DnB NOR’S MANAGEMENT AND BOARD OF DIRECTORS annually review the principles for corporate governance and how they are implemented in the Group. Pursuant to Section 3-3b of the Norwegian Accounting Act and the Norwegian Code of Practice for Corporate Governance dated 21 October 2010, DnB NOR hereby gives an account of the Group’s corporate governance principles and practice.

Section 3-3b, second subsection of the Norwegian Accounting Act
The description below accounts for DnB NOR’s compliance with Section 3-3b, second subsection of the Norwegian Accounting Act. The numbers refer to the section’s numerical order.

1-3. Specification of the recommendations complied with by DnB NOR, information on where the recommendations are available and reasons for any non-conformance with the recommendations
The DnB NOR Group’s corporate governance structure is based on Norwegian legislation. DnB NOR complies with the Norwegian Code of Practice for Corporate Governance issued by the Norwegian Corporate Governance Board, NUES. The Code of Practice is available on www.nues.no. Any deviations from the Code of Practice are accounted for under the description of DnB NOR’s compliance with the Code of Practice below.

4. A description of the main elements in the Group’s internal control and risk management systems linked to the accounts reporting process
See section 10 under the Norwegian Code of Practice for Corporate Governance below.

5. Articles of Association that completely or partially extend or depart from provisions stipulated in Chapter 5 of the Public Limited Companies Act
DnB NOR ASA’s Articles of Association do not deviate from Chapter 5 of the Public Limited Companies Act, which governs general meetings.

6. The composition of governing bodies and a description of the main elements in prevailing instructions and guidelines
See sections 6, 7, 8 and 9 under the Norwegian Code of Practice for Corporate Governance below.

7. Articles of Association that regulate the appointment and replacement of directors
See section 8 under the Norwegian Code of Practice for Corporate Governance below.

8. Articles of Association and authorisations that allow the board to decide that the enterprise is to repurchase or issue the enterprise’s own shares
See section 3 under the Norwegian Code of Practice for Corporate Governance below.

The Norwegian Code of Practice for Corporate Governance
The description below accounts for DnB NOR’s compliance with the 15 sections in the Code of Practice.

SECTION 1
IMPLEMENTATION OF AND REPORTING ON CORPORATE GOVERNANCE
There are no significant deviations between the Code of Practice and the way it is complied with in DnB NOR. Two deviations have been accounted for in section 7 and section 14, respectively, below.

DnB NOR’s vision is: Creating value through the art of serving the customer.

The values underlying the vision are helpful, professional and show initiative.

DnB NOR wishes to promote sustainable development through responsible business operations. This mainly implies taking ethical, environmental and social aspects into consideration in investing and lending. DnB NOR will not contribute to the infringement of human and labour rights, corruption, serious environmental damage or other acts which could be perceived to be unethical. Thus, DnB NOR has drawn up guidelines for corporate social responsibility for asset management and credit operations. In addition, DnB NOR’s suppliers are required to meet certain requirements by signing a special declaration. Corporate social responsibility also means controlling business risk, keeping environmental order within the Group and being an attractive employer. DnB NOR wishes to be a partner for organisations and for sports and cultural institutions. For more information, please refer to the chapter on corporate social responsibility in the Business Review 2010 and the Group’s corporate social responsibility report, which is available on
dnbnor.no. As a financial institution, DnB NOR is committed to curbing possible threats to its reputation and mitigating the risk of losing trust. A high ethical standard among employees and elected officers will strengthen the confidence the Group enjoys in society at large.

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

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

Violation of the code of ethics on the part of an employee could have consequences for his or her position in the Group. The complete code of ethics can be found on the Group’s website, dnbnor.no.

No deviations from the Code of Practice.

SECTION 2

BUSINESS

The object of DnB NOR is to engage in banking, insurance and financing and any related activities within the scope of Norwegian legislation in force at any time. The complete Articles of Association can be found on the Group’s website, dnbnor.no.

