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DNB BANK

– a company in the DNB Group

Second quarter and first half report 2014 (Unaudited)

Financial highlights

DNB Bank Group

Income statement *Amounts in NOK million*	2nd quarter 2014	2nd quarter 2013	1st half 2014	1st half 2013	Full year 2013
Net interest income	7 893	7 538	15 615	14 466	30 379
Net commissions and fees	*1 489*	*1 508*	*2 919*	*2 725*	*5 481*
Net gains on financial instruments at fair value	*1 130*	*1 345*	*3 261*	*2 412*	*5 009*
Other operating income	*713*	*636*	*1 434*	*1 280*	*2 666*
Net other operating income, total	3 332	3 489	7 614	6 416	13 156
Total income	11 226	11 027	23 230	20 883	43 535
Operating expenses	4 941	4 752	9 880	9 462	19 157
Restructuring costs and non-recurring effects	79	613	112	614	605
Expenses relating to debt-financed structured products	0	0	0	450	450
Impairment losses for goodwill and intangible assets	0	0	0	0	557
Pre-tax operating profit before impairment	6 205	5 663	13 237	10 357	22 766
Net gains on fixed and intangible assets	(2)	(10)	(2)	(6)	150
Impairment of loans and guarantees	554	937	634	1 674	2 185
Pre-tax operating profit	5 648	4 716	12 600	8 677	20 730
Tax expense	1 430	1 335	3 175	2 456	5 042
Profit from operations held for sale, after taxes	(11)	(7)	(30)	3	4
Profit for the period	**4 206**	**3 374**	**9 394**	**6 224**	**15 692**

Balance sheet *Amounts in NOK million*	30 June 2014	31 Dec. 2013	30 June 2013
Total assets	2 165 765	2 130 779	2 298 748
Loans to customers	1 378 940	1 350 656	1 339 427
Deposits from customers	900 932	891 256	1 005 181
Total equity	130 589	126 407	116 977
Average total assets	2 388 515	2 276 451	2 258 898

Key figures *Per cent*	2nd quarter 2014	2nd quarter 2013	1st half 2014	1st half 2013	Full year 2013
Return on equity, annualised	13.1	11.5	14.7	10.7	13.1
Combined weighted total average spread for lending and deposits	1.26	1.27	1.25	1.23	1.26
Cost/income ratio	44.7	48.6	43.0	50.4	46.4
Impairment relative to average net loans to customers, annualised	0.16	0.28	0.09	0.26	0.16
Common equity Tier 1 capital ratio, transitional rules, at end of period [1)]	11.8	10.6	11.8	10.6	11.4
Tier 1 capital ratio, transitional rules, at end of period [1)]	12.2	10.9	12.2	10.9	11.8
Capital ratio, transitional rules, at end of period [1)]	14.2	12.3	14.2	12.3	13.9

1) Including 50 per cent of profit for the period, except for the full year figures.

There has been no full or partial external audit of the quarterly directors' report and accounts.

Second quarter and first half report 2014

Directors' report

Introduction

Second quarter 2014

The DNB Bank Group[1] recorded profits of NOK 4 206 million in the second quarter of 2014, up NOK 832 million from the second quarter of 2013. Adjusted for the effect of basis swaps, there was a NOK 744 million increase in profits. Relative to the short-term money market rate, there was an increase in lending spreads from the second quarter of 2013, which was the main factor behind the rise in profits, along with higher lending volumes, reduced restructuring expenses and lower impairment losses on loans. The common equity Tier 1 capital ratio, calculated according to the transitional rules, rose from 10.6 per cent at end-June 2013 to 11.8 per cent, including 50 per cent of interim profits.

There was a 2.8 per cent average increase in the healthy loan portfolio from the second quarter of 2013, parallel to a 0.07 percentage point widening of lending spreads. In order to face the market competition, DNB implemented interest rate reductions, effective on 16 June 2014 for existing loans and deposits. Net interest income rose by a total of NOK 355 million from the second quarter of 2013.

Adjusted for the effect of basis swaps, net other operating income was NOK 278 million lower than in the second quarter of 2013. The reduction mainly reflected fair value measurement of financial assets.

Total operating expenses were reduced by NOK 344 million from the second quarter of 2013. Ordinary operating expenses, excluding restructuring costs and other non-recurring effects, rose by NOK 190 million during the same period, partly in reflection of rising marketing costs.

Impairment losses on loans and guarantees came to NOK 554 million for the quarter, which was significantly lower than in the second quarter of 2013, but higher than in the two preceding quarters. Lower impairment losses in Large Corporates and International were the main reason behind the reduction in impairment from the second quarter of 2013.

At end-June 2014, the relocation of all office functions in Oslo, Bergen and Trondheim had been completed. In Oslo, 4 200 employees from 18 former locations have moved into the three DNB buildings in Bjørvika. In Bergen, 1 700 employees have relocated to Solheimsviken, while in Trondheim, 720 employees now work at Beddingen. The transfer of customers from Nordlandsbanken to DNB was also completed during the quarter. These changes ensure lower costs, more efficient internal processes and better solutions for customers.

First half 2014

The banking group recorded profits of NOK 9 394 million in the first half of 2014, up NOK 3 171 million from the first half of 2013. Adjusted for the effect of basis swaps, there was a NOK 3 350 million increase in profits, reflecting higher net interest income, higher other operating income, lower costs and lower impairment losses on loans. The rise in profits contributed to the necessary build-up of capital to meet stricter capital requirements.

Lending spreads widened by 0.14 percentage points, while deposit spreads narrowed by 0.01 percentage points from the first half of 2013. During the same period, there was a 2.9 per cent average increase in the healthy loan portfolio, while deposit volumes were up 12.4 per cent. This gave a total increase in net interest income of NOK 1 149 million compared with the first half of 2013. The relatively modest lending growth mainly reflected stronger competition in the market. The Norwegian Public Service Pension Fund further increased its market share of home mortgages during the first half of 2014, but at a somewhat slower rate. Compared with other private financial institutions, DNB's market share showed a slightly declining trend.

Adjusted for the effect of basis swaps, other operating income was NOK 1 439 million higher than in the first half of 2013. The increase was mainly attributable to the NOK 913 million rise in value of the shareholdings in Nets. An agreement to sell the Group's shareholding in Nets was signed in the first quarter of 2014, due to be completed at the start of the third quarter of 2014. There was also an increase in income from foreign exchange and interest rate instruments and commissions.

Total operating expenses were brought down by NOK 533 million or 5.1 per cent from the first half of 2013, partly due to reduced restructuring costs and provisions for debt-financed structured products in the first half of 2013.

At NOK 634 million, impairment losses on loans and guarantees were reduced by more than NOK 1 billion compared with the first half of 2013. This reflects both sound credit management and positive macroeconomic developments in Norway and internationally from 2013 to 2014.

Income statement for the second quarter of 2014

Net interest income

Amounts in NOK million	2nd quarter 2014	Change	2nd quarter 2013
Net interest income	7 893	355	7 538
Exchange rate movements		130	
Lending and deposit spreads		118	
Lending and deposit volumes		62	
Long-term funding costs		51	
Equity and non-interest-bearing items		9	
Amortisation effects, international bond portfolio		(27)	
Other net interest income		11	

Net interest income rose by NOK 355 million or 4.7 per cent from the second quarter of 2013. The increase was mainly attributable to widening lending spreads and exchange rate movements, though rising volumes also had a positive impact. Average lending spreads increased by 0.07 percentage points, while deposit spreads narrowed by 0.03 percentage points. Volume-weighted spreads were virtually unchanged. There was an average increase of NOK 36.9 billion or 2.8 per cent in the healthy loan portfolio compared with the second quarter of 2013. During the same period, deposits were up NOK 81.8 billion or 9.1 per cent.

1) DNB Bank ASA is a subsidiary of DNB ASA and part of the DNB Group. The DNB Bank Group, hereinafter called "the banking group", comprises the bank and the bank's subsidiaries. Other companies owned by DNB ASA, including DNB Livsforsikring, DNB Skadeforsikring and DNB Asset Management, are not part of the banking group. Operations in DNB ASA and the total DNB Group are not covered in this report but described in a separate report and presentation.

Net other operating income

Amounts in NOK million	2nd quarter 2014	Change	2nd quarter 2013
Net other operating income	3 332	(157)	3 489
Basis swaps		122	
Profits from associated companies		(36)	
Real estate broking		(41)	
Net income from other financial instruments		(315)	
Other operating income		114	

Net other operating income, adjusted for basis swaps, declined by NOK 278 million. Fair value measurement of financial assets was the main factor behind the shortfall in income.

Operating expenses

Amounts in NOK million	2nd quarter 2014	Change	2nd quarter 2013
Operating expenses excluding non-recurring effects	4 941	190	4 752
Income-related costs			
Ordinary depreciation on operational leasing		33	
Expenses related to operations			
Marketing costs		27	
Properties and premises		30	
External distribution costs		18	
Other costs		82	
Non-recurring effects	79	(534)	613
Restructuring costs – employees		(347)	
Other restructuring costs and non-recurring effects		(186)	
Operating expenses	5 021	(344)	5 365

Operating expenses were reduced by NOK 344 million from the second quarter of 2013. Adjusted for non-recurring effects, there was an increase in expenses of NOK 190 million. The NOK 33 million increase in expenses related to operational leasing reflected a corresponding rise in income. Higher marketing costs, increasing expenses for property management and a certain rise in external distribution costs were other factors behind the increase in expenses.

Impairment of loans and guarantees

Impairment losses on loans and guarantees totalled NOK 554 million, a reduction from NOK 937 million in the second quarter of 2013, but an increase from the extraordinarily low NOK 80 million in the first quarter of 2014. The most pronounced reduction compared with the second quarter of 2013 stemmed from Large Corporates and International. In addition, there was a decline in impairment losses on consumer loans and in collective impairment. The increase in impairment from the first quarter of 2014 mainly reflected higher individual impairment of loans to small and medium-sized enterprises and a rise in collective impairment. In the first quarter of 2014, there were significant reversals on collective impairment losses, while new collective impairment losses of NOK 52 million were recorded in the second quarter. The increase was partly attributable to a certain decline in shipping freight rates and an adjustment in the calculation model. Impairment losses remained significantly lower than the normalised level in the second quarter of 2014.

There was a positive trend in non-performing and doubtful loans and guarantees, which were reduced by NOK 7.1 billion from end-June 2013 and were thus at the lowest level since the third quarter of 2011. Net non-performing and doubtful loans and guarantees amounted to NOK 16.1 billion at end-June 2014, which represented 1.04 per cent of the loan portfolio, down from 1.69 per cent at end-June 2013.

Taxes

The banking group's tax expense for the second quarter of 2014 was NOK 1 430 million, or 25.3 per cent of pre-tax operating profits.

Segments

Financial governance in the banking group is geared to the different customer segments. The follow-up of total customer relationships and segment profitability are two important dimensions when making strategic priorities and deciding where to allocate resources. Special product areas are responsible for production and development for parts of the product range and help ensure that the banking group meets the needs of the various customer segments. Reported figures for the different segments reflect the banking group's total sales of products and services to the relevant customer segments.

Personal customers

This segment includes the banking group's 2.1 million personal customers in Norway.

Pre-tax operating profits totalled NOK 2 242 million in the second quarter of 2014, an increase of NOK 515 million from the second quarter of 2013. Pre-tax operating profits for the first half of 2014 came to NOK 4 339 million, up NOK 1 112 million from the year-earlier period. Wider lending spreads were a key factor behind the improved performance. The quality of the loan portfolio was sound, with a stable, low level of impairment losses.

Personal customers	2nd quarter		Change	
Income statement in NOK million	2014	2013	NOK mill	%
Net interest income	3 449	3 126	323	10.3
Net other operating income	899	994	(95)	(9.6)
Total income	4 347	4 120	227	5.5
Operating expenses	2 041	2 234	(193)	(8.6)
Pre-tax operating profit before impairment	2 306	1 886	420	22.3
Net gains on fixed and intangible assets	(3)	(0)	(3)	
Impairment loss of loans and guarantees	61	158	(98)	(61.6)
Profit from repossessed operations	0	0	0	
Pre-tax operating profit	2 242	1 727	515	29.8
Tax expense	605	484	122	25.2
Profit from operations held for sale	0	(4)	4	
Profit for the period	1 637	1 239	397	32.1
Average balance sheet items in NOK billion				
Net loans to customers	664.5	649.8	14.6	2.3
Deposits from customers	351.9	335.2	16.7	5.0
Key figures in per cent				
Lending spread [1)]	2.44	2.32		
Deposit spread [1)]	(0.54)	(0.43)		
Return on allocated capital [2)]	23.1	30.7		
Cost/income ratio	47.0	54.2		
Ratio of deposits to loans	53.0	51.6		

1) *Calculated relative to the 3-month money market rate.*
2) *Calculated on the basis of allocated capital, which corresponds to the external capital adequacy requirement which must be met by the DNB Group. The reduction in the return from 2013 is due to stricter capital requirements for*

There was moderate credit growth during the quarter. Average net loans were up 2.3 per cent from the second quarter of 2013 and increased by 1.2 per cent during the April through June period. Deposits rose by 5.0 per cent from the second quarter of 2013.

Net interest income showed a healthy trend, increasing by 10.3 per cent compared with the second quarter of 2013. The volume-weighted interest rate spread widened by 0.03 percentage points from the second quarter of 2013, but remained on a level with the first quarter of 2014.

Other operating income remained stable compared to the second quarter of 2013. A negative trend for equity investments caused a decline in income, while income from payment transfers developed favourably. Income from real estate remained on a level with the second quarter of 2013.

The main factors behind the reduction in operating expenses from the second quarter of 2013 were lower costs related to severance packages and the restructuring of the branch network.

A large share of loans to personal customers represents well-secured home mortgages entailing low risk. Net impairment of loans was at a stable level, representing 0.04 per cent of the portfolio. There were no net impairment losses on home mortgages in the second quarter of 2014.

Fierce competition for home mortgage customers has affected the market share of credit to households, which stood at 26.3 per cent at end-May 2014, down from 26.5 per cent at end-December 2013. The market share of total household savings was 33.3 per cent at end-April 2014. DNB Eiendom achieved a market share of 19.5 per cent in the second quarter of 2014.

The process of facilitating self-service solutions and streamlining operations is continuing. The number of accounts opened by customers themselves online increased by approximately 4 percentage points from the second quarter of 2013, and 25 per cent of customers were active mobile banking users. As part of this process, six branch offices were closed during the first half of the year.

Initiatives aimed at students and young customers have been a success. Students, apprentices and young people on compulsory military service are offered a so-called "white card", Norway's first debit and credit card for this segment with no annual fee or other charges. "My first card" is a product designed for children aged between 10 and 14, who are offered training in wise card use by taking the "card licence".

Moderate credit growth is anticipated in the market. The banking group aspires to record lending growth in the personal customer segment roughly on a level with the market in general, though profitable operations will be given priority over growth. Impairment losses on loans are expected to remain stable at a low level.

Small and medium-sized enterprises

This segment includes the banking group's small and medium-sized corporate customers.

Pre-tax operating profits came to NOK 798 million in the second quarter of 2014, an increase of NOK 30 million from the second quarter of 2013. Pre-tax operating profits for the first half of 2014 totalled NOK 1 628 million, up NOK 35 million.

Small and medium-sized enterprises	2nd quarter		Change	
Income statement in NOK million	2014	2013	NOK mill	%
Net interest income	1 590	1 552	37	2.4
Net other operating income	280	279	1	0.2
Total income	1 869	1 831	38	2.1
Operating expenses	882	869	13	1.5
Pre-tax operating profit before impairment	988	963	25	2.6
Net gains on fixed and intangible assets	(0)	(0)	(0)	
Impairment loss of loans and guarantees	176	180	(4)	(2.1)
Profit from repossessed operations	(13)	(14)	1	
Pre-tax operating profit	798	769	30	3.9
Tax expense	216	215	0	0.2
Profit for the period	583	553	29	5.3
Average balance sheet items in NOK billion				
Net loans to customers	214.8	206.1	8.7	4.2
Deposits from customers	153.4	144.9	8.5	5.9
Key figures in per cent				
Lending spread [1)]	2.72	2.76		
Deposit spread [1)]	(0.10)	(0.02)		
Return on allocated capital [2)]	11.5	10.8		
Cost/income ratio	47.2	47.4		
Ratio of deposits to loans	71.4	70.3		

1) *Calculated relative to the 3-month money market rate.*
2) *Calculated on the basis of allocated capital, which corresponds to the external capital adequacy requirement which must be met by the DNB Group.*

The second quarter of 2014 was characterised by a healthy increase in loans to small and medium-sized enterprises. Average net loans to customers rose by 4.2 per cent from the second quarter of 2013. There was a significant increase in deposits of 5.9 per cent, and the ratio of deposits to net loans averaged 71.4 per cent for the quarter.

Net interest income increased from the second quarter of 2013 due to volume growth, while net other operating income remained stable during the period. Higher IT expenses were the main factor behind the rise in expenses from the second quarter of 2013.

The quality of the loan portfolio is considered to be sound. The close follow-up of customers and preventive measures are vital to ensuring satisfactory quality. Net impairment of loans totalled NOK 176 million in the second quarter of 2014. On an annual basis, this represented 0.33 per cent of net loans. Impairment losses were recorded on loans to a number of industries, and close to 60 per cent of the impairment losses in the second quarter of 2014 stemmed from four individual commitments. Gross impairment showed a relatively stable trend.

During the second quarter, DNB launched an initiative for customers who want to start their own business. A special "start-up book" was published, containing practical advice for customers during the establishment phase. In addition, a "start-up guidance service" was established for potential entrepreneurs.

Moderate credit growth is anticipated in the market, and the banking group expects to record lending growth in this segment on a level with the banking market in general. The level of impairment losses on loans are expected to remain relatively low.

