

FOURTH QUARTER REPORT 2016
(Preliminary and unaudited)

DNB

Q4

DNB Bank

A company in the DNB Group

Financial highlights

Income statement

<i>Amounts in NOK million</i>	DNB Bank Group			
	4th quarter 2016	4th quarter 2015	Full year 2016	Full year 2015
Net interest income	8 498	9 150	34 517	35 535
<i>Net commissions and fees</i>	1 520	1 363	5 634	5 956
<i>Net gains on financial instruments at fair value</i>	1 703	2 161	6 506	8 704
<i>Other operating income</i>	324	465	3 176	2 248
Net other operating income, total	3 547	3 989	15 316	16 909
Total income	12 045	13 139	49 833	52 444
Operating expenses	(5 023)	(5 165)	(19 892)	(20 275)
Restructuring costs and non-recurring effects	16	1 701	(624)	1 084
Pre-tax operating profit before impairment	7 038	9 675	29 317	33 253
Net gains on fixed and intangible assets	(12)	(9)	(19)	45
Impairment of loans and guarantees	(1 753)	(1 420)	(7 424)	(2 270)
Pre-tax operating profit	5 273	8 245	21 874	31 028
Tax expense	(312)	(1 851)	(3 964)	(7 755)
Profit from operations held for sale, after taxes	26	28	4	(51)
Profit for the period	4 988	6 422	17 914	23 222

Balance sheet

<i>Amounts in NOK million</i>	DNB Bank Group	
	31 Dec. 2016	31 Dec. 2015
Total assets	2 348 272	2 315 603
Loans to customers	1 492 268	1 531 932
Deposits from customers	945 694	957 322
Total equity	190 078	173 412
Average total assets	2 545 103	2 662 039

Key figures

<i>Per cent</i>	DNB Bank Group			
	4th quarter 2016	4th quarter 2015	Full year 2016	Full year 2015
Return on equity, annualised	11.2	15.6	10.4	15.1
Combined weighted total average spread for lending and deposits ^{1) 2)}	1.28	1.32	1.32	1.33
Cost/income ratio	41.6	26.4	41.2	36.6
Impairment relative to average net loans to customer, annualised ¹⁾	(0.47)	(0.37)	(0.49)	(0.15)
Common equity Tier 1 capital ratio, transitional rules, at end of period ³⁾	15.7	14.3	15.7	14.3
Tier 1 capital ratio, transitional rules, at end of period ³⁾	17.4	15.3	17.4	15.3
Capital ratio, transitional rules, at end of period ³⁾	20.0	17.9	20.0	17.9

1) Includes assets and liabilities in the Baltics, reclassified as held for sale in August 2016.

2) As from the first quarter of 2016, interest rate spreads are based on customer segments. Figures for previous periods have been restated accordingly

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

For additional key figures and definitions, please refer to page 42.

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

Directors' report

Fourth quarter financial performance

The DNB Bank Group ¹⁾ recorded profits of NOK 4 988 million in the fourth quarter of 2016, a reduction of NOK 1 434 million from the fourth quarter of 2015. The decline in profits mainly reflected lower net interest income and higher impairment losses. However, there were also non-recurring effects related to the transition from a defined-benefit to a defined-contribution pension scheme for the banking group's employees, which affected profits in the fourth quarter of 2015.

The common equity Tier 1 capital ratio was 15.7 per cent in the fourth quarter of 2016, up from 14.3 per cent a year earlier. The build-up of common equity Tier 1 capital, primarily through profits generated during the period, accounted for more than half of the increase in the capital ratio. In addition, a strategic reduction in risk-weighted assets relating to large international corporates with low profitability contributed to the increase.

The leverage ratio for the banking group was 7.1 per cent in the fourth quarter of 2016, up from 6.4 per cent a year earlier and well above the upcoming requirement.

Return on equity was 11.2 per cent in the quarter, which was 4.4 percentage points lower than in the year-earlier period. Despite the build-up of capital, the banking group delivered a double-digit return on equity.