The directors’ report describes the Group’s targets and strategies, and the market is kept updated through investor presentations in connection with quarterly accounts and presentations on special subjects. In annual strategy processes, the Board of Directors considers whether goals and guidelines established on the basis of the strategies are unambiguous, adequate, well operationalised and easily comprehensible for the employees. All key guidelines are available to the employees through DnB NOR’s intranet.

No deviations from the Code of Practice.

SECTION 3

EQUITY AND DIVIDENDS

The Board of Directors continually reviews the capital situation in light of the company’s targets, strategies and intended risk profile. As at 31 December 2010, DnB NOR had total equity of NOK 111.2 billion. According to statutory capital adequacy regulations for financial institutions, the Group’s capital adequacy ratio was 12.4 per cent of risk-weighted assets, while the Tier 1 capital ratio was 10.1 per cent. The Norwegian authorities’ minimum capital adequacy requirements are eight and four per cent respectively. Calculations were also made of the effect of full future implementation of the Basel III regulations for all of the Group’s portfolios, excluding DnB NORD. The calculations showed a potential Tier 1 capital ratio of 12.3 per cent at end-December 2010 based on such implementation and excluding the effects of the limitations ensuing from the transitional rules. The Board of Directors considers the Group to be well capitalised in relation to current regulatory requirements.

See the chapter on capital management and risk categories in the Business Review 2010 for a further description of the rules on capital adequacy and the principles applied by DnB NOR to estimate capital requirements.

In the wake of the financial crisis, the Basel Committee on Banking Supervision, the Basel Committee, has proposed new and stricter liquidity and capital adequacy requirements for banks and financial institutions, called Basel III. Based on this, the proposed new rules are expected to be presented in the form of a new EU directive in the course of 2011. With respect to the capital adequacy requirements, the new rules imply an increase in common equity Tier 1 capital to 4.5 per cent plus the introduction of a 2.5 per cent capital conservation buffer, which means that the minimum common equity Tier 1 requirement will total 7 per cent. In addition, a countercyclical capital buffer ranging between 0 and 2.5 per cent will be introduced, depending on whether national authorities find reason to apply such a requirement during periods with strong credit growth. The total minimum common equity Tier 1 requirement will thus range between 7 and 9.5 per cent. If the buffer requirement is not fully satisfied, restrictions will be placed on the bank’s dividend and discretionary bonus payments etc.

The total capital requirement, including subordinated loan capital, will remain at 8 per cent. Including the above-mentioned capital conservation buffer, the new minimum requirement will be 10.5 per cent. In addition, further capital requirements are being drawn up for systemically important banks to reduce the probability, and the negative effects, of such banks filing for bankruptcy. The process of determining specific guidelines will continue through 2011 and 2012. The new capital requirements will become effective on 1 January 2013, though there will be a gradual phasing-in of the various elements up until 1 January 2019. DnB NOR has started to prepare for the announced regulatory requirements.

The main elements in Basel III are described in further detail in the chapter on changes in the regulatory framework in the Business Review 2010.
Dividends
DnB NOR aims to manage group resources in a manner which will ensure shareholders a competitive return in the form of dividends and increases in share price relative to comparable investment alternatives. DnB NOR intends to distribute approximately 50 per cent of net annual profits as dividends provided that capital adequacy is at a satisfactory level. Dividends will be determined on the basis of expected profit levels in a normalised market situation, external parameters and the need to maintain a satisfactory capital adequacy level.

Repurchase of shares
To ensure flexibility in the Group’s capital management, the Board of Directors has on previous occasions asked the Annual General Meeting for an authorisation to repurchase own shares. An agreement has previously been signed with the Norwegian government, represented by the Ministry of Trade and Industry, for the redemption of a proportional share of government holdings to ensure that the government’s percentage ownership remains unchanged. In order to ensure an optimal level of capital in the company, on 27 April 2010, the General Meeting authorised the Board of Directors to acquire own shares for a total face value of up to NOK 1 547 358 918, corresponding to 9.5 per cent of the company’s share capital. The shares shall be purchased in a regulated market. Each share may be purchased at a price between NOK 10 and NOK 150. Acquired shares shall be sold in accordance with regulations on the reduction of capital in the Public Limited Companies Act. The authorisation will be valid for a period of 12 months from the date the resolution was passed at the General Meeting.