Large corporates and international customers

This segment includes the banking group's largest Norwegian corporate customers and all international customers, including customers in the Baltics and Poland. Operations are based on sound industry expertise and long-term customer relationships.

Pre-tax operating profits came to NOK 2 296 million, up NOK 244 million from the second quarter of 2013. Pre-tax profits for the first half of 2014 totalled NOK 5 018 million, an increase from NOK 3 901 million in the year-earlier period. The positive trend reflected a stable level of income, strict cost control and lower impairment losses.

Large corporates and international customers	2nd quarter		Change	
Income statement in NOK million	2014	2013	NOK mill	%
Net interest income	2 928	2 786	142	5.1
Net other operating income	1 127	1 254	(127)	(10.2)
Total income	4 055	4 040	15	0.4
Operating expenses	1 387	1 408	(20)	(1.5)
Pre-tax operating profit before impairment	2 668	2 632	35	1.3
Net gains on fixed and intangible assets	(0)	(6)	5	
Impairment loss of loans and guarantees	324	573	(249)	(43.4)
Profit from repossessed operations	(47)	(2)	(45)	
Pre-tax operating profit	2 296	2 051	244	11.9
Tax expense	712	615	96	15.6
Profit for the period	1 584	1 436	148	10.3
Average balance sheet items in NOK billion				
Net loans to customers	465.0	456.8	8.2	1.8
Deposits from customers	367.4	339.1	28.3	8.4
Key figures in per cent				
Lending spread [1)]	2.17	2.14		
Deposit spread [1)]	(0.17)	(0.19)		
Return on allocated capital [2)]	12.2	10.5		
Cost/income ratio	34.2	34.8		
Ratio of deposits to loans	79.0	74.2		

1) *Calculated relative to the 3-month money market rate.*
2) *Calculated on the basis of allocated capital, which corresponds to the external capital adequacy requirement which must be met by the DNB Group.*

Loans to customers were up 1.8 per cent from the second quarter of 2013. Adjusted for exchange rate movements, however, there was an underlying reduction in the portfolio of 1.3 per cent, reflecting strategic portfolio adjustments, a challenging market situation, stronger competition and more active use of the bond market. Compared with the first quarter of 2014, lending volumes were up 0.5 per cent after adjusting for exchange rate movements. Deposits rose by 8.4 per cent from the second quarter of 2013, of which approximately 30 per cent can be ascribed to exchange rate movements.

Relative to the 3-month money market rate, average lending spreads were 2.17 per cent, up 0.03 percentage points from the second quarter of 2013 and down 0.02 percentage points from the first quarter of 2014. Deposit spreads were on a level with the first quarter of 2014, but 0.03 percentage points wider than in the second quarter of 2013.

The reduction in net other operating income from the second quarter of 2013 reflected reduced income from syndication and lower gains on equities and shareholdings. A non-recurring gain from the sale of a shareholding resulted in a high level of income in the second quarter of 2013. As a result of greater exchange rate movements during the period, there was a rise in income from currency hedging products compared with the second quarter of 2013. A higher level of income from payment transfers also had a positive effect during the quarter.

Operating expenses were down 1.5 per cent from the second quarter of 2013, reflecting strict cost control and lower sales costs.

Net impairment losses were reduced by NOK 249 million from the second quarter of 2013. Individual impairment represented 0.24 per cent of net loans to customers. Including collective impairment, net impairment came to 0.28 per cent. In the second quarter of 2013, individual impairment represented 0.44 per cent of loans. Compared with the first quarter of 2014, there was a NOK 431 million increase in net impairment, of which individual impairment represented NOK 75 million. The increase was partly attributable to a certain decline in shipping freight rates and an adjustment in the calculation model.

Targeted efforts are being made to retain the level of quality in the portfolio through close follow-up of customers and preventive measures. Net non-performing and doubtful loans and guarantees amounted to NOK 10.0 billion at end-June 2014, which represented a reduction of NOK 7.6 billion from a year earlier and a NOK 0.6 billion reduction from end-March 2014. The changes were partly attributable to a few large shipping loans.

The banking group gives priority to strong, long-term and profitable customer relationships and on further developing key customer segments. The Group's wide range of products and broad expertise are key elements in efforts to strengthen customer relationships and form the basis for operations over the coming years. The increasing pressure on spreads in the market is expected to prevail, and repricing in certain segments may not be adequate to ensure that spreads remain at the current level. Competition for stable customer deposits will prevail and put continued pressure on deposits spreads.

Trading

This segment comprises market making and proprietary trading in fixed income, foreign exchange and commodity products, as well as equities, including the hedging of market risk inherent in customer transactions. Customer activities are supported by trading activities.

Pre-tax operating profits came to NOK 432 million in the second quarter of 2014, up NOK 108 million from the year-earlier period. Pre-tax profits for the first half of 2014 increased by NOK 132 million from 2013, totalling NOK 1 023 million.

Trading	2nd quarter		Change	
Income statement in NOK million	2014	2013	NOK mill	%
Net interest income	95	142	(46)	(32.7)
Net other operating income	488	341	147	43.1
Total income	583	483	100	20.8
Operating expenses	151	159	(7)	(4.7)
Pre-tax operating profit	432	324	108	33.4
Tax expense	117	94	23	24.2
Profit for the period	315	230	85	37.1
Key figures in per cent				
Cost/income ratio	26.0	32.9		
Return on allocated capital [1]	17.0	11.3		

1) Calculated on the basis of allocated capital, which corresponds to the external capital adequacy requirement which must be met by the DNB Group.

Funding, liquidity and balance sheet

The short-term funding markets were generally sound for banks with good credit ratings in the second quarter of 2014, and the banking group had ample access to short-term funding. Leading US investors now regard a larger group of banks as financially strong.

In the long-term funding markets, there was also a healthy supply of capital. There is generally greater demand from investors, while a number of issuers have less need for funding. This has resulted in a healthy price trend for both senior bonds and covered bonds.

Debt securities issued by the banking group totalled NOK 546 billion at end-June 2014 and NOK 493 billion a year earlier. The average remaining term to maturity for the bond debt portfolio was 4.6 years at end-June 2014, unchanged from a year earlier.

In order to keep the banking group's liquidity risk at a low level, short-term and long-term liquidity risk limits have been established. These are consistent with the Basel III calculation methods. Among other things, this implies that customer loans are generally financed through customer deposits, long-term securities and primary capital. The banking group stayed well within the liquidity limits during the quarter. The short-term liquidity requirement, Liquidity Coverage Ratio, LCR, remained stable at above 100 per cent throughout the second quarter. At end-June 2014, the total LCR was 106.9 per cent. The LCRs for liquid assets in euros and US dollars were 120.2 per cent and 291.0 per cent, respectively.

Total assets in the banking group's balance sheet were NOK 2 166 billion as at 30 June 2014 and NOK 2 299 billion a year earlier.

Net loans to customers increased by NOK 39.5 billion or 3 per cent from end-June 2013. Customer deposits declined by NOK 104 billion or 10.4 per cent during the same period. The ratio of customer deposits to net loans to customers declined from 75.0 per cent at end-June 2013 to 65.3 per cent a year later.

Macroeconomic developments

The positive trend in the global economy through 2013 continued in the first six months of 2014. The level of activity increased in practically all eurozone countries, though high unemployment and the need to reduce debt levels in both the private and public sector could curb further growth. In the US, growth also picked up parallel to a positive trend in the labour market and healthy growth in consumer demand. In China, growth slowed at the start of 2014, mainly due to more sluggish property investment activity. The Baltics experienced lower growth, but a gradual rise in international demand may have positive effects in the period ahead. Over the coming years, increased credit supply, a less restrictive fiscal policy and a continued expansionary monetary policy will probably result in stronger growth in most industrialised countries. Prospects of higher inflation and a more contractionary monetary policy may contribute to dampening growth in a number of emerging economies, though stronger demand from traditional industrial countries may nevertheless result in higher export growth in these countries.

In Norway, there has been a moderate decline in economic activity over the past year and a half. Investments in both mainland industries and the housing market have edged downward. However, household consumption showed a positive trend during the first two quarters of 2014. In May, companies in Norges Bank's regional network reported increasing production growth in traditional manufacturing industries and industries supplying goods and services to the household sector. The main driving forces were stronger demand from several export markets and increased public investment. Parallel to this, fewer residential building starts contributed to continued low growth in the building and construction industry. Slower growth in demand from the Norwegian petroleum industry and intensifying competition from international players had a dampening effect on growth in the petroleum supplier industry. Petroleum investment will probably decline slightly in the period ahead, but is expected to remain at a relatively high level, which will provide positive impulses to the mainland economy. The recent rise in housing prices, along with continued income growth in the household sector and low real interest rates, will probably result in a new upturn in housing investment. The significant rise in public administration investment is another factor that could cause renewed growth in mainland investment next year. In addition, both reduced taxes and rising public demand will help boost activity levels in the Norwegian economy.

Risk and capital adequacy

As a result of a more subdued increase in demand from the Norwegian petroleum industry, petroleum investments are unlikely to drive growth in the Norwegian economy to the same extent as before. This will challenge the adaptability of the Norwegian business community, and the susceptibility of the Norwegian economy to a decline in oil and gas prices will gradually be reduced.

The high salmon prices and the depreciating Norwegian krone have generated record-high earnings for the Norwegian fish farming industry. The prices have probably peaked this time around, and the high Norwegian export volumes are now pushing down prices to more normal levels. However, the industry has built up enough capital to withstand lower prices.

The banking group quantifies risk by measuring risk-adjusted capital requirements. The capital requirement increased by NOK 0.1 billion from end-March 2014, to NOK 65.9 billion.

Developments in the risk-adjusted capital requirement

Amounts in NOK billion	30 June 2014	31 March 2014	31 Dec. 2013	30 June 2013
Credit risk	53.4	53.3	57.2	59.8
Market risk	8.9	8.9	7.9	7.3
Operational risk	8.2	8.2	8.3	7.9
Business risk	5.9	5.9	4.2	4.2
Gross risk-adjusted capital requirement	76.4	76.4	77.7	79.2
Diversification effect [1]	(10.5)	(10.5)	(9.4)	(9.4)
Net risk-adjusted capital requirement	65.9	65.8	68.3	69.8
Diversification effect in per cent of gross risk-adjusted capital requirement [1]	13.7	13.8	12.0	11.9

1) *The diversification effect refers to the risk-mitigating effect achieved by the Group by having operations which are affected by different types of risk where unexpected losses are unlikely to occur at the same time.*

The risk-adjusted capital requirement for credit was roughly on a level with the figure at end-March 2014. The volume of credit to both enterprises and households increased during the quarter, while portfolio quality improved. The volume of non-performing loans and guarantees declined slightly.

The banking group's shipping portfolio has been scaled back over the past few years and represented approximately 6 per cent of the total credit portfolio at end-June 2014. Parallel to this, the quality of the shipping portfolio has improved, though there are still challenges. The freight markets for dry bulk and oil have weakened somewhat, and rates barely cover operating expenses. The banking group still anticipates a gradual general upturn in the shipping industry through 2014 and 2015, though the level of volatility is expected to remain high, with significant differences between the various segments. This picture could be distorted by a continued slight increase in the order book for dry bulk ships and a strong increase in the order book for product and gas tankers.

The risk-adjusted capital requirement for market risk within banking operations was virtually unchanged from the first quarter.

There were few events and low operational losses during the second quarter of 2014. However, the stability of the Group's IT systems represented a challenge. The challenges related primarily to the mainframe-based IT systems, and on one occasion, there was a close to ten-hour outage. This is taken very seriously, and processes and routines are being reviewed in cooperation with the sub-supplier Evry in order to prevent the situation from repeating itself.

Risk-weighted volume included in the calculation of the formal capital adequacy requirement increased by NOK 5.6 billion from end-December 2013, to NOK 1 010 billion. In the second quarter of 2014, risk-weighted volume could not be less than 80 per cent of the corresponding figure calculated according to the Basel I regulations. The common equity Tier 1 capital ratio was 11.8 per cent, while the capital adequacy ratio was 14.2 per cent, including 50 per cent of interim profits. Under Basel III, based on the Group's interpretation of the draft regulations, the common equity Tier 1 capital ratio would have been 13.8 per cent at end-June 2014.

New regulatory framework

On 12 May 2014, the Norwegian Ministry of Finance adopted a regulation on systemically important financial institutions, SIFI. Institutions with total assets corresponding to at least 10 per cent of Mainland Norway's GDP or a share of the Norwegian lending market of at least 5 per cent, are comprised by this definition. DNB, Nordea Bank Norge and Kommunalbanken are thus defined as systemically important. The three SIFI banks will be subject to a separate capital buffer requirement as of 1 July 2015. From 1 July 2016, when the new capital requirements have been fully phased in, systemically important institutions must fulfil a common equity Tier 1 capital requirement of 12 per cent, while the minimum requirement for other institutions will be 10 per cent. In addition, all institutions must fulfil a counter-cyclical capital buffer requirement.

On 1 July 2014, Finanstilsynet announced a further increase in home mortgage risk weights for banks that use the Internal-Ratings Based (IRB) Approach. The new rules are largely in line with the feedback from the public consultation round. The stricter rules for probability of default models, in combination with a minimum requirement for loss given default, the so-called LGD floor, will increase the average risk weight for DNB's home mortgage portfolios from 17 per cent to approximately 23 per cent. Finanstilsynet has stipulated that the changes must be reflected in capital adequacy reporting by the first quarter of 2015 at the latest. For branches of Swedish banks in Norway, the stricter requirements will be introduced through Pillar 2. Seen in isolation, their reported capital adequacy will thus improve. For Norwegian banks, the stricter requirements will be introduced through Pillar 1. Seen in isolation, their reported capital adequacy will thus be tightened. Compared with other Nordic banks, Norwegian banks will appear more weakly capitalised, in relative terms, which does not reflect the actual situation. For the time being, the stricter rules will have a fairly limited effect on the overall capital adequacy in the Norwegian banking sector, as most Norwegian IRB banks still have to observe the so-called Basel I floor.

On 27 May 2014, the Standing Committee on Finance and Economic Affairs presented a report that included comments on the government's Financial Markets Report. The majority of the committee members do not wish to introduce a so-called financial activities tax, partly on the grounds that it would be especially burdensome for young people entering the market for the first time, as it would increase their interest expenses. It is the first time the proposal has been rejected by a political majority since the Financial Crisis Commission proposed a surtax for banks. The majority of the committee members argued that the financial services industry is already subject to extensive capital requirements, and that additional requirements could have serious and unintended negative for Norwegian economic activity.

The majority of the committee members also emphasise the importance of harmonised requirements, for example for risk measurement, stressing that Norway should not introduce rules that deviate too much from those in its neighbouring countries and could give foreign banks unfair competitive advantages. In addition, the committee points out that the actual financial strength and capital situation of banks in various countries should be transparent and comparable to avoid distorted competition in the equity and debt capital markets.

Future prospects

According to current forecasts, a slight recovery is expected in the international economy. There are also indications of a continued high and robust level of activity in the Norwegian economy. Volume-weighted spreads are expected to be stable in 2014. Lending volumes are expected to increase at an annual rate of 3 to 4 per cent, with slightly higher growth in lending to personal customers and small and medium-sized enterprises and more subdued lending growth in the large corporate segments. An increase in income from capital-light products is anticipated, while expenses are gradually expected to be kept flat, excluding restructuring expenses, in the period up to 2016. There will be a certain increase in IT expenses relating to restructuring measures. Furthermore, continued sound credit quality is expected to ensure that impairment losses remain below the normalized level in 2014.