Net interest income was down NOK 652 million from the fourth quarter of 2015, reflecting a reduction in volumes, narrower spreads and higher long-term funding costs. Higher money market rates had a negative effect on spreads in the fourth quarter. The announced repricing of home mortgages came into effect on 9 January 2017.

Net other operating income was NOK 3 547 million, down NOK 442 million from the fourth quarter of 2015. There was a positive contribution from trading activities, and commissions and fees were higher than in the year-earlier period.

Total operating expenses increased by NOK 1 542 million compared with the fourth quarter of 2015. Adjusted for non-recurring effects, underlying operating expenses were NOK 143 million lower than in the year-earlier period. The cost/income ratio for the quarter was 41.6 per cent.

Impairment losses on loans and guarantees totalled NOK 1 753 million in the quarter. There was a rise in individual impairment losses, referring mainly to the offshore and energy segments. The other credit portfolios are still of high quality and the difficult situation in the oil-related industries has had no material impact on these portfolios.

Important events in the fourth quarter

Vipps Invoice was launched at the start of November. Vipps Invoice is a simple solution for companies wishing to send invoices to customers directly in Vipps. The Vipps app has been downloaded by close to 50 per cent of the Norwegian population. The introduction of Vipps to new product areas will contribute to future profitability.

In the middle of October, the NXT Conference was held at DNB's head office in Oslo. The conference was part of Oslo Innovation Week, a digital and physical meeting place for entrepreneurs and investors to help them make contacts and share networks, knowledge and inspiration. In November, DNB and StartupLab launched NXT Accelerator, a programme to help

promising technological startup companies to expand quickly, establish partnerships and create commercial opportunities for both the companies themselves and DNB.

DNB Markets topped all categories within equity brokerage and research in Norway in the Prospera survey in the fourth quarter.

DNB's updated financial ambitions for 2017-2019 were presented at the DNB Capital Markets Day in late November.

In consequence of the competitive situation and rising market rates, DNB decided in November to increase interest rates on home mortgages by up to 0.2 percentage points.

DNB received the Confederation of Vocational Unions' (YS) equal opportunity award due to its work to equalise salary differences between men and women.

As the first Norwegian financial institution, DNB was awarded a rating of A- for its climate work by the Carbon Disclosure Project, CDP.

During the fourth quarter, DNB improved its ranking on the lists of the most attractive employers in Norway, also among employees who have worked for some years. DNB advanced to first and fifth place, in the business and IT segments respectively, in the Universum survey.

In October, it became known that DNB is one of many banks involved in the financing of the construction of a new and controversial oil pipeline in North Dakota in the US. DNB will ensure that the bank can answer for its part of the project financing and may potentially reconsider its exposure in the pipeline project.

In mid-December, the Ministry of Finance adopted a new home mortgage regulation. At the same time, it became clear that the Norwegian parliament (Stortinget) supported the government's proposal to introduce a financial activities tax. This will have an estimated annual effect on DNB's operating expenses of around NOK 400 million.

The Ministry of Finance raised the counter-cyclical buffer requirement from 1.5 to 2.0 per cent with effect from year-end 2017.

Fourth quarter income statement – main items

Net interest income

Amounts in NOK million	4th quarter		4th quarter
	2016	Change	2015
Net interest income	8 498	(652)	9 150
Other net interest income			6
Exchange rate movements			(30)
Long-term funding costs			(93)
Lending and deposit volumes, customer segments			(101)
Lending and deposit spreads, customer segments			(215)
Amortisation effects and fees			(220)

Net interest income declined by NOK 652 million from the fourth quarter of 2015. Higher money market rates had a negative effect on spreads in the fourth quarter. For the customer segments, average lending spreads contracted by 0.15 percentage points, while deposit spreads widened by 0.13 percentage points. Volume-weighted spreads for the customer segments narrowed by 0.04 percentage points compared with the same period in 2015. There was an average decrease of NOK 17.7 billion or 1.2 per cent in the healthy loan portfolio compared with the fourth quarter of 2015. Due to changes in customer behaviour, amortisation periods are increasing, and customers are no longer so eager to refinance their loans. Consequently, amortisation and fee income was reduced by NOK 220 million compared with the fourth quarter of 2015. During the same period, deposits were down NOK 12.8 billion or 1.3 per cent. Adjusted for exchange rate movements, loans were reduced by 0.9 per cent and deposits by 0.1 per cent. Repricing of the

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 Forsikring 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.

personal customer loan portfolio was implemented in early January 2017 and will result in wider spreads.