Increases in share capital
As the present time, no authorisation had been granted to the Board of Directors for an increase in the share capital of DnB NOR ASA.

No deviations from the Code of Practice.

SECTION 4
EQUAl treateMent oF sHAREHOLDeRs AND tRAnSACtIoNS wItH cLOse aSSOCIATES
DnB NOR ASA has one class of shares. The Articles of Association, the Board of Directors and group management emphasise that all shareholders will be treated equally and have the same opportunity to exert influence. All shares carry equal voting rights. In connection with increases in share capital, existing shareholders will be given pre-emptive rights, unless such rights are derogated from due to special circumstances. In such case, the reasons for such a derogation will be specified. In cases when the Board of Directors asks the Annual General Meeting for an authorisation to repurchase own shares, shares will be purchased through the stock market at market price.

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

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

In June 2010, the Norwegian government started working on a new report to the Storting regarding government ownership.

Second largest shareholder
Sparebankstiftelsen DnB NOR (the DnB NOR Savings Bank Foundation) is the second largest shareholder, owning 10.0 per cent of the shares. The foundation was established in autumn 2002, when the former Gjensidige NOR Sparebank (Union Bank of Norway) was converted to a limited company. According to Norwegian law, the foundation is required to be a stable, long-term owner in the Group. In order to ensure funds for its total operations, the foundation aims to achieve the highest possible risk-adjusted return on capital under management. More information is available on sparebankstiftelsen.no.

According to the Articles of Association of DnB NOR ASA, for as long as Sparebankstiftelsen DnB NOR owns 10 per cent or more of the shares in DnB NOR ASA, the question of sale or other disposal of shares in DnB NOR Bank ASA shall be considered by the General Meeting in DnB NOR ASA. The same applies to questions concerning a merger or demerger of the bank, disposal of a material portion of the bank’s business or the issuing of shares in the bank to parties other than DnB NOR ASA.

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

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

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

With respect to the Group’s other employees and elected officers, the Group’s code of ethics lays down detailed rules regulating transactions with close associates. As a general rule, an employee or elected officer will be considered incompetent if circumstances exist that may lead others to believe that he or she promotes interests other than those of the DnB NOR Group. Employees must be aware of potential conflicts of interest if they combine positions of trust with other roles in the Group.

Where a transaction is not immaterial for either the DnB NOR Group or the close associate involved, unless it is a matter for consideration by the general meeting according to stipulations in the Public Limited Companies Act, the Board of Directors will ensure that a valuation is made by an independent third party. This also applies to any transactions between companies in the DnB NOR Group where minority shareholders are involved. Not immaterial transactions with close associates are described in a separate note to the annual accounts.

No deviations from the Code of Practice.
No deviations from the Code of Practice.

SECTION 5
FREELY NEGOTIABLE SHARES
The shares are listed on Oslo Børs (the Oslo Stock Exchange) and are freely negotiable. The Articles of Association include no form of restriction on negotiability.

No deviations from the Code of Practice.

SECTION 6
GENERAL MEETINGS AND CONTROL COMMITTEE

General Meeting
According to the Articles of Association, the annual general meeting shall be held before the end of April each year. The notice and registration form will be sent to shareholders and be published on the Group’s website no later than 21 days prior to the date of the general meeting. The procedure for voting and for proposing resolutions is described in the notice of the general meeting.