Oslo, 9 July 2014
The Board of Directors of DNB Bank ASA

Anne Carine Tanum
(chairman)

Jarle Bergo
(vice-chairman)

Sverre Finstad

Vigdis Mathisen

Kai Nyland

Torill Rambjør

Kim Wahl

Rune Bjerke
(group chief executive)

Income statement

DNB Bank ASA

Amounts in NOK million	Note	2nd quarter 2014	2nd quarter 2013	1st half 2014	1st half 2013	Full year 2013
Total interest income	5	10 596	10 745	20 948	21 461	42 903
Total interest expenses	5	5 337	5 285	10 699	10 850	21 525
Net interest income	5	**5 258**	**5 460**	**10 249**	**10 611**	**21 378**
Commission and fee income etc.	6	1 468	1 457	2 974	2 705	5 547
Commission and fee expenses etc.	6	499	491	1 056	962	2 016
Net gains on financial instruments at fair value	7	1 346	1 618	4 057	2 714	5 582
Other income	9	1 908	1 735	3 906	3 228	8 427
Net other operating income		**4 224**	**4 318**	**9 882**	**7 685**	**17 539**
Total income		**9 482**	**9 778**	**20 131**	**18 296**	**38 917**
Salaries and other personnel expenses	10, 11	2 189	2 526	4 278	4 503	8 742
Other expenses	10	1 619	1 480	3 233	3 415	6 353
Depreciation and impairment of fixed and intangible assets	10	463	526	915	964	3 698
Total operating expenses	10	**4 271**	**4 532**	**8 426**	**8 882**	**18 792**
Pre-tax operating profit before impairment		**5 211**	**5 246**	**11 705**	**9 414**	**20 125**
Net gains on fixed and intangible assets		196	(24)	195	(9)	199
Impairment of loans and guarantees	14	444	734	679	1 396	1 925
Pre-tax operating profit		**4 964**	**4 488**	**11 221**	**8 009**	**18 399**
Tax expense		1 296	1 283	2 929	2 291	3 927
Profit for the period		**3 668**	**3 204**	**8 292**	**5 719**	**14 472**

Comprehensive income statement

DNB Bank ASA

Amounts in NOK million	2nd quarter 2014	2nd quarter 2013	1st half 2014	1st half 2013	Full year 2013
Profit for the period	**3 668**	**3 204**	**8 292**	**5 719**	**14 472**
Actuarial gains and losses, net of tax [1)]	(145)	364	(412)	364	(444)
Other comprehensive income that will not be reclassified to profit or loss, net of tax	(145)	364	(412)	364	(444)
Currency translation of foreign operations	196	186	82	288	489
Other comprehensive income that may subsequently be reclassified to profit or loss, net of tax	196	186	82	288	489
Other comprehensive income for the period	**50**	**550**	**(330)**	**652**	**44**
Comprehensive income for the period	**3 719**	**3 754**	**7 962**	**6 371**	**14 516**

1) *The discount rate used to calculate recorded pension commitments was determined by reference to the estimated yield on covered bonds as at 30 June 2014. There was a reduction in the yield during the first half of 2014. A corresponding reduction has been reflected in the assumptions for salary increases and increases in the National Insurance basic amount.*

Balance sheet

		DNB Bank ASA		
Amounts in NOK million	Note	30 June 2014	31 Dec. 2013	30 June 2013
Assets				
Cash and deposits with central banks		169 204	163 172	479 067
Due from credit institutions	12, 13	432 379	399 482	209 031
Loans to customers	12, 13, 15, 16	693 021	680 114	725 111
Commercial paper and bonds at fair value	13, 17	200 549	248 207	258 547
Shareholdings	13	12 023	13 071	8 994
Financial derivatives	13	153 418	143 158	148 849
Commercial paper and bonds, held to maturity	12, 17	51 392	63 318	68 456
Investments in associated companies		959	1 066	1 070
Investments in subsidiaries		73 425	69 487	51 289
Intangible assets	18	3 765	3 911	3 892
Deferred tax assets		4 296	4 145	679
Fixed assets		7 120	7 041	6 748
Other assets		22 279	29 483	17 587
Total assets		**1 823 832**	**1 825 656**	**1 979 320**
Liabilities and equity				
Due to credit institutions	12, 13	266 998	280 831	345 824
Deposits from customers	12, 13	857 493	849 137	966 658
Financial derivatives	13	162 812	156 979	142 734
Debt securities issued	12, 13, 19	353 652	352 899	368 239
Payable taxes		2 482	1 772	2 668
Deferred taxes		12	3	1 452
Other liabilities		25 656	38 343	16 651
Provisions		1 018	1 235	1 799
Pension commitments		4 153	3 592	2 711
Subordinated loan capital	12, 13, 19	26 981	26 276	19 118
Total liabilities		**1 701 256**	**1 711 065**	**1 867 855**
Share capital		18 314	18 314	18 314
Share premium reserve		19 895	19 895	19 895
Other equity		84 367	76 381	73 256
Total equity		**122 576**	**114 591**	**111 465**
Total liabilities and equity		**1 823 832**	**1 825 656**	**1 979 320**
Off-balance sheet transactions, contingencies and post-balance sheet events	23			

Income statement

Amounts in NOK million	Note	2nd quarter 2014	2nd quarter 2013	1st half 2014	1st half 2013	Full year 2013
						DNB Bank Group
Total interest income	5	15 486	15 107	30 742	29 802	60 713
Total interest expenses	5	7 593	7 569	15 126	15 335	30 334
Net interest income	5	**7 893**	**7 538**	**15 615**	**14 466**	**30 379**
Commission and fee income etc.	6	1 999	2 020	4 003	3 728	7 595
Commission and fee expenses etc.	6	510	512	1 085	1 004	2 115
Net gains on financial instruments at fair value	7	1 130	1 345	3 261	2 412	5 009
Profit from investments accounted for by the equity method	8	34	70	141	145	362
Net gains on investment property		(3)	4	10	16	(86)
Other income	9	682	562	1 283	1 119	2 390
Net other operating income		**3 332**	**3 489**	**7 614**	**6 416**	**13 156**
Total income		**11 226**	**11 027**	**23 230**	**20 883**	**43 535**
Salaries and other personnel expenses	10, 11	2 597	2 951	5 113	5 315	10 345
Other expenses	10	1 966	1 851	3 920	4 150	7 826
Depreciation and impairment of fixed and intangible assets	10	457	563	960	1 061	2 598
Total operating expenses	10	**5 021**	**5 365**	**9 993**	**10 526**	**20 769**
Pre-tax operating profit before impairment		**6 205**	**5 663**	**13 237**	**10 357**	**22 766**
Net gains on fixed and intangible assets		(2)	(10)	(2)	(6)	150
Impairment of loans and guarantees	14	554	937	634	1 674	2 185
Pre-tax operating profit		**5 648**	**4 716**	**12 600**	**8 677**	**20 730**
Tax expense		1 430	1 335	3 175	2 456	5 042
Profit from operations held for sale, after taxes		(11)	(7)	(30)	3	4
Profit for the period		**4 206**	**3 374**	**9 394**	**6 224**	**15 692**

Comprehensive income statement

Amounts in NOK million	2nd quarter 2014	2nd quarter 2013	1st half 2014	1st half 2013	Full year 2013
					DNB Bank Group
Profit for the period	**4 206**	**3 374**	**9 394**	**6 224**	**15 692**
Actuarial gains and losses, net of tax [1)]	(145)	364	(412)	364	(443)
Other comprehensive income that will not be reclassified to profit or loss, net of tax	(145)	364	(412)	364	(443)
Currency translation of foreign operations	1 256	1 375	377	2 067	3 393
Hedging of net investment, net of tax	(703)	(1 260)	(202)	(1 868)	(2 425)
Other comprehensive income that may subsequently be reclassified to profit or loss, net of tax	553	115	175	199	969
Other comprehensive income for the period	**407**	**479**	**(237)**	**563**	**526**
Comprehensive income for the period	**4 614**	**3 853**	**9 157**	**6 787**	**16 218**

1) *The discount rate used to calculate recorded pension commitments was determined by reference to the estimated yield on covered bonds as at 30 June 2014. There was a reduction in the yield during the first half of 2014. A corresponding reduction has been reflected in the assumptions for salary increases and increases in the National Insurance basic amount.*

Balance sheet

Amounts in NOK million	Note	30 June 2014	31 Dec. 2013	30 June 2013
		DNB Bank Group		
Assets				
Cash and deposits with central banks		171 346	167 171	481 844
Due from credit institutions	12, 13	187 415	176 796	48 453
Loans to customers	12, 13, 15, 16	1 378 940	1 350 656	1 339 427
Commercial paper and bonds at fair value	13, 17	177 108	191 232	175 699
Shareholdings	13	12 471	13 511	9 443
Financial derivatives	13	141 297	130 775	136 556
Commercial paper and bonds, held to maturity	12, 17	51 392	63 318	68 456
Investment property		4 741	4 615	4 440
Investments accounted for by the equity method		3 155	3 096	2 919
Intangible assets	18	4 298	4 464	4 855
Deferred tax assets		1 082	1 086	1 307
Fixed assets		7 969	7 816	7 523
Assets held for sale		1 119	225	211
Other assets		23 433	16 017	17 616
Total assets		**2 165 765**	**2 130 779**	**2 298 748**
Liabilities and equity				
Due to credit institutions	12, 13	214 440	234 218	318 504
Deposits from customers	12, 13	900 932	891 256	1 005 181
Financial derivatives	13	109 080	111 242	111 770
Debt securities issued	12, 13, 19	745 359	716 192	700 252
Payable taxes		3 062	4 126	3 040
Deferred taxes		1 732	2 042	1 751
Other liabilities		27 359	13 917	17 814
Liabilities held for sale		884	53	68
Provisions		1 133	1 398	1 474
Pension commitments		4 215	3 652	2 801
Subordinated loan capital	12, 13, 19	26 981	26 276	19 118
Total liabilities		**2 035 176**	**2 004 372**	**2 181 772**
Share capital		18 314	18 314	18 314
Share premium reserve		20 611	20 611	20 611
Other equity		91 663	87 482	78 051
Total equity		**130 589**	**126 407**	**116 977**
Total liabilities and equity		**2 165 765**	**2 130 779**	**2 298 748**

Off-balance sheet transactions, contingencies and post-balance sheet events — Note 23

Statement of changes in equity

DNB Bank ASA

Amounts in NOK million	Share capital	Share premium reserve	Actuarial gains and losses	Currency translation reserve	Other equity	Total equity
Balance sheet as at 31 December 2012	**18 314**	**19 895**	**(484)**	**(540)**	**67 908**	**105 094**
Profit for the period					5 719	5 719
Other comprehensive income			364	288		652
Comprehensive income for the period			364	288	5 719	6 371
Balance sheet as at 30 June 2013	**18 314**	**19 895**	**(119)**	**(252)**	**73 627**	**111 465**
Balance sheet as at 31 December 2013	**18 314**	**19 895**	**(929)**	**(71)**	**77 381**	**114 591**
Profit for the period					8 292	8 292
Other comprehensive income			(412)	82		(330)
Comprehensive income for the period			(412)	82	8 292	7 962
Currency translation reserve taken to income				25		25
Balance sheet as at 30 June 2014	**18 314**	**19 895**	**(1 341)**	**36**	**85 672**	**122 576**

DNB Bank Group

Amounts in NOK million	Share capital	Share premium reserve	Actuarial gains and losses	Currency translation reserve	Net invest-ment hedge reserve	Other equity	Total equity
Balance sheet as at 31 December 2012	**18 314**	**20 611**	**(514)**	**(1 988)**	**1 306**	**78 460**	**116 190**
Profit for the period						6 224	6 224
Other comprehensive income			364	2 067	(1 868)		563
Comprehensive income for the period			364	2 067	(1 868)	6 224	6 787
Currency translation reserve taken to income				(6)		6	(1)
Change of reporting currency DNB Invest Denmark				7		(7)	0
Group contribution for 2012 to DNB ASA						(6 000)	(6 000)
Balance sheet as at 30 June 2013	**18 314**	**20 611**	**(150)**	**81**	**(563)**	**78 683**	**116 977**
Balance sheet as at 31 December 2013	**18 314**	**20 611**	**(957)**	**1 412**	**(1 119)**	**88 146**	**126 407**
Profit for the period						9 394	9 394
Other comprehensive income			(412)	377	(202)		(237)
Comprehensive income for the period			(412)	377	(202)	9 394	9 157
Currency translation reserve taken to income				25			25
Group contribution for 2013 to DNB ASA						(5 000)	(5 000)
Balance sheet as at 30 June 2014	**18 314**	**20 611**	**(1 370)**	**1 813**	**(1 321)**	**92 540**	**130 589**

Cash flow statement

Amounts in NOK million	DNB Bank ASA 1st half 2014	1st half 2013	Full year 2013
Operating activities			
Net receipts/payments on loans to customers	(12 941)	7 935	58 172
Interest received from customers	15 546	15 892	31 785
Net receipts on deposits from customers	1 846	153 316	39 155
Interest paid to customers	(2 869)	(2 751)	(15 132)
Net receipts/payments on loans to credit institutions	(39 871)	62 671	(187 948)
Interest received from credit institutions	2 200	1 823	3 825
Interest paid to credit institutions	(1 421)	(1 257)	(2 417)
Net receipts/payments on the sale of financial assets for investment or trading	63 127	(7 751)	32 047
Interest received on bonds and commercial paper	3 806	3 803	6 604
Net receipts on commissions and fees	1 745	1 641	3 514
Payments to operations	(7 586)	(7 130)	(14 892)
Taxes paid	(2 201)	(4 211)	(4 590)
Other receipts/payments	10 492	(1 796)	803
Net cash flow from operating activities	**31 872**	**222 185**	**(49 076)**
Investment activities			
Net payments on the acquisition of fixed assets	(669)	(1 014)	(1 984)
Receipts on the sale of long-term investments in shares	347	436	642
Payments on the acquisition of long-term investments in shares	(3 706)	(60)	(18 646)
Dividends received on long-term investments in shares	120	265	319
Net cash flow from investment activities	**(3 909)**	**(372)**	**(19 670)**
Funding activities			
Receipts on issued bonds and commercial paper	570 467	387 893	911 267
Payments on redeemed bonds and commercial paper	(572 942)	(440 233)	(984 101)
Interest payments on issued bonds and commercial paper	(2 973)	(3 424)	(3 810)
Receipts on the raising of subordinated loan capital	0	1 250	7 528
Redemptions of subordinated loan capital	0	(3 709)	(3 709)
Interest paid on subordinated loan capital	(231)	(506)	(868)
Group contributions payments	(11 965)	(5 738)	(5 577)
Net cash flow from funding activities	**(17 644)**	**(64 467)**	**(79 271)**
Effects of exchange rate changes on cash and cash equivalents	**1 475**	**27 509**	**13 479**
Net cash flow	**11 795**	**184 855**	**(134 538)**
Cash as at 1 January	166 406	300 944	300 944
Net receipts/payments of cash	11 795	184 855	(134 538)
Cash at end of period *)	178 200	485 799	166 406
**) Of which: Cash and deposits with central banks*	*169 204*	*479 067*	*163 172*
Deposits with credit institutions with no agreed period of notice [1)]	*8 996*	*6 731*	*3 233*

1) Recorded under "'Due from 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. 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.

Cash flow statement (continued)

Amounts in NOK million	DNB Bank Group 1st half 2014	1st half 2013	Full year 2013
Operating activities			
Net payments on loans to customers	(26 649)	(7 968)	(10 346)
Interest received from customers	27 271	26 341	53 960
Net receipts on deposits from customers	3 018	159 134	44 386
Interest paid to customers	(2 707)	(3 140)	(15 460)
Net receipts/payments on loans to credit institutions	(24 117)	53 096	(158 418)
Interest received from credit institutions	869	524	1 373
Interest paid to credit institutions	(1 389)	(1 264)	(2 368)
Net receipts/payments on the sale of financial assets for investment or trading	30 730	(9 464)	9 282
Interest received on bonds and commercial paper	3 299	2 907	4 802
Net receipts on commissions and fees	2 728	2 009	4 319
Payments to operations	(9 125)	(8 471)	(18 274)
Taxes paid	(2 411)	(6 714)	(7 768)
Other receipts/payments	6 214	(1 136)	(764)
Net cash flow from operating activities	**7 730**	**205 853**	**(95 274)**
Investment activities			
Net payments on the acquisition of fixed assets	(964)	(1 281)	(2 586)
Net receipts, investment property	968	809	1 061
Receipts on the sale of long-term investments in shares	347	436	642
Payments on the acquisition of long-term investments in shares	(19)	0	(16)
Dividends received on long-term investments in shares	120	265	319
Net cash flow from investment activities	**451**	**229**	**(581)**
Funding activities			
Receipts on issued bonds and commercial paper	593 781	426 047	995 828
Payments on redeemed bonds and commercial paper	(577 596)	(457 157)	(1 031 094)
Interest payments on issued bonds and commercial paper	(8 642)	(8 730)	(12 234)
Receipts on the raising of subordinated loan capital	0	1 250	7 528
Redemptions of subordinated loan capital	0	(3 709)	(3 709)
Interest paid on subordinated loan capital	(538)	(506)	(749)
Group contributions payments	(6 944)	(6 000)	(6 000)
Net cash flow from funding activities	**61**	**(48 806)**	**(50 430)**
Effects of exchange rate changes on cash and cash equivalents	**1 461**	**27 658**	**13 935**
Net cash flow	**9 703**	**184 934**	**(132 350)**
Cash as at 1 January	171 771	304 121	304 121
Net receipts/payments of cash	9 703	184 934	(132 350)
Cash at end of period *)	181 474	489 055	171 771
**) Of which: Cash and deposits with central banks*	*171 346*	*481 844*	*167 171*
Deposits with credit institutions with no agreed period of notice [1]	*10 128*	*7 211*	*4 600*

1) Recorded under "Due from 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. 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 second quarter accounts 2014 have been prepared according to IAS 34 Interim Financial Reporting. A description of the accounting principles applied by the banking group is found in the annual report for 2013. The annual and interim accounts for the banking group are prepared according to IFRS principles as endorsed by the EU. DNB Bank ASA has prepared accounts according to the Norwegian Ministry of Finance's regulations on annual accounts, Section 1-5, on the use of IFRS, hereinafter called the Norwegian IFRS regulations, which implies that recognition and measurements are in accordance with IFRS. The only exception is that the Norwegian IFRS regulations also give permission to record provisions for dividends and group contributions in subsidiaries as income and record the Board of Directors' proposed dividends and group contributions as liabilities on the balance sheet date. According to IFRS, dividends should be classified as equity until approved by the general meeting. DNB Bank ASA presents note information in accordance with IFRS.

New or amended accounting standards or interpretations that enter into force during the first half year of 2014 and are of significance to the DNB Bank Group, are described below. The new rules were implemented by the banking group as of 1 January 2014.

IFRS 10 Consolidated Financial Statements
The standard will replace the parts of IAS 27 which address consolidated financial statements and also include structured units, which were previously addressed in SIC – 12 Consolidation- Special Purpose Entities.

IFRS 10 establishes a control model which applies to all companies. The definition of control is different from that used in IAS 27. Control exists if the investor has power over the investee, is exposed, or has rights, to variable returns from the investee and has the ability to use its power to direct the activities of the investee that significantly affect returns. Potential voting rights, options, convertible debt and other aspects should also be taken into account.

The new standard will require increased judgment when assessing which entities are controlled by the company. The new rules had no material impact on the Banking group's consolidated accounts.

IFRS 11 Joint Arrangements
The standard will replace IAS 31 Interests in Joint Ventures and SIC – 13 Jointly-controlled Entities - Non-monetary Contributions by Venturers, and eliminates proportionate consolidation of joint ventures.

The standard identifies two categories of joint control (joint arrangements): joint ventures and joint operations. When consolidating joint ventures, the equity method should be applied. For joint operations, the parties should recognise their rights to assets and liabilities in their balance sheets and recognise their share of income and costs incurred jointly in their income statements.