Net other operating income

<i>Amounts in NOK million</i>	4th quarter		4th quarter
	2016	Change	2015
Net other operating income	3 547	(442)	3 989
Net gains on other financial instruments		251	
Net commissions and fees		157	
Net gains on the sale of loans		94	
Other operating income		(9)	
Realised gains and rents from investment properties in København Ejendomme in 2015		(226)	
Basis swaps		(709)	

Net other operating income decreased by NOK 442 million or 11.1 per cent from the fourth quarter of 2015. Net gains on other financial instruments were up NOK 251 million compared with the year-earlier period, reflecting the volatility in the financial markets. Profits from commissions and fees rose by NOK 157 million, mainly due to increased corporate finance activity in equity capital markets and mergers and acquisitions. Negative mark-to-market adjustments related to basis swaps increased by NOK 709 million in 2016.

Operating expenses

<i>Amounts in NOK million</i>	4th quarter		4th quarter
	2016	Change	2015
Total adjusted operating expenses	(5 023)	143	(5 165)
Expenses related to operations			
Other costs		179	
Salaries and other personnel expenses (excl. pension and restructuring costs)		136	
Pension expenses		19	
IT expenses		(61)	
Provisions for financial activities tax		(131)	
Non-recurring effects	16	(1 685)	1 701
IT restructuring		(9)	9
Restructuring costs	(191)	(79)	(112)
Other non-recurring effects	207	(1 597)	1 804
Operating expenses	(5 007)	(1 542)	(3 464)

Of which:

Exchange rate effects for units outside Norway		79	
Currency-adjusted operating expenses	(5 102)	64	(5 165)

Total operating expenses increased by NOK 1 542 million compared with the fourth quarter of 2015. Adjusted for non-recurring effects, operating expenses were NOK 143 million lower than in the year-earlier period. Provisions for financial activities tax of NOK 131 million were recorded in the quarter.

Non-recurring effects recorded in the fourth quarter of 2015 mainly related to the transition from a defined-benefit to a defined-contribution pension scheme for the banking group's employees.

In the fourth quarter of 2016, the cost/income ratio was 41.6 per cent.

Impairment of loans and guarantees

Impairment losses on loans and guarantees totalled NOK 1 753 million for the quarter, up NOK 333 million from the corresponding quarter in 2015. Individual impairment was on a level with the third quarter and mainly represented impairment losses in offshore and energy in the large corporate and international customers segment, while some losses stemmed from a few small and medium-sized enterprises.

There was a reduction in collective impairment. The losses were mainly concentrated in the shipping and offshore portfolio. There was a minor reduction in collective impairment for other industries, mainly due to more favourable economic conditions and positive migration in the portfolio.

Net non-performing and doubtful loans and guarantees increased by NOK 11.7 billion from end-December 2015, totalling NOK 25.7 billion at end-December 2016. This represented 1.49 per cent of the loan portfolio, up from 0.76 per cent at end-December 2015. The increase mainly stemmed from offshore and energy-related segments. There are no signs of negative spill-over effects from the situation in the oil-related industries to the other credit portfolios.

Taxes

The banking group's tax expense for the fourth quarter of 2016 is estimated at NOK 312 million, or 5.9 per cent of pre-tax operating profits. The low tax expense in the quarter was due to one-off effects related to entities outside Norway, and Norwegian taxation rules for the allocation of interest expenses between Norway and the US.

Financial performance, segments

Financial governance in the banking group is adapted to the different customer segments. Reported figures reflect total sales of products and services to the relevant segments.

