 301 524	1 225 416	1 235 686
Liabilities and equity					
Loans and deposits from credit institutions	199 895	147 371	132 622	105 621	128 051
Deposits from customers	571 299	570 312	562 457	539 620	503 330
Financial derivatives	96 768	119 168	67 920	58 354	107 167
Securities issued	456 659	507 680	404 258	390 402	365 208
Payable taxes	1 363	215	2 109	1 212	496
Deferred taxes	3 778	3 734	1 079	1 090	1 111
Other liabilities	8 451	10 608	20 110	22 692	31 263
Provisions	4 327	4 299	4 438	4 536	4 422
Subordinated loan capital	41 164	43 612	39 296	37 417	32 597
Total liabilities	1 383 705	1 406 998	1 234 289	1 160 945	1 173 645
Minority interests	0	0	0	0	0
Share capital	17 514	17 514	17 514	17 514	17 514
Share premium reserve	12 695	12 695	12 695	12 695	12 695
Other equity	41 481	39 007	37 026	34 262	31 831
Total equity	71 691	69 217	67 236	64 472	62 040
Total liabilities and equity	1 455 395	1 476 214	1 301 524	1 225 416	1 235 686

Profit and balance sheet trends (continued)

Income statement

	DnB NOR Bank Group				
<i>Amounts in NOK million</i>	1st quarter 2009	4th quarter 2008	3rd quarter 2008	2nd quarter 2008	1st quarter 2008
Total interest income	17 921	22 916	21 589	19 618	18 618
Total interest expenses	12 131	16 615	15 731	14 546	13 513
Net interest income	5 790	6 301	5 857	5 071	5 105
Commissions and fees receivable etc.	1 384	1 458	1 521	1 668	1 590
Commissions and fees payable etc.	415	509	502	535	474
Net gains on financial instruments at fair value	2 140	1 186	1 602	1 426	(784)
Profit from companies accounted for by the equity method	897	1 201	(377)	102	(294)
Other income	417	402	373	375	419
Net other operating income	4 424	3 737	2 618	3 036	457
Total income	10 214	10 038	8 475	8 107	5 562
Salaries and other personnel expenses	2 258	2 139	2 140	2 051	1 968
Other expenses	1 652	1 691	1 523	1 621	1 512
Depreciation and write-downs of fixed and intangible assets	312	588	245	240	222
Total operating expenses	4 223	4 418	3 909	3 913	3 702
Net gains on fixed and intangible assets	4	6	13	3	31
Write-downs on loans and guarantees	1 598	2 314	725	275	195
Pre-tax operating profit	4 396	3 312	3 854	3 922	1 695
Taxes	1 319	1 138	1 041	1 059	331
Profit from discontinuing operations after taxes	0	0	0	0	0
Profit for the period	3 078	2 174	2 814	2 863	1 365
Profit attributable to shareholders	3 239	2 891	2 833	2 800	1 299
Profit attributable to minority interests	(161)	(402)	(20)	63	66

Profit and balance sheet trends (continued)

Balance sheet	DnB NOR Bank Group				
	31 March 2009	31 Dec. 2008	30 Sept. 2008	30 June 2008	31 March 2008
<i>Amounts in NOK million</i>					
Assets					
Cash and deposits with central banks	58 185	51 147	45 792	16 235	13 067
Lending to and deposits with credit institutions	73 685	54 187	44 189	72 526	60 104
Lending to customers	1 188 648	1 206 842	1 132 757	1 076 266	1 025 653
Commercial paper and bonds	57 001	58 219	37 288	116 356	108 460
Shareholdings	9 483	9 642	11 056	9 924	10 743
Financial derivatives	111 456	136 567	75 368	57 342	107 503
Commercial paper and bonds, held to maturity	91 763	100 278	88 008	0	0
Investment property	663	167	175	168	161
Investments in associated companies	3 391	2 499	1 295	1 669	1 596
Investments in subsidiaries	-	-	-	-	-
Intangible assets	5 792	6 105	5 869	5 757	5 720
Deferred tax assets	236	253	172	146	142
Fixed assets	5 133	5 271	4 293	3 902	3 788
Discontinuing operations	201	246	249	241	232
Other assets	8 335	6 781	9 608	9 114	9 580
Total assets	1 613 973	1 638 205	1 456 119	1 369 646	1 346 750
Liabilities and equity					
Loans and deposits from credit institutions	230 242	178 834	161 641	129 770	148 467
Deposits from customers	605 294	606 915	597 173	572 298	533 846
Financial derivatives	77 611	93 207	60 359	55 217	104 517
Securities issued	556 247	614 183	490 871	469 552	421 696
Payable taxes	1 470	317	2 419	1 489	939
Deferred taxes	5 059	5 054	1 892	1 882	1 599
Other liabilities	10 903	12 380	22 402	25 310	29 349
Provisions	4 638	4 607	4 942	5 002	4 878
Subordinated loan capital	42 624	45 225	40 676	38 540	33 724
Total liabilities	1 534 089	1 560 721	1 382 375	1 299 061	1 279 014
Minority interests	3 644	4 211	3 287	3 187	3 137
Share capital	17 514	17 514	17 514	17 514	17 514
Share premium reserve	13 411	13 411	13 411	13 411	13 411
Other equity	45 315	42 346	39 531	36 473	33 673
Total equity	79 885	77 483	73 744	70 585	67 735
Total liabilities and equity	1 613 973	1 638 205	1 456 119	1 369 646	1 346 750

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DnB NOR Bank ASA

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

Annual reports

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

Quarterly publications

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

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

dnbnor.com