The DNB Bank Group had no significant investments in jointly controlled operations, thus the implementation of the new standard had no material impact on the consolidated accounts.

IFRS 12 Disclosure of Interests in Other Entities
IFRS 12 applies to companies which have interests in subsidiaries, jointly controlled operations, associated companies and structured entities. The standard replaces all of the disclosure requirements that were previously in IAS 27 Consolidated and Separate Financial Statements, IAS 28 Investment in Associates and IAS 31 Interests In Joint Ventures. In addition, a number of new disclosure requirements to, among others, IFRS 10 and IFRS 11, are introduced. The changes in the rules will only affect the presentation of note information in the annual report for 2014.

Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities
The amendments to the standard clarify the rules on presenting financial assets and liabilities on a net basis. The new rules had no material impact on the offsetting of financial assets and liabilities in the accounts.

Revised IAS 27 Separate Financial Statements and IAS 28 Investment in Associates and Joint Ventures
In consequence of the introduction of IFRS 10, 11 and 12, the IASB has made amendments to IAS 27 and IAS 28 to harmonise the standards with the new accounting standards. Following the revision, IAS 27 only regulates the separate financial statements, while IAS 28 regulates investments in both associated companies and joint ventures which are required to be accounted for using the equity method.

Note 2 Important accounting 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 carrying amounts of assets, liabilities, income and expenses. A more detailed description of important estimates and assumptions is presented in note 1 Important accounting estimates and discretionary assessments in the annual report for 2013.

Note 3 Changes in group structure

JSC DNB Bank

The Group's subsidiary JSC DNB Bank in Russia has eight branch offices and approximately 190 employees. At end-April 2014, an agreement on the sale of the company was signed. Pending the authorities' approval, the company was reclassified in the held-for-sale category in the second quarter of 2014. The carrying value of the company represents the agreed sales price less transaction costs. As a result of the agreement, some NOK 200 million has been charged to "Net gains on fixed and intangible assets". The transaction is expected to be completed in the third quarter of 2014.

Amports Inc.

DNB acquired a holding of just over 29 per cent in Amports Inc. in 2010 in connection with the restructuring of a loan. Headquartered in Florida, Amports is a leader in the global automotive service industry in the US and Mexico and operates port terminals for auto shipping. The holding has been recognised in the group accounts according to the equity method. On 17 April 2014, DNB signed an agreement to sell the holding, and the transaction was completed in the second quarter of 2014. A capital gain of NOK 211 million has been recorded under "Net gains on fixed and intangible assets.

BankID Norge AS

The company was established in June 2014. The object of the company is to develop, operate, manage and sell electronic ID services for the banking industry. DNB owns 34.3 per cent of the shares in BankID Norge AS. The company will be recorded as an associated company in the balance sheet.

BankAxept AS

BankAxept AS develops and operates electronic payment services. The company is owned by 127 banks. Follwing a share issue in April 2014, DNB owns 37.8 per cent of the shares in the company. The company will be recorded as an associated company in the balance sheet.

Note 4 Segments

Financial governance in DNB is geared to the different customer segments. The follow-up of total customer relationships and segment profitability are two important dimensions when making strategic priorities and deciding where to allocate the banking group's resources. Special product areas are responsible for production and development for parts of the product range and for ensuring that the banking group meets the needs of the various customer segments. Reported figures for the different segments will reflect the banking group's total sales of products and services to the relevant customer segments.

Personal customers	-	includes the banking group's total products and activities to private customers in all channels, both digital and physical. DNB offers a wide range of products through Norway's largest distribution network, comprising branches, telephone banking (24/7), digital banking, real estate broking as well as external channels (post offices and in-store postal and banking outlets).
Small and medium-sized enterprises	-	is responsible for product sales and advisory services to small and medium-sized enterprises in Norway. DNB aspires to be a local bank for the whole of Norway, while offering the products and expertise of a large bank. Customers in this segment range from small businesses and start-up companies to relatively large corporate customers, and the product offerings are adapted to the customers' different needs. Small and medium-sized enterprises are served through the banking group's large physical distribution network throughout Norway as well as digital and telephone banking (24/7).
Large corporates and international customers	-	includes large Norwegian and international corporate customers and all customers served by DNB's subsidiary banks in the Baltics and Poland. Operations are based on sound industry expertise and long-term customer relationships.
Trading	-	includes market making and other trading activities in fixed income, currencies and commodities (FICC) as well as equities, including risk management of the risk inherent in customer transactions. Markets' trading activities support the customer activities.

The income statement and balance sheet for the segments have been prepared on the basis of internal financial reporting for the functional organisation of the DNB Bank Group into segments, as reported to group management (chief operating decision maker) for an assessment of current developments and the allocation of resources. Figures for the segments are based on DNB's management model and accounting principles. The figures have been restated in accordance with the banking group's current principles for allocating costs and capital between segments and are based on a number of assumptions, estimates and discretionary distributions.

Capital allocated to the segments is calculated on the basis of the banking group's common equity Tier 1 capital and long-term capitalisation ambition. The allocation of capital to all units is based on the banking group's adaptation to Basel II, full IRB, and the capital allocated in 2014 corresponds to a common equity Tier 1 capital ratio of 12.9 per cent. The allocation of credit risk is based on the banking group's internal measurement of risk-adjusted capital requirements for credit. Capital requirements for market risk are allocated directly in accordance with risk-weighted volume, and operational risk is allocated based on the respective units' total income.

Note 4 Segments (continued)

Income statement, second quarter

DNB Bank Group

Amounts in NOK million	Personal customers 2nd quarter 2014	Personal customers 2nd quarter 2013	Small and medium-sized enterprises 2nd quarter 2014	Small and medium-sized enterprises 2nd quarter 2013	Large corporates and international customers 2nd quarter 2014	Large corporates and international customers 2nd quarter 2013	Trading 2nd quarter 2014	Trading 2nd quarter 2013	Other operations/ eliminations [1] 2nd quarter 2014	Other operations/ eliminations [1] 2nd quarter 2013	DNB Bank Group 2nd quarter 2014	DNB Bank Group 2nd quarter 2013
Net interest income - ordinary operations	3 329	3 051	1 505	1 459	2 718	2 542	64	104	277	382	7 893	7 538
Interest on allocated capital [2]	119	75	84	94	210	244	31	38	(445)	(450)	0	0
Net interest income	3 449	3 126	1 590	1 552	2 928	2 786	95	142	(169)	(68)	7 893	7 538
Net other operating income	899	994	280	279	1 127	1 254	488	341	540	622	3 332	3 489
Total income	4 347	4 120	1 869	1 831	4 055	4 040	583	483	371	553	11 226	11 027
Operating expenses	2 041	2 234	882	869	1 387	1 408	151	159	560	695	5 021	5 365
Pre-tax operating profit before impairment	2 306	1 886	988	963	2 668	2 632	432	324	(188)	(142)	6 205	5 663
Net gains on fixed and intangible assets	(3)	(0)	(0)	(0)	(0)	(6)	0	0	1	(4)	(2)	(10)
Impairment of loans and guarantees [3]	61	158	176	180	324	573	0	0	(8)	25	554	937
Profit from repossessed operations	0	0	(13)	(14)	(47)	(2)	0	0	60	16	0	0
Pre-tax operating profit	2 242	1 727	798	769	2 296	2 051	432	324	(119)	(155)	5 648	4 716
Tax expense	605	484	216	215	712	615	117	94	(219)	(73)	1 430	1 335
Profit from operations held for sale after taxes	0	(4)	0	0	0	0	0	0	(11)	(3)	(11)	(7)
Profit for the period	1 637	1 239	583	553	1 584	1 436	315	230	88	(84)	4 206	3 374

1) *See the tables below for more information about other operations/eliminations.*
2) *Allocated capital correspond to the external capital adequacy requirement (Basel II) which must be met by the banking group. In consequence of stricter external capital requirements and the authorities' signals of additional capital requirements for home mortgages, allocated capital to Personal customers are adjusted upwards in 2014.*
3) *See note 14 Impairment of loans and guarantees for an analysis of the gross change in impairment for the banking group.*

Main average balance sheet items

DNB Bank Group

Amounts in NOK billion	Personal customers 2nd quarter 2014	Personal customers 2nd quarter 2013	Small and medium-sized enterprises 2nd quarter 2014	Small and medium-sized enterprises 2nd quarter 2013	Large corporates and international customers 2nd quarter 2014	Large corporates and international customers 2nd quarter 2013	Trading 2nd quarter 2014	Trading 2nd quarter 2013	Other operations/ eliminations [1] 2nd quarter 2014	Other operations/ eliminations [1] 2nd quarter 2013	DNB Bank Group 2nd quarter 2014	DNB Bank Group 2nd quarter 2013
Loans to customers [1]	664.5	649.8	214.8	206.1	465.0	456.8	5.2	2.0	10.7	9.6	1 360.2	1 324.5
Deposits from customers [1]	351.9	335.2	153.4	144.9	367.4	339.1	109.3	81.6	7.2	6.9	989.2	907.7
Allocated capital [2]	28.4	16.2	20.4	20.6	52.0	54.7	7.4	8.1				

Key figures

DNB Bank Group

Per cent	Personal customers 2nd quarter 2014	Personal customers 2nd quarter 2013	Small and medium-sized enterprises 2nd quarter 2014	Small and medium-sized enterprises 2nd quarter 2013	Large corporates and international customers 2nd quarter 2014	Large corporates and international customers 2nd quarter 2013	Trading 2nd quarter 2014	Trading 2nd quarter 2013	Other operations/ eliminations [1] 2nd quarter 2014	Other operations/ eliminations [1] 2nd quarter 2013	DNB Bank Group 2nd quarter 2014	DNB Bank Group 2nd quarter 2013
Cost/income ratio [3]	47.0	54.2	47.2	47.4	34.2	34.8	26.0	32.9			44.7	48.6
Ratio of deposits to loans [1) 4)]	53.0	51.6	71.4	70.3	79.0	74.2					72.7	68.5
Return on allocated capital, annualised [2]	23.1	30.7	11.5	10.8	12.2	10.5	17.0	11.3				

1) *Loans to customers include accrued interest, impairment and value adjustments. Correspondingly, deposits from customers include accrued interest and value adjustments.*
2) *Allocated capital for the segments are calculated on the external capital adequacy requirement (Basel II) which must be met by the banking group. In consequence of stricter external capital requirements and the authorities' signals of additional capital requirements for home mortgages, allocated capital to Personal customers are adjusted upwards in 2014. This resulted in a lower return on capital compared with the preceding periods.*
3) *Total operating expenses relative to total income.*
4) *Deposits from customers relative to loans to customers. Calculated on the basis of average balance sheet items.*

Note 4 Segments (continued)

Income statement, first half

DNB Bank Group

	Personal customers		Small and medium-sized enterprises		Large corporates and international customers		Trading		Other operations/ eliminations		DNB Bank Group	
	1st half		1st half		1st half		1st half		1st half		1st half	
Amounts in NOK million	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Net interest income - ordinary operations	6 481	5 605	2 966	2 846	5 400	5 035	141	221	627	758	15 615	14 466
Interest on allocated capital [1)]	238	150	169	186	434	485	62	77	(904)	(898)	0	0
Net interest income	6 719	5 756	3 135	3 033	5 834	5 520	204	297	(276)	(140)	15 615	14 466
Net other operating income	1 813	1 859	555	554	2 335	2 305	1 078	938	1 833	760	7 614	6 416
Total income	8 533	7 615	3 690	3 587	8 169	7 825	1 282	1 235	1 557	620	23 230	20 883
Operating expenses	4 052	4 150	1 763	1 719	2 887	2 748	259	344	1 032	1 565	9 993	10 526
Pre-tax operating profit before impairment	4 481	3 465	1 927	1 868	5 282	5 077	1 023	891	525	(944)	13 237	10 357
Net gains on fixed and intangible assets	(4)	(0)	(0)	(0)	(0)	(5)	0	0	2	(0)	(2)	(6)
Impairment of loans and guarantees [2)]	138	238	271	265	218	1 143	0	0	7	29	634	1 674
Profit from repossessed operations	0	0	(28)	(10)	(45)	(28)	0	0	73	38	0	0
Pre-tax operating profit	4 339	3 227	1 628	1 592	5 018	3 901	1 023	891	593	(935)	12 600	8 677
Tax expense	1 172	904	439	446	1 556	1 170	276	258	(267)	(323)	3 175	2 456
Profit from operations held for sale after taxes	0	7	0	0	0	0	0	0	(30)	(4)	(30)	3
Profit for the period	3 167	2 330	1 188	1 146	3 462	2 731	747	633	830	(616)	9 394	6 224

1) *Allocated capital for the segments are calculated on the external capital adequacy requirement (Basel II) which must be met by the banking group. In consequence of stricter external capital requirements and the authorities' signals of additional capital requirements for home mortgages, allocated capital to Personal customers are adjusted upwards in 2014.*

2) *See note 14 Impairment of loans and guarantees for an analysis of the gross change in impairment for the banking group.*

Other operations/eliminations

DNB Bank Group

	Eliminations [1)]		Group units [2)]		Total	
	2nd quarter		2nd quarter		2nd quarter	
Amounts in NOK million	2014	2013	2014	2013	2014	2013
Net interest income - ordinary operations	0	(0)	277	382	277	382
Interest on allocated capital [3)]	0	0	(445)	(450)	(445)	(450)
Net interest income	0	(0)	(169)	(68)	(169)	(68)
Net other operating income	(97)	(131)	637	752	540	622
Total income	(97)	(131)	468	684	371	553
Operating expenses	(97)	(131)	656	826	560	695
Pre-tax operating profit before impairment	0	0	(188)	(142)	(188)	(142)
Net gains on fixed and intangible assets	0	0	1	(4)	1	(4)
Impairment of loans and guarantees [4)]	0	0	(8)	25	(8)	25
Profit from repossessed operations	0	0	60	16	60	16
Pre-tax operating profit	0	0	(119)	(155)	(119)	(155)

1) *The eliminations refer mainly to internal services from support units to segments and between segments. Further, intra-group transactions and gains and losses on transactions between companies in the banking group are eliminated.*

2) *The Group units includes IT and Operations, HR (Human Resources), Group Finance including Group Treasury, Risk Management, Corporate Communications, the partially owned company Eksportfinans and investments in IT infrastructure. In addition, the Group units include that part of the banking group's equity that is not allocated to the segments. Profits from repossessed operations which are fully consolidated in the DNB Bank Group are presented net under "Profit from repossessed operations" in the internal reporting of segments. The acquired companies are included in the Group units.*

	2nd quarter	
Group units - pre-tax operating profit in NOK million	*2014*	*2013*
+ Interest on unallocated equity etc.	*(8)*	*114*
+ Income from equities investments	*8*	*43*
+ Gains on fixed and intangible assets	*1*	*(3)*
+ Mark-to-market adjustments Group Treasury and fair value of loans	*21*	*191*
+ Basis swaps	*33*	*(88)*
+ Eksportfinans ASA	*49*	*56*
+ Net gains on investment property	*(12)*	*2*
+ Profit from repossessed operations	*60*	*16*
- Unallocated impairment of loans and guarantees	*(8)*	*25*
- Unallocated personnel expenses	*108*	*284*
- Unallocated IT expenses	*60*	*2*
- Impairment of leases	*3*	*23*
- Unallocated operating expenses in main buildings	*27*	*13*
- Impairment of investment property and fixed assets	*2*	*88*
Other	*(78)*	*(51)*
Pre-tax operating profit	*(119)*	*(155)*

3) *Allocated capital corresponds to the external capital adequacy requirement (Basel II) which must be met by the banking group.*

4) *See note 14 Impairment of loans and guarantees for an analysis of the gross change in impairment for the banking group.*

Note 5 Net interest income

Amounts in NOK million	2nd quarter 2014	2nd quarter 2013	1st half 2014	1st half 2013	Full year 2013
					DNB Bank ASA
Interest on amounts due from credit institutions	1 154	894	2 206	1 865	3 727
Interest on loans to customers	7 014	7 417	13 924	14 717	29 373
Interest on impaired loans and guarantees	156	170	258	312	607
Interest on commercial paper and bonds	1 500	1 761	3 129	3 542	7 068
Front-end fees etc.	77	80	138	145	297
Other interest income	696	424	1 293	881	1 831
Total interest income	**10 596**	**10 745**	**20 948**	**21 461**	**42 903**
Interest on amounts due to credit institutions	518	651	1 073	1 302	2 431
Interest on deposits from customers	3 580	3 562	7 158	7 251	14 400
Interest on debt securities issued	848	900	1 698	1 852	3 577
Interest on subordinated loan capital	142	102	283	206	452
Guarantee fund levy	164	164	328	329	655
Other interest expenses [1)]	85	(94)	158	(90)	9
Total interest expenses	**5 337**	**5 285**	**10 699**	**10 850**	**21 525**
Net interest income	**5 258**	**5 460**	**10 249**	**10 611**	**21 378**

Amounts in NOK million	2nd quarter 2014	2nd quarter 2013	1st half 2014	1st half 2013	Full year 2013
					DNB Bank Group
Interest on amounts due from credit institutions	419	306	865	589	1 297
Interest on loans to customers	13 119	13 089	26 078	25 748	52 380
Interest on impaired loans and guarantees	175	187	293	338	682
Interest on commercial paper and bonds	1 297	1 286	2 633	2 628	5 266
Front-end fees etc.	83	89	156	163	329
Other interest income	393	149	716	336	759
Total interest income	**15 486**	**15 107**	**30 742**	**29 802**	**60 713**
Interest on amounts due to credit institutions	492	647	1 047	1 294	2 374
Interest on deposits from customers	3 639	3 672	7 284	7 470	14 756
Interest on debt securities issued	3 176	2 989	6 322	5 952	12 130
Interest on subordinated loan capital	142	102	283	206	452
Guarantee fund levy	201	188	393	375	754
Other interest expenses [1)]	(57)	(28)	(202)	39	(132)
Total interest expenses	**7 593**	**7 569**	**15 126**	**15 335**	**30 334**
Net interest income	**7 893**	**7 538**	**15 615**	**14 466**	**30 379**

1) Other interest expenses include interest rate adjustments resulting from interest swaps entered into.