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

As a minimum, the chairman of the Board of Directors, at least one representative from the Control Committee and the statutory auditor will attend general meetings. Other board members may also attend the meetings. Representatives from group management will include the group chief executive, the chief financial officer, the head of Group Audit and specialists in certain fields. The minutes of general meetings are available on the Group’s website.

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

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

The voting procedure gives shareholders the opportunity to vote separately for each individual candidate nominated for election to the various governing bodies.

Shareholders may choose to appoint a proxy. In addition, a person will be appointed to vote for the shareholders in the capacity of proxy. As far as possible, the proxy form is drawn up so that separate voting instructions can be given for each matter to be considered by the meeting and each of the candidates nominated for election.

Control Committee
The Control Committee shall ensure that the Group conducts its business in an appropriate and satisfactory manner in compliance with laws, regulations and guidelines. The committee shall also make sure that the Board of Directors and the group chief executive maintain adequate supervision and control of subsidiaries. To the extent the committee finds it necessary, it may examine the Group’s records, accounts, correspondence and assets, those of the Group itself as well as those on deposit with the Group. The Control Committee consists of four members and two deputies elected by the general meeting. The deputies attend all Control Committee meetings. The Control Committee held nine meetings in 2010.

No deviations from the Code of Practice.

SECTION 7
ELECTION COMMITTEE
In accordance with DnB NOR ASA’s Articles of Association, the General Meeting and the Supervisory Board have established an Election Committee consisting of five members. The General Meeting has laid down instructions for how the Election Committee should carry out its duties. The members of the Election Committee shall be shareholders or representatives for shareholders and shall, as far as possible, represent all shareholders. No member of the Board of Directors or representative from group management is a member of the Election Committee. The committee is chaired by the chairman of the Supervisory Board, and members are elected by the general meeting for a term of two years.

The Election Committee submits recommendations to the General Meeting for the election of shareholder-elected members to the Supervisory Board and members of the Control Committee and Election Committee. The Election Committee also submits recommendations to the Supervisory Board for the election of shareholder-elected members of the Board of Directors. The recommendation should include relevant information on each candidate’s background and independence. Furthermore, the committee proposes remunerations to members of the aforementioned bodies. The remuneration of the Election Committee is determined by the General Meeting. Information about the Election Committee and closing dates for proposing candidates can be found on the Group’s website, dnbnor.no.

The Election Committee held nine meetings during 2010. The Committee presented a recommendation for the election of new members to the Supervisory Board, including the chairman and the new vice-chairman. In addition, the committee proposed candidates for election to the Board of Directors and the Election Committee and also carried out the preparatory work related to issues to be considered in 2011.

Deviation from the Code of Practice: DnB NOR has thus far not prepared rules for rotation of the members of the Election Committee.

SECTION 8
SUPERVISORY BOARD AND BOARD OF DIRECTORS, COMPOSITION AND INDEPENDENCE

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

Board of Directors
The Board of Directors has up to twelve members, eight of whom are elected by the shareholders and four are representatives for the employees. No member of the group management team is a member of the Board of Directors. The Board of Directors is elected by the Supervisory Board. When electing members to the Board of Directors, the need for both continuity and independence should be met, while ensuring a balanced board composition. Members of the Board of Directors, the Supervisory Board and the Control Committee may hold such office for a period of no more than 12 consecutive years or for a total period not exceeding 20 years. Members are elected for terms of up to two years.

As at 31 December 2010, the Board had nine members, six of whom were elected by the shareholders and three were representatives for the employees. Four of the members were women, three of whom were elected by the shareholders and one represented the employees.

The curricula vitae of the individual board members are found in the annual report and on the Group’s website. The Board of Directors will consider the independence of its members, and their conclusion is presented in the listing of board members. When new board members are nominated, their suitability is assessed, including their independence. The assessment
is followed up on an annual basis by requesting a written confirmation from the board members. The Group has initiated processes to continually monitor which other assignments are held by the board members. See also the description under section 4 above, Transactions with close associates.