Personal customers

<i>Income statement in NOK million</i>	4th quarter		Change	
	2016	2015	NOK mill	%
Net interest income	3 217	3 486	(269)	(7.7)
Net other operating income	790	835	(45)	(5.4)
Total income	4 007	4 321	(314)	(7.3)
Operating expenses	(1 894)	(2 041)	147	7.2
Pre-tax operating profit before impairment	2 113	2 281	(167)	(7.3)
Net gains on fixed and intangible assets		0	(0)	
Impairment of loans and guarantees	129	15	113	
Pre-tax operating profit	2 242	2 296	(54)	(2.4)
Tax expense	(560)	(620)	59	9.6
Profit from operations held for sale, after taxes	0	(1)	1	
Profit for the period	1 681	1 675	6	0.4

Average balance sheet items in NOK billion

Net loans to customers	718.2	695.7	22.4	3.2
Deposits from customers	399.4	391.1	8.3	2.1

Key figures in per cent

Lending spread ¹⁾	1.61	1.95
Deposit spread ¹⁾	0.43	0.24
Return on allocated capital ²⁾	17.5	20.9
Cost/income ratio	47.3	47.2
Ratio of deposits to loans	55.6	56.2

1) Calculated relative to the 3-month money market rate.

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

Pre-tax operating profit was slightly down compared with the fourth quarter of 2015. Pressure on spreads was a factor behind the decline in net interest income, which, however, was offset by strict cost control and reversals on impairment losses on loans related to the sale of a portfolio of non-performing loans.

In November 2015, a portfolio of fixed-rate home mortgages amounting to approximately NOK 20 billion was sold from DNB Boligkreditt to DNB Livsforsikring, and in November 2016, mortgages representing an additional NOK 5 billion were sold. Adjusted for these sales, average loans to customers were up 4.8 per cent from the fourth quarter of 2015. The home mortgages are included in DNB Livsforsikring's portfolio, though the customers are still served by the bank. Adjusted for a portfolio of deposits of NOK 8 billion from associations and clubs that was transferred to the small and medium-sized enterprises segment in December 2016, there was an average rise in deposits of 2.5 per cent from the fourth quarter of 2015.

Weighted average combined spreads contracted by 0.15 percentage points from the fourth quarter of 2015 and by 0.03 percentage points from the third quarter of 2016. Approved interest rate adjustment with effect as of 9 January 2017 will help reverse the negative trend.

There was a slight decrease in net other operating income from the fourth quarter of 2015. The level of income from payment transfers and real estate broking was maintained, while lower interchange fees as of 1 September and costs related to SAS Eurobonus agreements had a negative impact on income.

Implemented restructuring measures and strict cost control ensured lower costs compared with the previous year. Restructuring costs were in line with the 2015 figure.

Close to 95 per cent of loans to personal customers represent well-secured home mortgages entailing low risk. Impairment losses in the fourth quarter of 2016 reflected reversals of NOK 147 million related to a portfolio of non-performing consumer loans which was sold during the quarter. There were also reversals on impairment losses in the fourth quarter of 2015. Adjusted for the reversals, net impairment losses on loans remained stable at a low level.

DNB's market share of credit to households stood at 25.1 per cent at end-November 2016, while the market share of total household savings was 31.8 per cent. DNB Eiendom had a market share of 19.2 per cent in the fourth quarter of 2016.

Customers' use of digital services continues to increase, and DNB is continuing to digitalise its products and services. An important milestone was reached in the fourth quarter, when a new digital solution for extending existing home mortgages was launched. The new digital solution will provide significant efficiency gains in the personal customer segment. In addition, DNB has introduced a new solution for pension savings called "Lev Mer" (Live More). The product is both more straightforward and less costly for customers as, based on customer age, it automatically offers a tailor-made combination of equities and fixed-income instruments.

DNB aspires to achieve continued profitable growth in the personal customer segment. Impairment losses on loans are expected to remain stable at a low level.