Note 6 Net commission and fee income

Amounts in NOK million	2nd quarter 2014	2nd quarter 2013	1st half 2014	1st half 2013	Full year 2013
					DNB Bank ASA
Money transfer fees	814	758	1 597	1 496	3 131
Fees on asset management services	64	54	119	104	221
Fees on custodial services	90	82	176	157	317
Fees on securities broking	60	55	135	105	219
Corporate finance	89	55	228	101	243
Interbank fees	9	10	17	18	37
Credit broking commissions	148	211	270	273	459
Sales commissions on insurance products	75	75	156	146	318
Fees on real estate broking	0	0	0	0	0
Sundry commissions and fees	119	157	277	305	602
Total commission and fee income etc.	**1 468**	**1 457**	**2 974**	**2 705**	**5 547**
Money transfer fees	307	287	616	552	1 191
Commissions on fund management services	0	0	0	0	0
Fees on custodial services	46	38	85	69	134
Interbank fees	18	19	32	34	70
Credit broking commissions	30	23	52	52	106
Commissions on the sale of insurance products	5	(1)	10	0	0
Sundry commissions and fees	94	124	261	254	515
Total commission and fee expenses etc.	**499**	**491**	**1 056**	**962**	**2 016**
Net commission and fee income	**969**	**966**	**1 918**	**1 743**	**3 531**

Amounts in NOK million	2nd quarter 2014	2nd quarter 2013	1st half 2014	1st half 2013	Full year 2013
					DNB Bank Group
Money transfer fees	865	807	1 696	1 588	3 335
Fees on asset management services	74	62	139	119	255
Fees on custodial services	92	84	180	161	327
Fees on securities broking	78	64	176	122	262
Corporate finance	146	110	380	214	497
Interbank fees	9	10	17	18	37
Credit broking commissions	146	215	268	278	473
Sales commissions on insurance products	81	81	167	158	342
Fees on real estate broking	310	351	545	613	1 144
Sundry commissions and fees	198	237	435	457	923
Total commission and fee income etc.	**1 999**	**2 020**	**4 003**	**3 728**	**7 595**
Money transfer fees	315	296	633	567	1 225
Commissions on fund management services	(0)	0	0	0	0
Fees on custodial services	46	38	85	69	134
Interbank fees	18	19	34	36	73
Credit broking commissions	16	22	32	49	102
Commissions on the sale of insurance products	3	(3)	9	(1)	0
Sundry commissions and fees	111	140	293	284	581
Total commission and fee expenses etc.	**510**	**512**	**1 085**	**1 004**	**2 115**
Net commission and fee income	**1 489**	**1 508**	**2 919**	**2 725**	**5 481**

Note 7 Net gains on financial instruments at fair value

DNB Bank ASA

Amounts in NOK million	2nd quarter 2014	2nd quarter 2013	1st half 2014	1st half 2013	Full year 2013
Dividends	87	233	280	261	408
Net gains on commercial paper and bonds [1)]	1 223	(712)	2 009	(793)	(721)
Net gains on shareholdings and equity-related derivatives	(232)	(49)	558	18	749
Net unrealised gains on basis swaps	77	80	81	10	(489)
Net gains on other financial instruments	192	2 066	1 129	3 218	5 636
Net gains on financial instruments at fair value	**1 346**	**1 618**	**4 057**	**2 714**	**5 582**

DNB Bank Group

Amounts in NOK million	2nd quarter 2014	2nd quarter 2013	1st half 2014	1st half 2013	Full year 2013
Dividends	87	225	280	253	405
Net gains on commercial paper and bonds	1 187	(834)	1 842	(944)	(837)
Net gains on shareholdings and equity-related derivatives	(231)	(59)	559	10	744
Net unrealised gains on basis swaps	33	(88)	(563)	(321)	(1 364)
Net gains on other financial instruments	54	2 100	1 143	3 414	6 060
Net gains on financial instruments at fair value	**1 130**	**1 345**	**3 261**	**2 412**	**5 009**

1) *Unrealised gains on DNB Bank ASA's investments in covered bonds issued by DNB Boligkreditt were NOK 51 million in the second quarter of 2014. Investments in such bonds totalled NOK 24 billion at 30 June 2014. See note 22 Information on related parties – stimulus packages.*

Note 8 Profit from investments accounted for by the equity method

Moody’s and Standard & Poor’s downgrades of Eksportfinans’ credit rating in the fourth quarter of 2011 resulted in sizeable unrealised gains on the company’s long-term funding. The effect of such unrealised gains on DNB’s holding, after tax, represented NOK 11.8 billion in the fourth quarter of 2011. After reviewing the fair value of the company in connection with the closing of the annual accounts, DNB wrote down the value by an amount corresponding to unrealised gains on Eksportfinans’ own debt in the fourth quarter of 2011. In 2012, 2013 and 2014, the required rate of return in the market was reduced, and Eksportfinans had sizeable unrealised losses on own debt. The impairment loss recorded by DNB in the fourth quarter of 2011 was reversed by an amount corresponding to these unrealised losses. Reversals totalling NOK 1.3 billion were made in the first half of 2014. The remaining impairment loss was NOK 0.8 billion at end-June 2014. The impairment loss in 2011 and subsequent reversals have been reported on the line ”Profit from companies accounted for by the equity method” along with DNB’s share of profits from the company.

On 28 March 2014, a judgment in favour of Eksportfinans was delivered in the legal dispute described in the annual report for 2013, whereby a complaint had been filed against Eksportfinans by Silver Point Capital Fund LP and Silver Point Capital Offshore Master Fund LP (Silver Point) with the Tokyo District Court. The judgment is final.

Eksportfinans’ accounts for the fourth quarter of 2013 (unaudited) included the following information on legal disputes:

> "On 12 December 2012, Eksportfinans received a complaint filed by Silver Point Capital Fund LP and Silver Point Capital Offshore Master Fund LP (Silver Point) with the Tokyo District Court. Silver Point is an investor in Eksportfinans Japanese Samurai bonds and has previously threatened (as stated in press releases dated 19 December 2011 and 7 November 2012) to declare default under these bonds. The plaintiff is demanding a partial payment in the amount of JPY 9.6 billion (approximately NOK 553 million at exchange rates applicable at 31 December, 2013) (together with 6 per cent interest thereon from 13 December 2011) as part of their entire claim of JPY 9.7 billion (approximately NOK 633 million including interest at exchange rates applicable at 31 December 2013). The due dates of these Samurai bonds are 16 June 2015 and 28 July 2016. Silver Point claims that the bonds became due and payable when they sent a default notice to Mizuho Corporate Bank as fiscal agent on 12 December 2011. Eksportfinans will, as previously stated in press releases on 19 December 2011 and 7 November 2012, vigorously resist this action on the basis that there is no default, and the company is therefore of the opinion that this complaint will not prevail. This opinion is supported by analysis from external counsel. Eksportfinans has therefore also concluded that such complaint does not constitute a cross default under Eksportfinans' other financial obligations. In a court meeting on 29 November 2013 the preceding judge closed the hearings and set the judgment date to 28 March 2014.”

Note 9 Other income

Amounts in NOK million	2nd quarter 2014	2nd quarter 2013	1st half 2014	1st half 2013	Full year 2013
					DNB Bank ASA
Income from owned/leased premises	31	24	63	45	114
Group contributions and dividends from group companies	4	0	13	16	1 033
Miscellaneous operating income [1)]	1 873	1 710	3 830	3 166	7 280
Total other income	**1 908**	**1 735**	**3 906**	**3 228**	**8 427**

Amounts in NOK million	2nd quarter 2014	2nd quarter 2013	1st half 2014	1st half 2013	Full year 2013
					DNB Bank Group
Income from owned/leased premises	20	14	43	26	76
Income from investment properties	66	58	137	125	239
Sales income	31	23	58	49	107
Miscellaneous operating income	565	468	1 045	919	1 969
Total other income	**682**	**562**	**1 283**	**1 119**	**2 390**

1) *The change in miscellaneous operating income is mainly due to an increase in the management fees paid by DNB Boligkreditt AS. See note 22 Information on related parties for more information.*

Note 10 Operating expenses

DNB Bank ASA

Amounts in NOK million	2nd quarter 2014	2nd quarter 2013	1st half 2014	1st half 2013	Full year 2013
Salaries	1 539	1 531	3 032	2 923	5 933
Employer's national insurance contributions	215	208	424	397	795
Pension expenses [1)]	211	65	425	289	620
Restructuring expenses [1)]	76	565	127	579	710
Other personnel expenses	148	157	269	316	683
Total salaries and other personnel expenses	**2 189**	**2 526**	**4 278**	**4 503**	**8 742**
Fees [2)]	280	289	606	530	1 008
IT expenses [2)]	494	493	979	973	2 109
Postage and telecommunications	56	55	112	118	236
Office supplies	12	10	21	19	39
Marketing and public relations	159	120	306	243	523
Travel expenses	48	43	85	76	171
Reimbursement to Norway Post for transactions executed	56	38	108	66	143
Training expenses	10	7	22	20	37
Operating expenses on properties and premises	334	297	678	640	1 273
Operating expenses on machinery, vehicles and office equipment	18	21	40	44	91
Other operating expenses [3)]	152	105	276	686	722
Total other expenses	**1 619**	**1 480**	**3 233**	**3 415**	**6 353**
Depreciation and impairment of fixed and intangible assets [4)]	463	526	915	964	3 698
Total depreciation and impairment of fixed and intangible assets	**463**	**526**	**915**	**964**	**3 698**
Total operating expenses	**4 271**	**4 532**	**8 426**	**8 882**	**18 792**

DNB Bank Group

Amounts in NOK million	2nd quarter 2014	2nd quarter 2013	1st half 2014	1st half 2013	Full year 2013
Salaries	1 866	1 866	3 695	3 551	7 176
Employer's national insurance contributions	264	262	522	507	1 014
Pension expenses [1)]	229	82	459	324	683
Restructuring expenses [1)]	73	568	128	589	726
Other personnel expenses	166	172	308	345	746
Total salaries and other personnel expenses	**2 597**	**2 951**	**5 113**	**5 315**	**10 345**
Fees [2)]	310	311	651	577	1 114
IT expenses [2)]	553	555	1 109	1 108	2 383
Postage and telecommunications	69	67	138	142	276
Office supplies	23	25	46	47	85
Marketing and public relations	251	224	469	424	838
Travel expenses	61	53	109	94	212
Reimbursement to Norway Post for transactions executed	56	38	108	66	143
Training expenses	12	9	25	23	46
Operating expenses on properties and premises	389	358	791	764	1 517
Operating expenses on machinery, vehicles and office equipment	26	30	56	61	129
Other operating expenses [3)]	217	180	416	842	1 082
Total other expenses	**1 966**	**1 851**	**3 920**	**4 150**	**7 826**
Impairment losses for goodwill [5)]	0	0	0	0	57
Depreciation and impairment of fixed and intangible assets [6)]	457	563	960	1 061	2 540
Total depreciation and impairment of fixed and intangible assets	**457**	**563**	**960**	**1 061**	**2 598**
Total operating expenses	**5 021**	**5 365**	**9 993**	**10 526**	**20 769**

1) *In consequence of the restructuring process in DNB, provisions for restructuring costs were made in 2013. In addition, a reduction in pension commitments for employees who were granted severance packages was estimated, resulting in lower pension expenses.*

2) *Fees also include system development fees and must be viewed relative to IT expenses.*

3) *During the first quarter of 2013, NOK 450 million was charged to the income statement in connection with the Supreme Court ruling regarding certain debt-financed structured products.*

4) *Impairment totalled NOK 1 843 million in the fourth quarter of 2013, referring to the operations in Denmark, Latvia and Russia.*

5) *Impairment losses for goodwill of NOK 57 million relating to JSC DNB Bank were recorded in the fourth quarter of 2013.*

6) *Impairment of capitalised systems development in the Baltics totalling NOK 500 million was recorded in the fourth quarter of 2013.*

Note 11 Number of employees/full-time positions

DNB Bank ASA

	2nd quarter 2014 [1)]	2nd quarter 2013	1st half 2014 [1)]	1st half 2013	Full year 2013 [2)]
Number of employees at end of period	7 977	8 264	7 977	8 264	8 123
- of which number of employees abroad	827	791	827	791	771
Number of employees calculated on a full-time basis at end of period	7 617	7 898	7 617	7 898	7 769
- of which number of employees calculated on a full-time basis abroad	798	762	798	762	745
Average number of employees	7 987	8 285	7 990	8 309	8 267
Average number of employees calculated on a full-time basis	7 627	7 919	7 639	7 962	7 914

DNB Bank Group

	2nd quarter 2014 [1)]	2nd quarter 2013	1st half 2014 [1)]	1st half 2013	Full year 2013 [2)]
Number of employees at end of period	11 339	12 034	11 339	12 034	11 601
- of which number of employees abroad	3 394	3 774	3 394	3 774	3 459
Number of employees calculated on a full-time basis at end of period	10 917	11 593	10 917	11 593	11 186
- of which number of employees calculated on a full-time basis abroad	3 336	3 710	3 336	3 710	3 408
Average number of employees	11 373	12 222	11 407	12 378	12 134
Average number of employees calculated on a full-time basis	10 951	11 783	10 996	11 958	11 711

1) The reduction from 2013 reflects restructuring measures in the banking group.
2) In September 2013, 122 full-time positions were transferred from DNB Livsforsikring to DNB Bank ASA.

Note 12 Fair value of financial instruments at amortised cost

DNB Bank ASA

	30 June 2014		30 June 2013	
Amounts in NOK million	Carrying amount	Fair value	Carrying amount	Fair value
Cash and deposits with central banks	5 425	5 425	56 029	56 029
Due from credit institutions	148 884	148 884	116 412	116 412
Loans to customers	641 244	643 562	667 240	667 443
Commercial paper and bonds, held to maturity	51 392	50 891	68 456	67 960
Total financial assets	846 945	848 763	908 137	907 844
Due to credit institutions	30 954	30 954	30 021	30 021
Deposits from customers	805 097	805 097	884 454	884 454
Securities issued [1)]	138 223	141 588	144 061	146 256
Subordinated loan capital [1)]	25 720	25 998	17 870	17 393
Total financial liabilities	999 995	1 003 638	1 076 406	1 078 123

DNB Bank Group

	30 June 2014		30 June 2013	
Amounts in NOK million	Carrying amount	Fair value	Carrying amount	Fair value
Cash and deposits with central banks	7 567	7 567	58 806	58 806
Due from credit institutions	15 359	15 359	12 977	12 977
Loans to customers	1 253 634	1 255 812	1 200 796	1 200 241
Commercial paper and bonds, held to maturity	51 392	50 891	68 456	67 960
Total financial assets	1 327 952	1 329 629	1 341 035	1 339 984
Due to credit institutions	27 999	27 999	31 291	31 291
Deposits from customers	848 537	848 537	922 977	922 977
Securities issued [1)]	464 364	473 703	419 671	424 580
Subordinated loan capital [1)]	25 720	25 998	17 870	17 393
Total financial liabilities	1 366 619	1 376 237	1 391 809	1 396 241

1) Includes hedged liabilities.