In the annual report, the presentation of the Board of Directors lists any assignments for the Group and any significant appointments or assignments in other companies and organisations held by the members of the Board. Their record of attendance at board meetings is also specified.

Board members are encouraged to hold shares in the company. The survey of governing bodies specifies the number of DnB NOR shares held by members of governing bodies and their close associates as at 31 December 2010.

No deviations from the Code of Practice.

SECTION 9
THE WORK OF THE BOARD OF DIRECTORS
The duties of the Board of Directors
The Board of Directors has approved instructions governing its work and administrative procedures, including matters to be considered by the Board, the group chief executive’s tasks and obligations towards the Board and rules on convening and conducting meetings. Instructions for the Board of Directors are available at dnbnor.no. The Board of Directors draws up an annual plan for its activities, covering duties stipulated in laws, regulations, resolutions passed by the authorities, the Articles of Association and decisions made by the general meeting and the Supervisory Board. The Board of Directors has also issued instructions for the group chief executive.

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

The Board of Directors has the ultimate responsibility for the management of DnB NOR. Through the group chief executive, the Board shall ensure a sound organisation of business activities. The Board approves plans and budgets for operations and is continually updated on DnB NOR’s financial position and development by approving quarterly and annual reports and through a monthly review of the Group’s financial position and development. Responsibilities encompass DnB NOR’s annual plan process, including principal goals and strategic choices for the Group, as well as financial three-year plans, budgets and forecasts for the Group and the business areas. Furthermore, the Board should ensure that operations are subject to adequate control and that the Group’s equity capital is at a satisfactory level relative to the risk and scale of operations. The Board of Directors’ responsibility for reviewing and reporting risk management and internal control is described in the chapter on governance in DnB NOR in the Business Review 2010.

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

Audit Committee
The Board of Directors in DnB NOR ASA has an Audit Committee that will consist of up to four of the independent board members, with meetings normally held seven to eight times a year. The Audit Committee is a working committee for the Board of Directors, preparing matters and acting in an advisory capacity. Members are elected for a term of up to two years, and the chairman is appointed for a term of one year at a time. The Board of Directors has found it to be beneficial to have one Audit Committee for the entire DnB NOR Group, unless special requirements in countries where the Group is represented require otherwise. The Audit Committee must have the overall competence required to fulfil its duties based on the organisation and operations of the Group. At least one of the committee members must have relevant accounting or auditing expertise. The purpose, responsibilities and functions of the Audit Committee are in compliance with international rules and standards. See section 10 Risk management and internal control for a further description of the Committee’s duties.

Compensation Committee
The Board of Directors of DnB NOR ASA has a Compensation Committee consisting of three members of the company’s Board of Directors. The committee normally meets three to four times a year. The committee puts forth a recommendation for the Board of Directors’ guidelines for remuneration to senior executives in accordance with Section 6-16a in the Public Limited Companies Act. The committee draws up proposals and issues recommendations to the Board of Directors regarding the remuneration awarded to the group chief executive and acts in an advisory capacity to the group chief executive with respect to the remuneration and other important personnel-related matters concerning members of the group management team and any others reporting to the group chief executive.

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

Board proceedings are presided over by the board chairman. If neither the board chairman nor the vice-chairman participates, the Board must select a member to chair the meeting.

No deviations from the Code of Practice.

SECTIONS 10 AND 13
RISK MANAGEMENT AND INTERNAL CONTROL AND INFORMATION AND COMMUNICATIONS
The Board of Directors is responsible for ensuring that operations, financial reporting and asset management are subject to adequate control. The Board of Directors carries out a review of developments within the Group’s most significant risk areas every four months and makes an annual review of its internal control system. The Business Review 2010 contains a description of risk management and internal control in the Group, including the Board of Directors’ responsibilities and implementation and monitoring aspects. The key components of internal control governing financial reporting are described below.