Small and medium-sized enterprises

Income statement in NOK million	4th quarter		Change	
	2016	2015	NOK mill	%
Net interest income	1 638	1 610	28	1.7
Net other operating income	393	295	98	33.2
Total income	2 031	1 905	126	6.6
Operating expenses	(829)	(758)	(71)	(9.4)
Pre-tax operating profit before impairment	1 202	1 147	55	4.8
Net gains on fixed and intangible assets	(0)	(0)	(0)	
Impairment of loans and guarantees	(289)	(360)	71	19.8
Profit from repossessed operations	40	35	4	(12.2)
Pre-tax operating profit	953	823	130	15.9
Tax expense	(238)	(222)	(16)	(7.3)
Profit for the period	715	601	114	19.0

Average balance sheet items in NOK billion

Net loans to customers	231.9	220.3	11.6	5.3
Deposits from customers	185.7	172.8	12.8	7.4

Key figures in per cent

Lending spread ¹⁾	2.43	2.35		
Deposit spread ¹⁾	0.44	0.39		
Return on allocated capital ²⁾	11.7	11.7		
Cost/income ratio	40.8	39.8		
Ratio of deposits to loans	80.1	78.5		

1) Calculated relative to the 3-month money market rate.

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

Increases in both net interest income and other operating income contributed to a rise in pre-tax operating profits from the fourth quarter of 2015.

Average loans to customers increased by 5.3 per cent from the fourth quarter of 2015, while average customer deposits were up 7.4 per cent. From year-end 2015 to year-end 2016, deposits from customers increased by 13.5, per cent including deposits transferred from the personal customer segment. Adjusted annual growth was 8.7 per cent. Combined with wider interest rate spreads this ensured an increase in net interest income compared with the fourth quarter of 2015.

The significant improvement in net other operating income primarily reflected higher income from cash management and increased activity within interest rate hedging products. Income from investment banking products showed very positive growth.

The increase in operating expenses from the fourth quarter of 2015 was partly due to restructuring costs and higher IT development costs. Costs related to defined-contribution pensions, foreign exchange, fixed-income and equity products increased as a reflection of the higher level of activity.

Net impairment losses totalled 0.50 per cent of net loans on an annual basis, down from 0.65 per cent in the fourth quarter of 2015. The impairment losses stemmed primarily from a few exposures spread over various industries and geographical areas, of which one non-oil related exposure accounted for approximately 37 per cent of total impairment losses. There has been no material deterioration in the general quality of DNB's portfolio of loans to small and medium-sized corporate customers. Developments in oil-related sectors as well as all other sectors are closely monitored, and preventive measures are implemented to retain the level of quality.

DNB expects lending growth to small and medium-sized corporate customers to be on a level with the expected domestic credit growth to this customer segment.

Large corporates and international customers

Income statement in NOK million	4th quarter		Change	
	2016	2015	NOK mill	%
Net interest income	3 668	3 929	(261)	(6.6)
Net other operating income	1 336	1 105	232	21.0
Total income	5 004	5 034	(29)	(0.6)
Operating expenses	(1 875)	(2 037)	162	7.9
Pre-tax operating profit before impairment	3 129	2 997	132	4.4
Net gains on fixed and intangible assets	(4)	5	(8)	
Impairment of loans and guarantees	(1 586)	(1 079)	(507)	(47.0)
Profit from repossessed operations	7	(6)	13	
Pre-tax operating profit	1 546	1 916	(370)	(19.3)
Tax expense	(417)	(556)	138	24.9
Profit from operations held for sale, after taxes	(0)		(0)	
Profit for the period	1 129	1 361	(232)	(17.1)

Average balance sheet items in NOK billion

Net loans to customers	531.1	579.4	(48.2)	(8.3)
Deposits from customers	367.0	403.5	(36.4)	(9.0)

Key figures in per cent

Lending spread ¹⁾	2.23	2.19		
Deposit spread ¹⁾	(0.05)	(0.12)		
Return on allocated capital ²⁾	5.2	7.7		
Cost/income ratio	37.5	40.5		
Ratio of deposits to loans	69.1	69.6		

1) Calculated relative to the 3-month money market rate.