Note 13 Financial instruments at fair value

DNB Bank ASA

Amounts in NOK million	Valuation based on quoted prices in an active market Level 1	Valuation based on observable market data Level 2	Valuation based on other than observable market data Level 3	Accrued interest [1)]	Total
Assets as at 30 June 2014					
Deposits with central banks	0	163 778	0	1	163 779
Due from credit institutions	0	283 383	0	112	283 496
Loans to customers	0	7 932	43 669	176	51 777
Commercial paper and bonds at fair value	33 171	165 963	257	1 158	200 549
Shareholdings	6 794	310	4 919	-	12 023
Financial derivatives	93	151 851	1 475	-	153 418
Liabilities as at 30 June 2014					
Due to credit institutions	0	235 999	0	44	236 043
Deposits from customers	0	52 234	0	162	52 395
Debt securities issued	0	215 205	0	223	215 429
Subordinated loan capital	0	1 259	0	2	1 261
Financial derivatives	119	161 474	1 220	-	162 812
Other financial liabilities [2)]	1 062	0	0	0	1 062

DNB Bank Group

Amounts in NOK million	Valuation based on quoted prices in an active market Level 1	Valuation based on observable market data Level 2	Valuation based on other than observable market data Level 3	Accrued interest [1)]	Total
Assets as at 30 June 2014					
Deposits with central banks	0	163 778	0	1	163 779
Due from credit institutions	0	172 032	0	25	172 057
Loans to customers	0	7 932	117 045	329	125 306
Commercial paper and bonds at fair value	36 836	138 805	262	1 205	177 108
Shareholdings	7 010	313	5 148	-	12 471
Financial derivatives	93	139 729	1 475	-	141 297
Liabilities as at 30 June 2014					
Due to credit institutions	0	186 409	0	32	186 441
Deposits from customers	0	52 234	0	162	52 395
Debt securities issued	0	280 329	0	666	280 995
Subordinated loan capital	0	1 259	0	2	1 261
Financial derivatives	119	107 741	1 220	-	109 080
Other financial liabilities [2)]	1 062	0	0	0	1 062

1) *Accrued interest on financial derivatives is included in the amounts in levels 2 and 3.*
2) *Short positions, equities trading*

Financial instruments at fair value, level 3

DNB Bank ASA

	Financial assets				Financial liabilities
Amounts in NOK million	Loans to customers	Commercial paper and bonds	Share-holdings [1)]	Financial derivatives	Financial derivatives
Carrying amount as at 31 December 2013	**50 423**	**306**	**4 007**	**1 442**	**1 248**
Net gains on financial instruments	72	2	776	12	(90)
Additions/purchases	178	323	179	205	194
Sales	829	354	43	0	0
Settled	6 175	7	0	186	134
Transferred from level 1 or level 2	0	74	0	0	0
Transferred to level 1 or level 2	0	89	0	0	0
Other [2)]	0	1	0	2	2
Carrying amount as at 30 June 2014	**43 669**	**257**	**4 919**	**1 475**	**1 220**

Note 13 Financial instruments at fair value (continued)

Financial instruments at fair value, level 3

DNB Bank Group

	Financial assets				Financial liabilities
Amounts in NOK million	Loans to customers	Commercial paper and bonds	Shareholdings [1]	Financial derivatives	Financial derivatives
Carrying amount as at 31 December 2013	**128 022**	**311**	**4 235**	**1 442**	**1 248**
Net gains on financial instruments	964	2	777	12	(90)
Additions/purchases	1 213	323	179	205	194
Sales	0	354	43	0	0
Settled	13 154	7	0	186	134
Transferred from level 1 or level 2	0	74	0	0	0
Transferred to level 1 or level 2	0	89	0	0	0
Other [2]	0	1	0	2	2
Carrying amount as at 30 June 2014	**117 045**	**262**	**5 148**	**1 475**	**1 220**

1) *Equities classified as level 3 comprise, in addition to pure equity investments, property fund units, limited partnership units and private equity investments.*
2) *Includes exchange rate effects.*

Loans to customers
The portfolio of loans carried at fair value consists primarily of fixed-rate loans in Norwegian kroner and a share of margin loans in Norwegian kroner. The value of fixed-rate loans is determined by discounting agreed interest flows over the term of the loan, using a discount factor adjusted for margin requirements. The assumptions underlying the calculation of the margin requirement are based on a review of the market conditions on the balance sheet date and on an assessment of the deliberations made by external investors when investing in a corresponding portfolio. A margin requirement is calculated for margin loans, and the difference between the margin requirement and the agreed margin is discounted over the average expected time to the repricing of the loan. For a further description of the instruments and valuation techniques, see DNB's annual report for 2013.

Breakdown of fair value, level 3

DNB Bank ASA 30 June 2014 Shareholdings	DNB Bank ASA 30 June 2014 Commercial paper and bonds	DNB Bank ASA 30 June 2014 Loans to customers	*Amounts in NOK million*	DNB Bank Group 30 June 2014 Loans to customers	DNB Bank Group 30 June 2014 Commercial paper and bonds	DNB Bank Group 30 June 2014 Shareholdings
3 200	253	43 558	Principal amount / purchase price	114 800	257	3 345
1 719	4	111	Fair value adjustment [1]	2 245	5	1 803
4 919	257	43 669	Total fair value, excluding accrued interest	117 045	262	5 148

1) *Changes in the fair value of customer loans mainly result from changes in swap rates. A corresponding negative adjustment is made in the fair value of financial instruments used for financial hedging.*

Breakdown of shareholdings, level 3

DNB Bank ASA Total	DNB Bank ASA Other	DNB Bank ASA Private Equity (PE) funds	DNB Bank ASA Unquoted equities		DNB Bank Group Unquoted equities	DNB Bank Group Private Equity (PE) funds	DNB Bank Group Other	DNB Bank Group Total
4 919	22	484	4 413	Carrying amount as at 30 June 2014	4 642	484	22	5 148

Sensitivity analysis, level 3

DNB Bank ASA Effect of reasonably possible alternative assumptions	DNB Bank ASA Carrying amount 30 June 2014	*Amounts in NOK million*	DNB Bank Group Carrying amount 30 June 2014	DNB Bank Group Effect of reasonably possible alternative assumptions
(25)	43 669	Loans to customers	117 045	(203)
(1)	257	Commercial paper and bonds	262	(1)
0	4 919	Shareholdings	5 148	0
0	255	Financial derivatives, net	255	0

In order to show the sensitivity of the loan portfolio, the discount rate on fixed-rate loans and the margin requirement on margin-based loans have been increased by 10 basis points.

Level 3 bonds mainly represent investments in Norwegian municipalities, country municipalities, savings banks and power companies. A 10 basis point increase in the discount rate has had insignificant effects.

The banking group's portfolio of equities classified as level 3 was NOK 5 148 million as at 30 June 2014. The investment in Nets Holding was valued at NOK 3 430 million. During the first quarter of 2014, an agreement was signed on the sale of the investment in Nets. The transaction will be completed in the third quarter of 2014.

Note 14 Impairment of loans and guarantees

					DNB Bank ASA
Amounts in NOK million	2nd quarter 2014	2nd quarter 2013	1st half 2014	1st half 2013	Full year 2013
Write-offs	99	381	346	464	825
New individual impairment	497	526	1 070	1 317	2 425
Total new individual impairment	596	907	1 416	1 781	3 250
Reassessed individual impairment	68	131	460	403	511
Recoveries on loans and guarantees previously written off	135	103	242	212	434
Net individual impairment	393	674	714	1 166	2 305
Change in collective impairment of loans	50	60	(34)	230	(380)
Impairment of loans and guarantees [1)]	**444**	**734**	**679**	**1 396**	**1 925**
Write-offs covered by individual impairment made in previous years	262	214	1 001	448	1 128
1) Of which individual impairment of guarantees	*4*	*14*	*(194)*	*89*	*115*

					DNB Bank Group
Amounts in NOK million	2nd quarter 2014	2nd quarter 2013	1st half 2014	1st half 2013	Full year 2013
Write-offs	110	415	253	554	966
New individual impairment	649	721	1 506	1 717	3 071
Total new individual impairment	759	1 136	1 759	2 271	4 037
Reassessed individual impairment	114	237	667	642	1 263
Recoveries on loans and guarantees previously written off	144	108	258	222	457
Net individual impairment	502	791	834	1 408	2 318
Change in collective impairment of loans	52	146	(200)	267	(133)
Impairment of loans and guarantees [1)]	**554**	**937**	**634**	**1 674**	**2 185**
Write-offs covered by individual impairment made in previous years	558	385	1 173	664	1 837
1) Of which individual impairment of guarantees	*4*	*14*	*(194)*	*89*	*119*

Note 15 Loans to customers

DNB Bank ASA						DNB Bank Group
30 June 2013	31 Dec. 2013	30 June 2014	*Amounts in NOK million*	30 June 2014	31 Dec. 2013	30 June 2013
			Loans at amortised cost:			
675 128	632 541	647 700	Loans to customers, nominal amount	1 263 381	1 228 610	1 211 527
6 476	6 048	5 938	Individual impairment	9 661	9 695	10 136
668 652	626 493	641 763	Loans to customers, after individual impairment	1 253 719	1 218 915	1 201 391
1 261	1 451	1 545	+ Accrued interest and amortisation	2 786	2 762	2 779
506	496	525	- Individual impairment of accrued interest amortisation	748	710	694
2 167	1 563	1 539	- Collective impairment	2 124	2 315	2 680
667 240	625 885	641 244	Loans to customers, at amortised cost	1 253 634	1 218 652	1 200 796
			Loans at fair value:			
57 531	53 987	51 491	Loans to customers, nominal amount	122 732	130 344	136 889
231	202	176	+ Accrued interest	329	378	417
108	39	111	+ Adjustment to fair value	2 245	1 281	1 325
57 871	54 229	51 777	Loans to customers, at fair value	125 306	132 004	138 631
725 111	**680 114**	**693 021**	**Loans to customers**	**1 378 940**	**1 350 656**	**1 339 427**

Note 16 Net impaired loans and guarantees for principal customer groups [1)]

DNB Bank ASA				DNB Bank Group		
30 June 2013	31 Dec. 2013	30 June 2014	*Amounts in NOK million*	30 June 2014	31 Dec. 2013	30 June 2013
1 443	1 315	1 267	Private individuals	3 363	3 482	3 555
6 342	3 609	3 218	Transportation by sea and pipelines and vessel construction	3 857	4 953	6 384
2 742	2 616	2 346	Real estate	3 129	3 708	3 708
1 809	1 881	924	Manufacturing	1 186	2 182	2 227
338	419	420	Services	493	506	543
180	213	162	Trade	294	387	404
96	137	35	Oil and gas	35	137	96
405	726	726	Transportation and communication	785	767	561
607	695	671	Building and construction	1 154	975	909
44	26	8	Power and water supply	9	68	112
63	58	33	Seafood	33	58	63
63	42	44	Hotels and restaurants	151	228	234
84	76	92	Agriculture and forestry	116	103	116
0	0	0	Central and local government	0	0	0
13	1	10	Other sectors	26	11	15
14 229	11 814	9 956	Total customers	14 631	17 565	18 926
8	5	0	Credit institutions	0	5	7
14 237	11 819	9 956	Total net impaired loans and guarantees	14 631	17 570	18 933
2 577	2 356	714	Non-performing loans and guarantees not subject to impairment	1 513	3 179	4 353
16 814	14 175	10 670	Total net non-performing and doubtful loans and guarantees	16 144	20 749	23 286

1) Includes loans and guarantees subject to individual impairment and non-performing loans and guarantees not subject to impairment. The breakdown into principal customer groups corresponds to the EU's standard industrial classification, NACE Rev.2.

Note 17 Commercial paper and bonds, held to maturity

DNB Bank ASA				DNB Bank Group		
30 June 2013	31 Dec. 2013	30 June 2014	*Amounts in NOK million*	30 June 2014	31 Dec. 2013	30 June 2013
67 999	63 087	51 162	International bond portfolio	51 162	63 087	67 999
457	231	231	Other units	231	231	457
68 456	**63 318**	**51 392**	**Commercial paper and bonds, held to maturity**	**51 392**	**63 318**	**68 456**

As part of ongoing liquidity management, DNB Bank has invested in a portfolio of securities. The portfolio can be used 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. With effect from 1 July 2008, the international bond portfolio was reclassified from the category "fair value through profit or loss" to "held-to-maturity investments". Portfolios in this category are recorded at amortised cost and written down if there is objective evidence of a decrease in value.

In line with IAS 39, the portfolio has been reviewed to identify objective indications of impairment. No impairment losses have been identified in the portfolio.

Measurement of the reclassified bond portfolio

The reclassification in accordance with IAS 39 Financial Instruments: Recognition and Measurements requires that the value of the portfolio based on the principles applied before the reclassification must be reported. In a normal market situation, the portfolio would have been recorded at external observable prices before the reclassification. Due to the financial turmoil, there were no such observable prices in the market in 2008. In order to meet the disclosure requirement, the portfolio was thus measured at fair value according to models used for financial instruments not traded in an active market. The models were based on a regression analysis whereby historical market data (explanatory variables) which were observable even during the financial turmoil were used to explain historical changes in value in the portfolio. During the period from the fourth quarter of 2006 up to and including the second quarter of 2008, the model showed a high level of correlation between changes in given market data and changes in the value of the portfolio, which at the time was priced in an active market or through broker quotes which were believed to be fairly reliable. As of 1 January 2014, the fair value of the portfolio is determined based on broker quotes. If fair value had been used to determine the value of the portfolio in the second quarter of 2014, there would have been a NOK 123 million decrease in profits.

Note 17 Commercial paper and bonds, held to maturity (continued)

Effects of the reclassifications of the international bond portfolio

By measuring the portfolio at amortised cost, the value of the portfolio as at 30 June 2014 was NOK 0.8 billion higher than if the previous valuation principle had been retained. On the reclassification date, the carrying amount of the portfolio was NOK 88.0 billion, compared with NOK 18.0 billion at end-June 2014. The average term to maturity of the portfolio was 5.6 years, and the change in value resulting from an interest rate adjustment of one basis point was NOK 12 million at end-June 2014.

Effects on profits of the reclassification — **DNB Bank Group**

Amounts in NOK million	2nd quarter 2014	2nd quarter 2013	1st half 2014	1st half 2013	Full year 2013
Recorded amortisation effect	24	41	56	94	163
Net gain, if valued at fair value	(99)	395	(216)	381	452
Effects of reclassification on profits	123	(354)	272	(287)	(289)

Effects on the balanse sheet of the reclassification — **DNB Bank Group**

Amounts in NOK million	30 June 2014	31 Dec. 2013	30 June 2013
Recorded unrealised losses	548	603	672
Unrealised losses, if valued at fair value	1 348	1 132	1 204
Effects of reclassification on the balance sheet	801	529	532

Development in the portfolio after the reclassification — **DNB Bank Group**

Amounts in NOK million	30 June 2014	31 Dec. 2013	30 June 2013
Reclassified portfolio, carrying amount	18 036	20 313	23 228
Reclassified portfolio, if valued at fair value	17 235	19 784	22 696
Effects of reclassification on the balance sheet	801	529	532

International bond portfolio

After the reclassification date, DNB has chosen to increase investments in held-to-maturity securities. According to new proposed liquidity requirements for banks, in order for the securities to be classified as liquid funds, they must qualify for immediate sale. New investments in the international bond portfolio as from 2011 mainly represent covered and government-guaranteed bonds, these investments are carried at fair value. As at 30 June 2014 the international bond portfolio represented NOK 139.8 billion. 73.9 per cent of the securities in the portfolio had an AAA rating, while 20.8 per cent were rated AA. There were no synthetic securities in the portfolio and no investments in US sub-prime bonds or Collateralised Debt Obligations, CDOs. Nor were any investments made in Portugal, Italy, Ireland, Greece or Spain. The structure of the international bond portfolio is shown below.

DNB Bank Group

	Per cent 30 June 2014	NOK million 30 June 2014
Asset class		
Consumer credit	0.00	6
Residential mortgages	23.58	33 085
Corporate loans	0.01	20
Government related	36.21	50 801
Covered bonds	40.20	56 402
Total international bond portfolio, nominal values	100.00	140 313
Accrued interest, amortisation effects and fair value adjustments		(536)
Total international bond portfolio		139 778
Total international bond portfolio, held to maturity		51 162
Of which reclassified portfolio		18 036

The average term to maturity of the international bond portfolio is 2.8 years, and the change in value resulting from an interest rate adjustment of one basis point was NOK 16 million at end-June 2014.

Note 18 Intangible assets

DNB Bank ASA 30 June 2013	31 Dec. 2013	30 June 2014	*Amounts in NOK million*	DNB Bank Group 30 June 2014	31 Dec. 2013	30 June 2013
2 931	2 956	2 940	Goodwill [1)]	3 026	3 041	3 064
694	709	604	IT systems development [2)]	1 020	1 166	1 533
267	246	221	Other intangible assets	252	256	258
3 892	**3 911**	**3 765**	**Total intangible assets**	**4 298**	**4 464**	**4 855**

1) Assessments of goodwill were made in the second quarter of 2014 based on reported figures for the second quarter compared to approved plans for the various cash-generating units. There was not identified any need for recognising impairment losses as a result of these assessments. Impairment losses for the remaining goodwill of JSC DNB Bank were recorded in the fourth quarter of 2013.

2) The process of developing new IT solutions in the Baltics was completed in 2013. Due to reduced growth prospects and stricter capital requirements for the cash flow-generating unit, it was decided to record impairment losses of NOK 500 million, in the fourth quarter, relating to the IT solutions.

Note 19 Debt securities issued and subordinated loan capital

As an element in liquidity management, the DNB Bank Group issues and redeems own securities.

Debt securities issued — **DNB Bank ASA**

Amounts in NOK million	30 June 2014	31 Dec. 2013	30 June 2013
Commercial paper issued, nominal amount	198 997	183 601	207 711
Bond debt, nominal amount	144 822	161 528	153 923
Adjustments	9 833	7 770	6 605
Total debt securities issued	**353 652**	**352 899**	**368 239**

Changes in debt securities issued — **DNB Bank ASA**

Amounts in NOK million	Balance sheet 30 June 2014	Issued 2014	Matured/ redeemed 2014	Exchange rate movements 2014	Other adjustments 2014	Balance sheet 31 Dec. 2013
Commercial paper issued, nominal amount	198 997	556 883	541 568	81		183 601
Bond debt, nominal amount	144 822	13 585	31 375	1 084		161 528
Adjustments	9 833				2 062	7 770
Total debt securities issued	**353 652**	**570 467**	**572 942**	**1 165**	**2 062**	**352 899**

Changes in subordinated loan capital and perpetual subordinated loan capital securities — **DNB Bank ASA**

Amounts in NOK million	Balance sheet 30 June 2014	Issued 2014	Matured/ redeemed 2014	Exchange rate movements 2014	Other adjustments 2014	Balance sheet 31 Dec. 2013
Term subordinated loan capital, nominal amount	18 042			220		17 822
Perpetual subordinated loan capital, nominal amount	4 079			69		4 011
Perpetual subordinated loan capital securities, nominal amount	3 669			154		3 515
Adjustments	1 190				262	929
Total subordinated loan capital and perpetual subordinated loan capital securities	**26 981**	**0**	**0**	**443**	**262**	**26 276**

Note 19 Debt securities issued and subordinated loan capital (continued)

Debt securities issued

Amounts in NOK million	DNB Bank Group 30 June 2014	31 Dec. 2013	30 June 2013
Commercial paper issued, nominal amount	198 997	183 619	207 730
Bond debt, nominal amount [1)]	512 330	508 618	471 364
Adjustments	34 031	23 954	21 158
Total debt securities issued	**745 359**	**716 192**	**700 252**

Changes in debt securities issued

DNB Bank Group

Amounts in NOK million	Balance sheet 30 June 2014	Issued 2014	Matured/ redeemed 2014	Exchange rate movements 2014	Other adjustments 2014	Balance sheet 31 Dec. 2013
Commercial paper issued, nominal amount	198 997	556 883	541 586	81		183 619
Bond debt, nominal amount [1)]	512 330	36 898	36 011	2 825		508 618
Adjustments	34 031				10 077	23 954
Total debt securities issued	**745 359**	**593 781**	**577 596**	**2 905**	**10 077**	**716 192**

Changes in subordinated loan capital and perpetual subordinated loan capital securities

DNB Bank Group

Amounts in NOK million	Balance sheet 30 June 2014	Issued 2014	Matured/ redeemed 2014	Exchange rate movements 2014	Other adjustments 2014	Balance sheet 31 Dec. 2013
Term subordinated loan capital, nominal amount	18 042			220		17 822
Perpetual subordinated loan capital, nominal amount	4 079			69		4 011
Perpetual subordinated loan capital securities, nominal amount	3 669			154		3 515
Adjustments	1 190				262	929
Total subordinated loan capital and perpetual subordinated loan capital securities	**26 981**	**0**	**0**	**443**	**262**	**26 276**

1) *Minus own bonds. Nominal amount of outstanding covered bonds in DNB Boligkreditt totaled NOK 390.2 billion as at 30 June 2014. The cover pool market value represented NOK 538.3 billion.*

Note 20 Capital adequacy

The DNB 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. Capital adequacy is reported in accordance with regulations from Finanstilsynet. The figures as at 30 June 2014 are partially based on estimates.