The Board of Directors’ reporting of the key components of internal control governing financial reporting
Internal control in DnB NOR is based on the framework from the Committee of Sponsoring Organizations of the Treadway Commission, COSO, and includes control environment, risk assessment, control activities, information and communication and monitoring. The content of the various elements is described below.

Control environment
The core of the Group’s operations consists of the qualities, integrity, ethical values and competencies of its individual employees, plus the environment in which they are working. In order to ensure effective and efficient control, DnB NOR has guidelines governing areas and bodies such as:

- ethics and corporate social responsibility
- DnB NOR’s management model
- governance and effective operations
- authorisations
- the Board of Directors and Audit Committee
- communication
- risk management
- employees, including remuneration
- financial management, including financial reporting

Guidelines for financial reporting
The Board of Directors of DnB NOR ASA has prepared guidelines to ensure reliable, relevant, timely and uniform reporting to shareholders and other
capital market participants. The guidelines also cover internal needs. Together, these are called guidelines for financial reporting.

The guidelines govern both the content of and the financial reporting process for units in the Group, including requirements to avoid manipulation of the accounts.

**Organisation and responsibilities**

Group Finance and Risk Management is headed by the chief financial officer and is organised outside the business areas. The head of Group Financial Reporting reports to the chief financial officer and is responsible for matters such as financial reporting, budgets and financial plans, direct and indirect taxes and the internal control of financial reporting in the Group.

The heads of reporting units are responsible for ongoing financial monitoring and reporting. All these units have management teams and accounting units adapted to their organisation and operations. Managers must ensure that adequate and effective internal control is implemented in accordance with established requirements, and are responsible for complying with these requirements.

The Audit Committee will supervise the financial reporting process and ensure that the Group’s internal control, including the internal audit and risk management system, functions effectively. Among other things, the Audit Committee reviews the quarterly and annual accounts and the report on developments in the Group’s main risk categories, issued every four months. In addition, the Audit Committee shall ensure that the Group has independent and effective external audit procedures.

Financial reporting for the DnB NOR Group, the DnB NOR Bank Group and Vital Forsikring ASA is reviewed by Group Audit on a quarterly basis. The annual accounts of all the companies in the DnB NOR Group are audited by the statutory auditors, who, within the limits stipulated in international standards on auditing and quality control, ISA, partly base their audit on the work carried out by Group Audit.

**Risk assessment**

On behalf of the chief financial officer, the head of Group Financial Reporting identifies, assesses and monitors the risk of errors in the Group’s financial reporting in cooperation with the heads of the reporting units.

**Control activities**

**Reporting and review in reporting units**

The reporting units are responsible for implementing adequate control activities to prevent errors in financial reporting.

**Review in Group Finance and Risk Management**

Group Finance and Risk Management prepares financial reports for the DnB NOR Group and ensures that such reporting is in line with prevailing legislation, accounting standards, current accounting principles and guidelines from the Board of Directors. The head of Group Financial Reporting prepares guidelines which explain the requirements to be fulfilled by the local units. Processes and a number of control measures have been prepared to ensure that financial reporting is of high quality. The measures include rules concerning authorisations, the division of responsibilities, reconciliation, change management, IT controls and management reviews.

**Review in the group management team**

The group chief executive and the chief financial officer will continually consider the financial results and target attainment of the business areas as well as critical aspects and events which will affect their future performance and optimal resource utilisation. A review covering, inter alia, these subjects, will be made in cooperation with the individual business areas at least on a quarterly basis. At the meetings, the risks associated with financial reporting, both in the short and the long term, are assessed. The group chief executive, the chief financial officer, managers in the relevant unit and relevant experts participate in the meetings, which are chaired by the group chief executive. The chief financial officer reviews such matters with the support units as and when required.