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

Lower volumes and higher impairment losses on loans were the main factors behind the reduction in profits compared with the fourth quarter of 2015.

Average lending volumes were down 8.3 per cent from the fourth quarter of 2015. Adjusted for exchange rate movements, the underlying volume declined by 6.4 per cent. The reduction is a consequence of the rebalancing of the business area's overall portfolio and the restructuring of portfolios within shipping and oil and offshore-related segments. Customer deposits were down 9.0 per cent from the fourth quarter of 2015. Adjusted for exchange rate movements, the decline was 7.7 per cent.

Due to reduced volumes, net interest income was down compared with the fourth quarter of 2015. Weighted average combined spreads widened by 5 basis points from the fourth quarter of 2015 due to increased lending and deposit spreads.

Other operating income was up 21.0 per cent from the fourth quarter of 2015, mainly reflecting higher activity within investment banking products related to both debt and equity capital markets, such as mergers and acquisitions.

Operating expenses decreased by 7.9 per cent from the fourth quarter of 2015 and increased by 3.8 per cent from the third quarter of 2016. The number of full-time positions was reduced by 74 from end-December 2015. The reductions took place in both Norwegian and international operations.

Net impairment losses on loans and guarantees increased compared with the fourth quarter of 2015, mainly due to the exposure to oil-related industries and the offshore markets. On an annual basis, net impairment represented 1.19 per cent of average loans, up 0.45 percentage points from the year-earlier period. There was a 0.54 percentage point rise in individual impairment losses, to 1.01 per cent in the fourth quarter of 2016, while collective impairment was reduced by 0.09 percentage points, reflecting generally more stable economic conditions compared with the fourth quarter of 2015. Net non-performing and doubtful loans and guarantees amounted to NOK 20.2 billion at end-December 2016, compared with NOK 9.5 billion a year earlier.

DNB is operating in highly competitive markets and one of the challenges facing the banking group is different capital requirements for banks. In consequence of strict capital requirements in Norway combined with higher impairment losses, 2016 was a challenging year for the large corporate segment in the bank. The main aim for the business area is to strengthen profitability and contribute to fulfilling DNB's long-term ambitions. A reduction in and rebalancing of large corporate exposures through 2017, focusing on higher turnover in the portfolio, will ensure lower final hold on DNB's books and increase ancillary income. Interest rate spreads are expected to increase somewhat, and new transactions are expected to contribute positively in a longer-term perspective. DNB will continue to focus on utilising in-depth industry expertise, offering a wide product range and up-to-date technological solutions to prioritised customers. Through close relations with leading companies, DNB is well-positioned to cover a wide range of customers' financial needs and increase the contribution from non-lending products, such as investment banking, trade finance, leasing and factoring.

Trading

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

Income statement in NOK million	4th quarter		Change	
	2016	2015	NOK mill	%
Net interest income	1	3	(3)	
Net other operating income	817	796	21	2.7
Total income	818	799	19	2.3
Operating expenses	(159)	(97)	(62)	
Pre-tax operating profit	659	702	(44)	(6.2)
Tax expense	(165)	(183)	18	9.8
Profit for the period	494	520	(26)	(4.9)
Key figures in per cent				
Return on allocated capital ¹⁾	27.2	28.4		

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

All product areas contributed positively to a profitable quarter for trading activities, with particularly strong contributions from money market activities and trading in Norwegian interest rate instruments.

Full year 2016

The banking group recorded profits of NOK 17 914 million in 2016, down NOK 5 308 million from 2015.

Despite high impairment losses, mainly in oil-related industries and shipping, the banking group delivered solid profits.

The common equity Tier 1 capital ratio was 15.7 per cent at year-end 2016, compared to 14.3 per cent one year earlier. Common equity Tier 1 capital increased by NOK 12.5 billion in the period. A strategic reduction in loans to large international corporates with low profitability contributed to the increase in the CET1 ratio, as did profits generated during the period.