DNB Bank ASA		Primary capital	DNB Bank Group	
31 Dec. 2013	30 June 2014	*Amounts in NOK million*	30 June 2014	31 Dec. 2013
18 314	18 314	Share capital	18 314	18 314
96 276	95 970	Other equity	102 880	108 093
114 591	114 284	Total equity	121 194	126 407
		Deductions		
0	(5)	Pension funds above pension commitments	(20)	(4)
(2 956)	(2 940)	Goodwill	(3 626)	(3 654)
(4 145)	(4 296)	Deferred tax assets	(1 088)	(1 093)
(955)	(825)	Other intangible assets	(1 276)	(1 425)
0	0	Group contribution, payable	0	(5 000)
0	0	Unrealised gains on fixed assets	(30)	(30)
(2)	0	50 per cent of investments in other financial institutions	0	(2)
(610)	(652)	50 per cent of expected losses exceeding actual losses, IRB portfolios	(1 020)	(712)
240	240	Adjustments for unrealised losses/(gains) on debt recorded at fair value	281	281
106 162	105 804	Common Equity Tier 1 capital	114 415	114 770
-	109 950	Common Equity Tier 1 capital incl. 50 per cent of profit for the period	119 112	-
3 515	3 669	Perpetual subordinated loan capital securities	3 669	3 515
109 677	109 473	Tier 1 capital	118 084	118 285
-	113 619	Tier 1 capital incl. 50 per cent of profit for the period	122 781	-
4 011	4 079	Perpetual subordinated loan capital	4 079	4 011
17 822	17 998	Term subordinated loan capital [1)]	18 071	17 850
		Deductions		
(2)	0	50 per cent of investments in other financial institutions	0	(2)
(610)	(652)	50 per cent of expected losses exceeding actual losses, IRB portfolios	(1 020)	(712)
		Additions		
0	0	45 per cent of unrealised gains on fixed assets	18	18
21 221	21 425	Tier 2 capital	21 148	21 165
130 898	130 898	Total eligible primary capital [2)]	139 233	139 450
-	135 044	Total eligible primary capital incl. 50 per cent of profit for the period [2)]	143 930	-
933 433	868 989	Risk-weighted volume, transitional rules	1 010 320	1 004 716
74 675	69 519	Minimum capital requirement, transitional rules	80 826	80 377
11.4	12.7	Common Equity Tier 1 capital ratio, transitional rules (%)	11.8	11.4
11.7	13.1	Tier 1 capital ratio, transitional rules (%)	12.2	11.8
14.0	15.5	Capital ratio, transitional rules (%)	14.2	13.9
-	12.2	Common Equity Tier 1 capital ratio, transitional rules, excl. 50 per cent of profit for the period (%)	11.3	-
-	12.6	Tier 1 capital ratio, transitional rules, excl. 50 per cent of profit for the period (%)	11.7	-
-	15.1	Capital ratio, transitional rules, excl. 50 per cent of profit for the period (%)	13.8	-

1) As at 30 June 2014, calculations of capital adequacy for the banking group included a total of NOK 73 million in subordinated loan capital in associated companies.

2) Primary capital and nominal amounts used in calculating risk-weighted volume deviate from figures in the consolidated accounts since a different consolidation method is used. Associated companies are consolidated according to the pro-rata method in the capital adequacy calculations while the equity method is used in the accounts.

Note 20 Capital adequacy (continued)

Basel II

The majority of the credit portfolios are reported according to the IRB approach. However, some portfolios are still subject to final IRB approval from Finanstilsynet. These are banks and financial institutions (DNB Bank) and large corporate clients rated by simulation models (DNB Bank). Credit portfolios in Nordlandsbanken (corporate clients and residential mortgages) will gradually be included in the volumes reported according to the IRB approach as and when they are transferred to the core system solutions and risk models in DNB Bank through 2014.

Specification of risk-weighted volume and capital requirements **DNB Bank ASA**

Amounts in NOK million	Nominal exposure 30 June 2014	EAD [1] 30 June 2014	Average risk weights in per cent 30 June 2014	Risk-weighted volume 30 June 2014	Capital requirements 30 June 2014	Capital requirements 31 Dec. 2013
IRB approach						
Corporate	810 381	648 588	44.6	289 189	23 135	26 560
Specialised Lending (SL)	7 256	7 211	48.6	3 503	280	153
Retail - mortgage loans	87 592	87 592	19.8	17 362	1 389	1 169
Retail - other exposures	106 080	87 180	28.0	24 450	1 956	1 984
Securitisation	51 162	51 162	54.6	27 927	2 234	2 380
Total credit risk, IRB approach	1 062 472	881 732	41.1	362 431	28 994	32 246
Standardised approach						
Central government	32 051	35 165	0.3	102	8	1
Institutions	853 580	792 805	20.6	163 345	13 068	13 033
Corporate	179 487	147 675	96.7	142 756	11 421	13 055
Retail - mortgage loans	5 072	4 617	75.4	3 483	279	469
Retail - other exposures	69 860	24 043	74.6	17 929	1 434	1 070
Equity positions	81 554	81 206	100.3	81 448	6 516	5 936
Other assets	4 478	4 478	100.0	4 478	358	712
Total credit risk, standardised approach	1 226 081	1 089 988	37.9	413 542	33 083	34 275
Total credit risk	2 288 553	1 971 720	39.4	775 972	62 078	66 521
Market risk						
Position risk, debt instruments				21 764	1 741	2 622
Position risk, equity instruments				401	32	104
Currency risk				2 898	232	0
Commodity risk				160	13	9
Total market risk				25 224	2 018	2 734
Operational risk				68 182	5 455	5 455
Deductions				(390)	(31)	(36)
Total risk-weighted volume and capital requirements before transitional rules				868 989	69 519	74 675
Additional capital requirements according to transitional rules [2]				0	0	0
Total risk-weighted volume and capital requirements				868 989	69 519	74 675

1) *EAD, exposure at default.*

2) *Due to transitional rules, the minimum capital adequacy requirements cannot be reduced below 80 per cent relative to the Basel I requirements.*

Note 20 Capital adequacy (continued)

Specification of risk-weighted volume and capital requirements **DNB Bank Group**

Amounts in NOK million	Nominal exposure 30 June 2014	EAD [1)] 30 June 2014	Average risk weights in per cent 30 June 2014	Risk-weighted volume 30 June 2014	Capital requirements 30 June 2014	Capital requirements 31 Dec. 2013
IRB approach						
Corporate	927 701	748 875	44.0	329 137	26 331	30 362
Specialised Lending (SL)	7 256	7 211	48.6	3 503	280	153
Retail - mortgage loans	638 062	638 062	17.0	108 718	8 697	4 884
Retail - other exposures	106 080	87 180	28.0	24 450	1 956	1 984
Securitisation	51 162	51 162	54.6	27 927	2 234	2 380
Total credit risk, IRB approach	1 730 261	1 532 490	32.2	493 734	39 499	39 763
Standardised approach						
Central government	35 829	44 779	0.8	339	27	4
Institutions	171 298	121 569	23.4	28 444	2 276	2 036
Corporate	264 163	208 552	93.0	194 008	15 521	16 996
Retail - mortgage loans	39 571	37 871	55.8	21 135	1 691	1 867
Retail - other exposures	90 561	41 238	76.5	31 539	2 523	2 249
Equity positions	7 021	6 674	103.6	6 916	553	308
Securitisation	2 809	2 809	17.9	502	40	44
Other assets	12 893	12 893	100.0	12 893	1 031	1 012
Total credit risk, standardised approach	624 146	476 384	62.1	295 776	23 662	24 517
Total credit risk	2 354 407	2 008 874	39.3	789 510	63 161	64 280
Market risk						
Position risk, debt instruments				17 441	1 395	2 239
Position risk, equity instruments				401	32	104
Currency risk				2 913	233	0
Commodity risk				160	13	9
Total market risk				20 915	1 673	2 352
Operational risk				79 770	6 382	6 382
Deductions				(656)	(52)	(60)
Total risk-weighted volume and capital requirements before transitional rules				889 539	71 163	72 953
Additional capital requirements according to transitional rules [2)]				120 781	9 662	7 424
Total risk-weighted volume and capital requirements				1 010 320	80 826	80 377

1) *EAD, exposure at default.*
2) *Due to transitional rules, the minimum capital adequacy requirements cannot be reduced below 80 per cent relative to the Basel I requirements.*

Note 21 Liquidity risk

Liquidity risk is the risk that the DNB Bank Group will be unable to meet its payment obligations. Overall liquidity management in the banking group implies that DNB Bank ASA is responsible for funding domestic subsidiaries, as well as international branches and subsidiaries. Liquidity risk is managed and measured by means of various measurement techniques.

The Board of Directors has approved internal limits which restrict the short-term maturity of liabilities within different time frames. The various maturities are subject to stress testing based on a bank-specific crisis and a systemic crisis and a combination thereof, and a contingency plan has been established to handle market events. In addition, limits have been approved for structural liquidity risk, which implies that lending to customers should largely be financed through customer deposits, subordinated capital and long-term funding. Ordinary senior bond debt and covered bonds are the major sources of long-term funding. The banking group's ratio of deposits to net loans was 65.3 per cent at end-June 2014, down from 75.0 per cent a year earlier. The ratio of deposits to net loans in DNB Bank ASA was 123.7 per cent at end-June 2014.

The short-term funding markets remained generally sound in the second quarter of 2014. The markets are gradually returning to normal, and US investors now also regard a larger group of banks as financially strong. Although this means greater competition for funding, DNB had ample access to short-term funding through its funding programmes in different currencies. In the long-term funding markets, there was also a strong supply of capital throughout the second quarter. There has generally been greater demand from investors, while a number of issuers have had less need for issuing bonds. This has resulted in a healthy price trend for both senior bonds and covered bonds.

The short-term liquidity requirement, Liquidity Coverage Ratio (LCR), remained stable at above 100 per cent throughout the second quarter. At end-June, the total LCR was 106.9 per cent, with an LCR of 120.2 per cent for EUR and 291.0 per cent for USD.

The average remaining term to maturity for the portfolio of senior bond debt and covered bonds was 4.59 years at end-June 2014, compared with 4.63 years a year earlier. The banking group aims to achieve a sound and stable maturity structure for funding over the next five years.

Note 22 Information on related parties

Major transactions and agreements with related parties:

Eksportfinans ASA
DNB Bank ASA has a 40 per cent ownership interest in Eksportfinans ASA (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. DNB 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 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. The agreement is renewed yearly. The renewal in 2010 resulted in a reduction in the limit for the liquidity reserve to USD 2 billion. DNB Bank ASA's share of this agreement represents approximately USD 1.1 billion. Eksportfinans has not availed itself of this credit line.

DNB Bank ASA carries loans in its balance sheets which according to a legal agreement have been transferred to Eksportfinans and are guaranteed by DNB Bank ASA. Pursuant to the agreement, the bank still carries interest rate risk and credit risk associated with the transferred portfolio. According to the IFRS regulations, the loans have therefore not been removed from the balance sheet of the bank. These portfolios totalled NOK 3.0 billion at end-June 2014. The loans are set off by deposits/payments from Eksportfinans. DNB Bank ASA has also issued guarantees for other loans in Eksportfinans.

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

DNB Boligkreditt AS
DNB Boligkreditt (Boligkreditt) is 100 per cent owned by DNB Bank ASA. As part of ordinary business transactions, a large number of banking transactions are entered into between Boligkreditt and 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 Bank ASA and DNB Boligkreditt AS" (the transfer agreement) and the "Contract between DNB Bank ASA and DNB Boligkreditt AS concerning purchase of management services" (the servicing agreement).

The transfer agreement regulates the transfer of loan portfolios qualifying as collateral for the issue of covered bonds. In the period 2008 to 2013, portfolios representing NOK 304.8 billion were transferred from DNB Bank ASA to Boligkreditt. In the first half of 2014, portfolios representing NOK 8.3 billion were transferred. The transfers are based on market terms.

Pursuant to the servicing agreement, Boligkreditt purchases services from the bank, including administration, bank production, distribution, customer contact, IT operations and financial and liquidity management. Boligkreditt pays an annual management fee for these services. The fee paid in the first half of 2014 totalled NOK 2.9 billion.

At end-June 2014 the bank had invested NOK 24.1 billion in covered bonds issued by Boligkreditt. The bank has used 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. The final agreements under the swap scheme with Norges Bank expired in June 2014.

In the fourth quarter of 2013, DNB Boligkreditt entered into a "Revolving Credit Facility Agreement (RCF)" with DNB Bank ASA. Subject to the terms of this RCF, DNB Bank makes available to Boligkreditt a revolving credit facility at all times equal to Boligkreditt's payment obligations in NOK for the next 12 months in respect of issued Covered Bonds and related derivative hedge agreements. Boligkreditt shall apply all amounts borrowed by it under the RCF towards payments under Covered Bonds and related derivative contracts entered into for hedging purposes for those Covered Bonds. Boligkreditt may not make use of the RCF for the fulfilment of payment obligations related to the ordinary (re-)purchase of Covered Bonds (if any), or to derivative agreements related to such Covered Bonds. The obligations of DNB Bank towards Boligkreditt under the RCF does not constitute a guarantee in respect of amounts due and payable under the Covered Bonds.

DNB Næringskreditt AS
DNB Næringskreditt (Næringskreditt) is 100 per cent owned by DNB Bank ASA. The mortgage institution was established to issue covered bonds secured by a cover pool comprising commercial property.

The company started operations in the third quarter of 2009. At end-June 2014, commitments with a total value of NOK 25.8 billion had been transferred from the bank to Næringskreditt. The portfolio is diversified with respect to property types, sizes and locations. The transfers are made in agreement with the customers and are based on market terms. Like Boligkreditt, Næringskreditt purchases management and administrative services from the bank. In addition, administrative services relating to the company's operations are purchased from Boligkreditt. The fee paid to the bank and Boligkreditt for the first half of 2014 totalled NOK 51.0 million.

In the balance sheet of Næringskreditt "Loans to and deposits with credit institutions" and "Due to credit institutions" are solely outstandings with DNB Bank. At end-June the bank had invested NOK 3.1 billion in covered bonds issued by DNB Næringskreditt.

Note 22 Information on related parties (continued)

DNB Livsforsikring ASA

As part of the company's ordinary investment activity, DNB Livsforsikring has subscribed for covered bonds issued by Boligkreditt. DNB Livsforsikring's investments in Boligkreditt are limited to listed covered bonds. DNB Livsforsikring's holding of Boligkreditt bonds was valued at NOK 3.2 billion at end-June 2014.

DNB Bank ASA has entered into an agreement to lease the three buildings which constitute DNB's new head office in Oslo. The lease agreement will run for 15 years after the completion of the buildings. After the first lease period, DNB has the right to extend the contract period for five years and for another five years after the expiry of the first extension period.

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

DNB Singapore Branch and DNB Asia Ltd.

During the first quarter of 2013, an agreement was entered into between DNB Singapore Branch and DNB Asia Ltd. which implies that DNB Asia Ltd. will take over the right to extend loans to the branch's new and existing customers. Existing loans will be transferred to DNB Asia Ltd to the extent deemed feasible and rational. The branch will remain responsible for risk and returns related to the relevant loans until the transfer to DNB Asia Ltd. takes place. At end-June 2014, existing loans with a total value of USD 2.9 billion had been transferred. The agreement was entered into on market terms.

DNB New York Branch and DNB Capital LLC

During the third quarter of 2013, an agreement was entered into between DNB New York Branch and DNB Capital LLC, which implies that DNB Capital LLC will take over the right to extend loans to the branch's new and existing customers. Existing loans will be transferred to DNB Capital LLC to the extent deemed feasible and rational. The branch will remain responsible for risk and returns related to the relevant loans until the transfer to DNB Capital LLC takes place. At end-June 2014, existing loans with a total value of USD 6.5 billion had been transferred. The agreement was entered into on market terms.

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 are between three and six months. The swap agreements last for periods of up to five years, and the banks undertake to purchase new Treasury bills as and when the Treasury bills reach maturity during the agreement period. The Treasury bills are priced at NIBOR plus a premium corresponding to the margin at the time the agreement was concluded. As an additional requirement, there must be a spread of minimum 40 basis points between the agreed interest rate and the Treasury bill yield. Upon expiry of the agreements, the banks are under an obligation to repurchase the covered bonds from the government at the original selling price.