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

**Consideration by the Audit Committee, the Board of Directors and the general meeting**

The Audit Committee reviews quarterly financial reporting for the DnB NOR Group. The committee makes a thorough review of discretionary assessments and estimates in addition to any changes in accounting practice. In connection with its review of the accounts, the Committee has discussions with management, Group Audit and the statutory auditor. At least once a year, the Committee has separate meetings with the statutory auditors and the group chief audit executive without any members from management present. After the quarterly accounts and proposed annual accounts for the respective companies have been reviewed by the executive management, they are considered by the Boards of Directors of DnB NOR ASA and DnB NOR Bank ASA. The Audit Committee considers the quarterly accounts and the proposed annual accounts for DnB NOR ASA and the DnB NOR Group. The annual accounts are approved by the general meeting. The Board of Directors of Vital considers the quarterly accounts and the proposed annual accounts, which are approved by the general meeting.

**Information and communication**

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

Guidelines have been drawn up for the reporting of financial information to shareholders, investors and analysts. The guidelines also cover the Group’s contact with shareholders other than through general meetings. The guidelines are based on openness and take into account the requirement for equal treatment of all participants in the market. They can be found on the Group’s website dbnor.no.

An overview of the dates for major events such as the annual general meeting, the publication of interim reports, public presentations and dividend payments is published on the Group’s website.

The Board of Directors of DnB NOR ASA has stipulated specific requirements to be met by units in the Group. See the description above under “Control environment - Guidelines for financial reporting”.

**Monitoring**

**Reporting units**

The heads of the reporting units are responsible for implementing adequate and effective internal control in accordance with established requirements, as well as for complying with these requirements. Every year, the units will make an evaluation of compliance with external and internal regulations and report the results of the internal control along with planned improvement measures.

The heads of the reporting units may be held accountable for violations of the rules and regulations which the units are required to follow for conducting their operations. The heads of the reporting units are therefore required to maintain an ongoing dialogue with Group Internal Control to ensure compliance with the rules and regulations.

The head of Group Financial Reporting reviews the units’ and the Group’s financial reporting and assesses any errors, deficiencies and needs for improvement.

**Group Audit**

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

**Statutory auditor**

The statutory auditor must provide a report to the Audit Committee on the main features of the audit carried out in the previous accounting year, including particular mention of any material weaknesses identified in internal control relating to the financial reporting process.

**Board of Directors**

The Board of Directors, represented by the Audit Committee, reviews the financial reporting process.

**Supervisory authorities**

The operations of the DnB NOR Group are supervised by Finanstilsynet (the Financial Supervisory Authority of Norway). Among other things, Finanstilsynet reviews annual and interim reports and the Group’s Internal Capital Adequacy Assessment Process, ICAAP. The Board of Directors aims to have an open and constructive dialogue with Finanstilsynet.

No deviations from the Code of Practice.

**SECTION 11**

**REMUNERATION OF THE BOARD OF DIRECTORS**

Remuneration paid to members of the Board of Directors, proposed by the Election Committee and approved by the Supervisory Board, is not performance-based or linked to options in DnB NOR ASA. The Board of Directors must approve any remuneration from the company to members of the Board of Directors other than ordinary remuneration for their service on the Board of Directors, Audit Committee and Compensation Committee and inform the Supervisory Board of such matters. Note 50 to the annual accounts for the DnB NOR Group shows remunerations to senior executives and elected officers in DnB NOR ASA.

No deviations from the Code of Practice.

**SECTION 12**

**REMUNERATION OF THE EXECUTIVE MANAGEMENT**

**Guidelines for executive pay**

DnB NOR’s guidelines for determining remunerations to the group chief executive and other members of the group management team should, at all times, support prevailing strategy and values, while contributing to the attainment of the Group’s targets. The total remuneration to the group chief executive and other senior executives consists of fixed salary (main element), benefits in kind, variable salary, pension and insurance schemes. With effect from 2010, when determining the variable salary of the group chief executive and other senior executives, stronger emphasis is placed on group measurement parameters for financial key figures, customer satisfaction and corporate reputation.