Return on equity was 10.4 per cent, compared with 15.1 per cent in 2015. Despite the build-up of capital, higher impairment losses and the closing of branch offices, the banking group delivered a double-digit return on equity.

Increased funding costs and a decline in amortisation and fee income had a negative impact on net interest income in 2016. Due to changes in customer behaviour, amortisation periods are increasing, since customers are no longer so eager to refinance their loans. Volume-weighted spreads narrowed slightly. The interest rate adjustments for personal customers implemented in the fourth quarter of 2016 will have full effect from the start of January 2017. Lending volumes were down in 2016, reflecting a strategic reduction in low profitability exposures in the large corporates and international customers portfolio.

Other operating income was NOK 1 593 million lower than in 2015, mainly due to the effect of basis swaps.

Operating expenses were up NOK 1 325 million from 2015, which was primarily a consequence of the transition from a defined-benefit to a defined-contribution pension scheme in the fourth quarter of 2015. Adjusted for non-recurring effects, there was a reduction in underlying operating expenses of NOK 383 million or 1.9 per cent. DNB continued to invest in IT infrastructure in 2016 to prepare for future competition.

Impairment losses on loans and guarantees increased by NOK 5 154 million during the year due to higher individual impairment in the shipping and offshore segments. There was also a rise in collective impairment, reflecting weaker economic conditions in some industries. Excluding the sale of non-performing portfolios during 2015 and 2016, impairment losses increased by NOK 4 750 million.

Income statement for 2016

Net interest income

Amounts in NOK million	2016	Change	2015
Net interest income	34 517	(1 018)	35 535
Exchange rate movements		480	
Other net interest income		133	
Equity and non-interest bearing instruments		(93)	
Lending and deposit spreads, customer segments		(100)	
Long-term funding costs		(329)	
Lending and deposit volumes, customer segments		(464)	
Amortisation effects and fees		(644)	

Net interest income was down NOK 1 018 million from 2015. The reduction was mainly attributable to a decline in amortisation and fee income and an increase in long-term funding costs. Due to changes in customer behaviour, amortisation periods are increasing, and customers are no longer so eager to refinance their loans. Consequently, amortisation and fee income was reduced by NOK 644 million compared with 2015. The reduction in volumes from 2015, was offset by exchange rate effects. Average lending spreads narrowed by 0.14 percentage points from 2015, while deposit spreads widened by 0.20 percentage points. There was an average increase of NOK 0.2 billion in the performing loan portfolio, while average deposits rose by NOK 9.2 billion compared with 2015.

Net other operating income

Amounts in NOK million	2016	Change	2015
Net other operating income	15 316	(1 593)	16 909
Sale of holdings in Visa		1 128	
Net gains on other financial instruments		1 028	
Net gains on the sale of loans		258	
Profit from associated companies		133	
Other operating income		(147)	
Net commissions and fees		(322)	
Realised gains and rents from investment properties in København Ejendomme in 2015		(444)	
Basis swaps		(3 227)	

Net other operating income decreased by NOK 1 593 million from 2015. There was a strong increase in net gains on other financial instruments due to a higher level of activity in the equity, foreign exchange and interest rate markets. Profits from the sale of Visa Norway's holding in Visa Europe gave a NOK 1 128 million rise in income in 2016. Basis swaps gave a reduction in profits of NOK 3 227 million compared with the same period in 2015.

Operating expenses

Amounts in NOK million	2016	Change	2015
Total adjusted operating expenses	(19 892)	383	(20 275)
Expenses related to operations			
Other costs		393	
Salaries and other personnel expenses (excl. pension and restructuring costs)		117	
IT expenses		107	
Pension expenses		(103)	
Provisions for financial activities tax		(131)	
Non-recurring effects	(624)	(1 708)	1 084
IT restructuring		234	(234)
Restructuring costs	(831)	(389)	(442)
Other non-recurring effects	207	(1 553)	1 760
Operating expenses	(20 516)	(1 325)	(19 191)
Of which:			
Exchange rate effects for units outside Norway		(102)	
Currency-adjusted operating expenses	(19 790)	486	(20 275)

Total operating expenses were up 6.9 per cent from 2015. Adjusted for non-recurring effects, there was a 1.9 per cent reduction in expenses. Significant non-recurring effects had a negative impact and resulted in a rise in expenses of NOK 1 708 million. The main factor was lower personnel expenses in 2015 due to the transition from a defined-benefit to a defined-contribution pension scheme. Exchange rate effects gave an increase of NOK 102 million. In the longer term, implemented restructuring measures will ensure lower costs and a reduction in both the number of employees, the number of branch offices and the number of production units. Provisions for financial activities tax represented NOK 131 million.