DNB Bank ASA has purchased bonds from Boligkreditt, which have been used as collateral for swap agreements with Norges Bank. The bank is required to repurchase the covered bonds at the original selling price. The bank receives yield from the covered bonds as if they never had been sold. The accounting treatment of sales of financial instruments where the seller retains substantially all the risks and returns associated with the instrument, is described in IAS 39.20 Financial Instruments: Recognition and Measurement. The bank 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 are treated as own bonds and netted against issued bonds in 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. The final agreements under the swap scheme expired in June 2014. The bank has thus repurchased all the remaining covered bonds, and all the remaining Treasury bills used in the scheme have been redeemed.

Note 23 Off-balance sheet transactions, contingencies and post-balance sheet events

Off-balance sheet transactions and additional information

DNB Bank ASA				DNB Bank Group		
30 June 2013	31 Dec. 2013	30 June 2014	*Amounts in NOK million*	30 June 2014	31 Dec. 2013	30 June 2013
44 496	43 435	46 335	Performance guarantees	48 315	45 721	45 646
23 263	23 883	23 226	Payment guarantees	23 528	23 811	23 100
18 748	19 054	16 463	Loan guarantees [1)]	16 387	19 054	18 748
6 716	6 589	6 557	Guarantees for taxes etc.	6 577	6 596	6 737
2 262	4 125	1 907	Other guarantee commitments	2 139	4 291	2 401
95 486	97 085	94 488	Total guarantee commitments	96 946	99 472	96 632
0	0	0	Support agreements	11 233	10 200	12 417
95 486	97 085	94 488	Total guarantee commitments etc. [*)]	108 179	109 672	109 049
555 233	1 014 393	988 828	Unutilised credit lines and loan offers	585 377	580 460	544 735
2 778	3 784	2 919	Documentary credit commitments	3 021	3 860	2 882
120	0	0	Other commitments	84	57	231
558 130	1 018 177	991 748	Total commitments	588 482	584 377	547 849
653 616	1 115 262	1 086 236	Total guarantee and off-balance commitments	696 661	694 049	656 898
85 381	77 202	19 420	Pledged securities	19 420	77 202	85 381
3	*13*	*0*	**) Of which counter-guaranteed by financial institutions*	*119*	*148*	*25*

1) *DNB Bank ASA carries loans in its balance sheet that subject to legal agreement have been transferred to Eksportfinans and for which DNB Bank ASA has issued guarantees. According to the agreement, DNB Bank ASA still carries interest rate risk and credit risk for the transferred portfolio. Customer loans in the portfolio totalling NOK 3.0 billion were recorded in the balance sheet as at 30 June 2014. These loans are not included under guarantees in the table.*

Contingencies

Due to its extensive operations in Norway and abroad, the DNB 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.

The DNB Group is subject to a number of complaints and disputes relating to structured products and other savings products.

DNB 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 825 million plus interest on overdue payments.

A civil action has been brought before a US court of law against DNB Markets Inc. (Minc) and the other arrangers of a USD 300 million Senior Note issue in 2010 on behalf of Overseas Shipholding Group (OSG). Minc's share of the note issue was approximately USD 19 million, representing around 6.25 per cent.

Post-balance sheet events

No information has come to light about important circumstances which had occurred on the balance sheet date on 30 June 2014 and up till the Board of Directors' final consideration of the accounts on 9 July 2014.

Statement
pursuant to Section 5-6 of the Securities Trading Act

We hereby confirm that the half-yearly financial statements for the banking group and the company for the period 1 January through 30 June 2014 to the best of our knowledge have been prepared in accordance with IAS 34 Interim Financial Reporting, as endorsed by the EU, and give a true and fair view of the assets, liabilities, financial position and profit or loss of the banking group and the company taken as a whole.

To the best of our knowledge, the half-yearly report gives a true and fair:

- overview of important events that occurred during the accounting period and their impact on the half-yearly financial statements
- description of the principal risks and uncertainties facing the banking group over the next accounting period
- description of major transactions with related parties.

Oslo, 9 July 2014
The Board of Directors of DNB Bank ASA

Anne Carine Tanum
(chairman)

Jarle Bergo
(vice-chairman)

Sverre Finstad

Vigdis Mathisen

Kai Nyland

Torill Rambjør

Kim Wahl

Rune Bjerke
(group chief executive)

Bjørn Erik Næss
(chief financial officer)

Key figures

		2nd quarter 2014	2nd quarter 2013	1st half 2014	1st half 2013	Full year 2013
						DNB Bank Group
Interest rate analyses						
1.	Combined weighted total average spread for lending and deposits (%)	1.26	1.27	1.25	1.23	1.26
2.	Average spread for ordinary lending to customers (%)	2.37	2.30	2.39	2.25	2.33
3.	Average spread for deposits from customers (%)	(0.27)	(0.24)	(0.28)	(0.27)	(0.28)
Rate of return/profitability						
4.	Net other operating income, per cent of total income	29.7	31.6	32.8	30.7	30.2
5.	Cost/income ratio (%)	44.7	48.6	43.0	50.4	46.4
6.	Return on equity, annualised (%)	13.1	11.5	14.7	10.7	13.1
Financial strength at end of period						
7.	Common equity Tier 1 capital ratio, transitional rules (%) 1)	11.8	10.6	11.8	10.6	11.4
8.	Tier 1 capital ratio, transitional rules (%) 1)	12.2	10.9	12.2	10.9	11.8
9.	Capital ratio, transitional rules (%) 1)	14.2	12.3	14.2	12.3	13.9
10.	Common equity Tier 1 capital (NOK million) 1)	119 112	106 721	119 112	106 721	114 770
11.	Risk-weighted volume, transitional rules (NOK million)	1 010 320	1 009 228	1 010 320	1 009 228	1 004 716
Loan portfolio and impairment						
12.	Individual impairment relative to average net loans to customers, annualised (%)	0.15	0.24	0.12	0.22	0.17
13.	Impairment relative to average net loans to customers, annualised (%)	0.16	0.28	0.09	0.26	0.16
14.	Net non-performing and net doubtful loans and guarantees, per cent of net loans	1.04	1.69	1.04	1.69	1.37
15.	Net non-performing and net doubtful loans and guarantees at end of period (NOK million)	16 144	23 286	16 144	23 286	20 749
Liquidity						
16.	Ratio of customer deposits to net loans to customers at end of period (%)	65.3	75.0	65.3	75.0	66.0
Staff						
17.	Number of full-time positions at end of period	10 917	11 593	10 917	11 593	11 186

1) Including 50 per cent of profit for the period, except for the full year figures.

Definitions

1, 2, 3 Based on nominal values excluding impaired loans, measured against the 3-month money market rate.

5 Total operating expenses relative to total income. Total expenses exclude impairment losses for goodwill and other intangible assets.

6 Average equity is calculated on the basis of recorded equity.

Profit and balance sheet trends

Income statement — **DNB Bank ASA**

Amounts in NOK million	2nd quarter 2014	1st quarter 2014	4th quarter 2013	3rd quarter 2013	2nd quarter 2013
Total interest income	10 596	10 352	10 630	10 812	10 745
Total interest expenses	5 337	5 361	5 335	5 341	5 285
Net interest income	**5 258**	**4 991**	**5 295**	**5 472**	**5 460**
Commission and fee income etc.	1 468	1 506	1 417	1 425	1 457
Commission and fee expenses etc.	499	557	532	523	491
Net gains on financial instruments at fair value	1 346	2 711	1 643	1 224	1 618
Other income	1 908	1 998	3 183	2 016	1 735
Net other operating income	**4 224**	**5 658**	**5 712**	**4 142**	**4 318**
Total income	**9 482**	**10 649**	**11 007**	**9 614**	**9 778**
Salaries and other personnel expenses	2 189	2 088	2 069	2 169	2 526
Other expenses	1 619	1 615	1 321	1 616	1 480
Depreciation and impairment of fixed and intangible assets	463	452	2 301	433	526
Total operating expenses	**4 271**	**4 156**	**5 691**	**4 219**	**4 532**
Pre-tax operating profit before impairment	**5 211**	**6 494**	**5 316**	**5 395**	**5 246**
Net gains on fixed and intangible assets	196	(1)	192	16	(24)
Impairment of loans and guarantees	444	236	368	161	734
Pre-tax operating profit	**4 964**	**6 257**	**5 140**	**5 249**	**4 488**
Tax expense	1 296	1 633	387	1 249	1 283
Profit for the period	**3 668**	**4 624**	**4 753**	**4 000**	**3 204**

Comprehensive income statement — **DNB Bank ASA**

Amounts in NOK million	2nd quarter 2014	1st quarter 2014	4th quarter 2013	3rd quarter 2013	2nd quarter 2013
Profit for the period	**3 668**	**4 624**	**4 753**	**4 000**	**3 204**
Actuarial gains and losses, net of tax	(145)	(267)	(475)	(333)	364
Other comprehensive income that will not be reclassified to profit or loss, net of tax	(145)	(267)	(475)	(333)	364
Currency translation of foreign operations	196	(114)	119	81	186
Other comprehensive income that may subsequently be reclassified to profit or loss, net of tax	196	(114)	119	81	186
Other comprehensive income for the period	**50**	**(381)**	**(356)**	**(252)**	**550**
Comprehensive income for the period	**3 719**	**4 243**	**4 397**	**3 748**	**3 754**

Profit and balance sheet trends (continued)

Balance sheet					**DNB Bank ASA**
Amounts in NOK million	30 June 2014	31 March 2014	31 Dec. 2013	30 Sept. 2013	30 June 2013
Assets					
Cash and deposits with central banks	169 204	361 303	163 172	398 981	479 067
Due from credit institutions	432 379	282 961	399 482	208 403	209 031
Loans to customers	693 021	680 776	680 114	703 125	725 111
Commercial paper and bonds at fair value	200 549	225 085	248 207	271 899	258 547
Shareholdings	12 023	14 834	13 071	10 285	8 994
Financial derivatives	153 418	145 188	143 158	140 317	148 849
Commercial paper and bonds, held to maturity	51 392	60 251	63 318	66 059	68 456
Investments in associated companies	959	1 062	1 066	1 080	1 070
Investements in subsidiaries	73 425	69 071	69 487	67 848	51 289
Intangible assets	3 765	3 826	3 911	3 899	3 892
Deferred tax assets	4 296	4 232	4 145	702	679
Fixed assets	7 120	7 095	7 041	6 847	6 748
Other assets	22 279	34 428	29 483	19 934	17 587
Total assets	**1 823 832**	**1 890 112**	**1 825 656**	**1 899 378**	**1 979 320**
Liabilities and equity					
Due to credit institutions	266 998	304 964	280 831	305 232	345 824
Deposits from customers	857 493	864 975	849 137	896 184	966 658
Financial derivatives	162 812	153 286	156 979	140 840	142 734
Debt securities issued	353 652	375 095	352 899	382 639	368 239
Payable taxes	2 482	919	1 772	3 775	2 668
Deferred taxes	12	10	3	1 319	1 452
Other liabilities	25 656	40 979	38 343	23 235	16 651
Provisions	1 018	999	1 235	1 843	1 799
Pension commitments	4 153	3 952	3 592	3 282	2 711
Subordinated loan capital	26 981	26 100	26 276	25 819	19 118
Total liabilities	**1 701 256**	**1 771 279**	**1 711 065**	**1 784 166**	**1 867 855**
Share capital	18 314	18 314	18 314	18 314	18 314
Share premium reserve	19 895	19 895	19 895	19 895	19 895
Other equity	84 367	80 624	76 381	77 004	73 256
Total equity	**122 576**	**118 833**	**114 591**	**115 213**	**111 465**
Total liabilities and equity	**1 823 832**	**1 890 112**	**1 825 656**	**1 899 378**	**1 979 320**

Profit and balance sheet trends (continued)

Income statement — **DNB Bank Group**

Amounts in NOK million	2nd quarter 2014	1st quarter 2014	4th quarter 2013	3rd quarter 2013	2nd quarter 2013
Total interest income	15 486	15 256	15 476	15 436	15 107
Total interest expenses	7 593	7 533	7 507	7 492	7 569
Net interest income	**7 893**	**7 722**	**7 969**	**7 944**	**7 538**
Commission and fee income etc.	1 999	2 005	1 922	1 946	2 020
Commission and fee expenses etc.	510	575	565	546	512
Net gains on financial instruments at fair value	1 130	2 131	1 348	1 249	1 345
Profit from investments accounted for by the equity method	34	107	118	99	70
Net gains on investment property	(3)	13	(79)	(23)	4
Other income	682	601	705	566	562
Net other operating income	**3 332**	**4 282**	**3 448**	**3 291**	**3 489**
Total income	**11 226**	**12 004**	**11 417**	**11 235**	**11 027**
Salaries and other personnel expenses	2 597	2 516	2 465	2 566	2 951
Other expenses	1 966	1 953	1 736	1 941	1 851
Depreciation and impairment of fixed and intangible assets	457	503	1 058	479	563
Total operating expenses	**5 021**	**4 972**	**5 258**	**4 986**	**5 365**
Pre-tax operating profit before impairment	**6 205**	**7 032**	**6 159**	**6 250**	**5 663**
Net gains on fixed and intangible assets	(2)	0	153	2	(10)
Impairment of loans and guarantees	554	80	36	475	937
Pre-tax operating profit	**5 648**	**6 952**	**6 277**	**5 777**	**4 716**
Tax expense	1 430	1 745	1 212	1 375	1 335
Profit from operations held for sale, after taxes	(11)	(19)	9	(7)	(7)
Profit for the period	**4 206**	**5 188**	**5 073**	**4 395**	**3 374**

Comprehensive income statement — **DNB Bank Group**

Amounts in NOK million	2nd quarter 2014	1st quarter 2014	4th quarter 2013	3rd quarter 2013	2nd quarter 2013
Profit for the period	**4 206**	**5 188**	**5 073**	**4 395**	**3 374**
Actuarial gains and losses, net of tax	(145)	(267)	(474)	(333)	364
Other comprehensive income that will not be reclassified to profit or loss, net of tax	(145)	(267)	(474)	(333)	364
Currency translation of foreign operations	1 256	(879)	977	349	1 375
Hedging of net investment, net of tax	(703)	501	(327)	(230)	(1 260)
Other comprehensive income that may subsequently be reclassified to profit or loss, net of tax	553	(378)	650	119	115
Other comprehensive income for the period	**407**	**(644)**	**177**	**(214)**	**479**
Comprehensive income for the period	**4 614**	**4 544**	**5 250**	**4 181**	**3 853**

Profit and balance sheet trends (continued)

Balance sheet — **DNB Bank Group**

Amounts in NOK million	30 June 2014	31 March 2014	31 Dec. 2013	30 Sept. 2013	30 June 2013
Assets					
Cash and deposits with central banks	171 346	363 330	167 171	401 560	481 844
Due from credit institutions	187 415	49 298	176 796	25 928	48 453
Loans to customers	1 378 940	1 353 685	1 350 656	1 342 531	1 339 427
Commercial paper and bonds at fair value	177 108	188 290	191 232	186 515	175 699
Shareholdings	12 471	15 273	13 511	10 724	9 443
Financial derivatives	141 297	133 796	130 775	128 909	136 556
Commercial paper and bonds, held to maturity	51 392	60 251	63 318	66 059	68 456
Investment property	4 741	4 744	4 615	4 591	4 440
Investments accounted for by the equity method	3 155	3 211	3 096	3 012	2 919
Intangible assets	4 298	4 353	4 464	4 943	4 855
Deferred tax assets	1 082	1 048	1 086	1 358	1 307
Fixed assets	7 969	7 909	7 816	7 664	7 523
Assets held for sale	1 119	252	225	213	211
Other assets	23 433	21 177	16 017	21 271	17 616
Total assets	**2 165 765**	**2 206 616**	**2 130 779**	**2 205 279**	**2 298 748**
Liabilities and equity					
Due to credit institutions	214 440	257 434	234 218	260 903	318 504
Deposits from customers	900 932	908 163	891 256	934 477	1 005 181
Financial derivatives	109 080	108 501	111 242	103 318	111 770
Debt securities issued	745 359	748 263	716 192	722 891	700 252
Payable taxes	3 062	3 684	4 126	4 265	3 040
Deferred taxes	1 732	1 771	2 042	1 609	1 751
Other liabilities	27 359	16 551	13 917	25 449	17 814
Liabilities held for sale	884	89	53	73	68
Provisions	1 133	1 098	1 398	1 924	1 474
Pension commitments	4 215	4 012	3 652	3 384	2 801
Subordinated loan capital	26 981	26 100	26 276	25 827	19 118
Total liabilities	**2 035 176**	**2 075 666**	**2 004 372**	**2 084 121**	**2 181 772**
Share capital	18 314	18 314	18 314	18 314	18 314
Share premium reserve	20 611	20 611	20 611	20 611	20 611
Other equity	91 663	92 025	87 482	82 232	78 051
Total equity	**130 589**	**130 951**	**126 407**	**121 158**	**116 977**
Total liabilities and equity	**2 165 765**	**2 206 616**	**2 130 779**	**2 205 279**	**2 298 748**

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DNB Bank ASA

Organisation number	Register of Business Enterprises NO 984 851 006 MVA

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Jarle Bergo, vice-chairman
Sverre Finstad
Vigdis Mathisen
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Financial calendar 2014

Preliminary results 2013 and fourth quarter 2013	6 February
First quarter 2014	8 May
Second quarter 2014	10 July
Third quarter 2014	23 October

Other sources of information

Annual and quarterly reports

Separate annual and quarterly reports are prepared for the DNB Group, DNB Boligkreditt, DNB Næringskreditt and DNB Livsforsikring. The reports are available on dnb.no. Annual and quarterly reports can be ordered by sending an e-mail to investor.relations@dnb.no.

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