

Note 12 - Credit risk exposure for each internal risk rating

The Bank uses a special classification system for monitoring credit risk in the portfolio. Risk classification is based on each individual exposure's probability of default. In the table below this classification is collated with corresponding rating classes at Moody's.

Historical default data are Parent Bank figures showing the default ratio (DR) per credit quality step. The figures are an unweighted average of customers with normal scores in the period 2006-2013.

Credit quality step	Probability of default				Collateral cover		
	From	To	Moody's	Historical default	Collateral class	Lower limit	Upper limit
A	0.00 %	0.10 %	Aaa-A3	0.03 %	1	120	
B	0.10 %	0.25 %	Baa1-Baa2	0.09 %	2	100	120
C	0.25 %	0.50 %	Baa3	0.19 %	3	80	100
D	0.50 %	0.75 %	Ba1	0.51 %	4	60	80
E	0.75 %	1.25 %	Ba2	0.68 %	5	40	60
F	1.25 %	2.50 %		1.57 %	6	20	40
G	2.50 %	5.00 %	Ba2-B1	3.47 %	7	0	20
H	5.00 %	10.00 %	B1-B2	6.67 %			
I	10.00 %	99.99 %	B3-Caa3	18.31 %			
J	Default						
K	Written down						

The Bank's exposures are classified into one of five risk groups based on credit quality step. "Defaulted and written down" is also present.

Credit quality step	Risk groups
A - C	Lowest risk
D - E	Low risk
F - G	Medium risk
H	High risk
I	Highest risk
J - K	Default and written down

Parent Bank (NOK million)	Averaged unhedged exposure	Total exposure	Averaged unhedged exposure	Total exposure
	2013	2013	2012	2012
Lowest risk	5.8 %	46,680	3.7 %	42,325
Low risk	6.1 %	22,631	8.1 %	20,920
Medium risk	8.8 %	16,275	10.1 %	17,697
High risk	12.2 %	3,644	9.8 %	4,230
Highest risk	3.8 %	1,988	9.3 %	1,563
Default and written down	20.5 %	457	33.5 %	417
Total		91,676		87,152

Group (NOK million)	Averaged unhedged exposure	Total exposure	Averaged unhedged exposure	Total exposure
	2013	2013	2012	2012
Lowest risk	6.2 %	46,927	4.1 %	42,635
Low risk	8.6 %	23,418	10.8 %	21,646
Medium risk	18.8 %	17,816	19.2 %	18,456
High risk	16.3 %	4,008	13.7 %	4,580
Highest risk	11.4 %	2,321	17.4 %	1,910
Default and written down	34.5 %	543	46.7 %	517
Total		95,033		89,744

The realisation value of furnished collateral is determined such that they, on a conservative assessment, reflect the presumed realisation value in an economic downturn. For example, collateral furnished in the form of negative pledge and unquoted equities in accordance with the Group's internal guidelines will not be assigned any realisation value and will thus appear unsecured. The conservative assessment entails that the realisation value that is actually attained may prove higher than the estimated realisation value.