

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 2006-2014.

Credit quality step	Probability of default			Historical default	Collateral cover		
	From	To	Moody's		Collateral class	Lower limit	Upper limit
A	0.00 %	0.10 %	Aaa-A3	0.03 %	1	120	
B	0.10 %	0.25 %	Baa1-Baa2	0.08 %	2	100	120
C	0.25 %	0.50 %	Baa3	0.18 %	3	80	100
D	0.50 %	0.75 %	Ba1	0.45 %	4	60	80
E	0.75 %	1.25 %	Ba2	0.59 %	5	40	60
F	1.25 %	2.50 %		1.42 %	6	20	40
G	2.50 %	5.00 %	Ba2-B1	3.33 %	7	0	20
H	5.00 %	10.00 %	B1-B2	6.35 %			
I	10.00 %	99.99 %	B3-Caa3	16.87 %			
J	Default						
K	Written down						

The Bank's exposures are classified into risk groups based on credit quality step.

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
	2014	2014	2013	2013
Lowest risk	6.0 %	52,394	5.8 %	46,680
Low risk	9.0 %	24,969	6.1 %	22,631
Medium risk	17.2 %	18,846	8.8 %	16,275
High risk	9.8 %	3,972	12.2 %	3,644
Highest risk	7.1 %	1,484	3.8 %	1,988
Default and written down	32.1 %	432	20.5 %	457
Total		102,098		91,676

Group (NOK million)	Averaged unhedged exposure	Total exposure	Averaged unhedged exposure	Total exposure
	2014	2014	2013	2013
Lowest risk	6.0 %	52,724	6.2 %	46,927
Low risk	8.7 %	25,809	8.6 %	23,418
Medium risk	14.4 %	20,520	18.8 %	17,816
High risk	8.8 %	4,416	16.3 %	4,008
Highest risk	5.7 %	1,868	11.4 %	2,321
Default and written down	19.3 %	520	34.5 %	543
Total		105,858		95,033

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.