**Group chief executive**

The total remuneration to the group chief executive is determined on the basis of a total evaluation, based on market comparisons and reputational aspects. The remuneration should be competitive, but not market-leading.

The variable salary of the group chief executive is performance-based and determined on the basis of the following elements: financial risk-adjusted profits, customer satisfaction, employee satisfaction and the DnB NOR Group’s reputation, as well as selected targets relating to the Group’s business strategy. Variable salary cannot exceed 50 per cent of fixed salary, and
20 per cent of variable salary is paid in the form of shares in DnB NOR ASA, with a minimum holding period of two years.

Other senior executives
The total remuneration to other senior executives is determined based on the need to offer competitive terms in the various business areas, promote the Group’s competitiveness in the labour market and enhance profitability in line with the Group’s income and cost targets. The total remuneration must neither pose a threat to DnB NOR’s reputation nor be market-leading, but should ensure that DnB NOR attracts and retains senior executives with the desired skills and experience.

Variable salary is determined based on whether specific group targets have been met, and on defined targets within the individual executive’s area of responsibility. In addition, an overall assessment is made of total target attainment.

The variable salary scheme should be performance-based without exposing the Group to unwanted risk, and should pose no threat to DnB NOR’s reputation. Variable salary cannot exceed 50 per cent of fixed salary, and 20 per cent of variable salary is paid in the form of shares in DnB NOR ASA, with a minimum holding period of two years. The level of variable salary in DnB NOR is considered to be moderate compared with prevailing levels in a number of international financial institutions.

The Board of Directors’ statement concerning executive pay
The Board of Directors presents a statement to the general meeting proposing guidelines for remunerations to senior executives. The statement and information about remunerations paid to the individual members of the group management team can be found in note 50 to the annual accounts for the DnB NOR Group.

New guidelines
In the wake of the financial crisis, both the level and structure of remuneration systems in the financial services industry have been subject to international debate. For example, the EU has approved directives recommending guidelines for remunerations in the industry. Based on the EU guidelines, the Norwegian Ministry of Finance has proposed new remuneration regulations for financial institutions. The regulations entered into force on 1 January 2011. The new rules will have consequences for future remuneration practices in DnB NOR. For specific employees, a new requirement will be introduced whereby the service period for variable salary must be two years, while minimum 50 per cent of the earned variable salary must be in the form of shares with a minimum holding period. Finanstilsynet presented detailed guidelines to the regulations in February 2011.

Other aspects
At the present time, no employees in the DnB NOR Group have any outstanding subscription rights etc. See also the description of the Board of Directors’ Compensation Committee in Section 9 above.

No deviations from the Code of Practice.

SECTION 15
STATUTORY AUDITOR
The statutory auditor annually submits a plan for the audit to the Audit Committee and Control Committee. Guidelines have been drawn up in respect of relations with the statutory auditor, including restrictions on what additional services can be undertaken, approval of fees and guidelines to invite tenders for external audit services. The audit partner cannot hold this position for more than five years. At the end of the period, tenders should normally be invited from several auditing firms.

The Audit Committee submits a recommendation regarding the choice of auditor to the Board of Directors. The proposal is thereafter presented to the Supervisory Board, which submits a recommendation to the General Meeting. At least once a year, the Audit Committee holds a meeting with the auditors at which neither the group chief executive nor any other member of executive management is present.

The Audit Committee submits a recommendation regarding the statutory auditor’s remuneration to the Board of Directors, which presents the remuneration proposal to the Annual General Meeting for approval.

The statutory auditor must provide a report to the Audit Committee on the main features of the audit carried out in the previous accounting year, including particular mention of any material weaknesses identified in internal control relating to the financial reporting process. The auditor must also provide the Audit Committee with:

1. an annual written confirmation of the auditor’s independence,
2. information on services other than statutory audit provided to the company during the course of the financial year,
3. information on any threats to the auditor’s independence, and documentary evidence of the measures implemented to combat such threats.

No deviations from the Code of Practice.