Impairment of loans and guarantees

Impairment losses on loans and guarantees totalled NOK 7 424 million in 2016, up NOK 5 154 million from 2015.

Total impairments losses for 2016 were mainly related to shipping, offshore and energy in the large corporate and international customers segment. Individual impairment losses stemmed primarily from a small number of large customers. The sale of non-performing portfolios led to recoveries and reassessed impairment in the personal customer segment totalling NOK 668 million in 2016, compared with NOK 1 067 million in 2015.

The rise in collective impairment is mainly related to negative migration and less favourable economic conditions in these industries. The other credit portfolios are still of high quality and the difficult situation in the oil-related industries has had no material impact on these portfolios.

Net non-performing and doubtful loans and guarantees amounted to NOK 25.7 billion at end-December 2016, up from NOK 14.0 billion at year-end 2015. Net non-performing and doubtful loans and guarantees represented 1.49 per cent of the loan portfolio, an increase of 0.73 percentage points from end-December 2015. The increase in non-performing and doubtful loans and guarantees is linked to shipping, offshore and energy in the large corporate and international customers segment.

Taxes

The banking group's tax expense for 2016 was NOK 3 964 million, representing 18 per cent of pre-tax operating profits. The tax rate was down 7 percentage points from 2015. The tax rate was lower than the anticipated rate of 22 per cent, mainly due to equity sales under the tax exemption model, reduced tax expenses in entities outside Norway, and Norwegian taxation rules for the allocation of interest expenses between Norway and the US.

Funding, liquidity and balance sheet

Throughout the year, the short-term funding markets were characterised by uncertainty related to the effects of new regulatory reforms for US money market funds. The limited availability of longer maturities in combination with increased demand led to wider spreads. DNB had ample access to short-term funding throughout the year.

The long-term funding markets were characterised by regulatory and political uncertainty in 2016. Concerns related to the Chinese economy and a weaker growth outlook for European banks led to higher spreads and lower activity at the beginning of the year. Spreads were markedly reduced after the European Central Bank meeting in March, where, among other things, the asset purchase programme was further expanded. The level of activity declined towards the summer as the EU referendum in the UK was approaching. After the vote markets normalised and spreads decreased. The activity level was once again down ahead of the US presidential election, but increased markedly afterwards. Concerns related to a potential reduction in the ECB's asset purchase programme resulted in wider spreads towards the end of the year.

DNB had good access to long-term funding in 2016 and spreads on covered bonds and ordinary senior debt decreased markedly throughout the year.

The nominal value of long-term debt securities issued by the banking group was NOK 581 billion at end-December 2016 and NOK 608 billion a year earlier. The average remaining term to maturity for these debt securities was 3.9 years at end-December 2016, compared with 3.8 years at year-end 2015.

The short-term liquidity requirement, Liquidity Coverage Ratio (LCR), remained stable at above 100 per cent throughout the year. At end-December 2016, the total LCR was 138 per cent.

Total assets in the banking group's balance sheet were NOK 2 348 billion as at 31 December 2016 and NOK 2 316 billion a year earlier.

In the DNB Bank Group, loans to customers decreased by NOK 40 billion or 2.6 per cent from end-December 2015. Customer deposits were down NOK 12 billion or 1.2 per cent during the same period. For the banking group the ratio of customer deposits to net loans to customers was up from 62.5 per cent at end-December 2015 to 63.4 per cent a year later. The ambition is to have a ratio of customer deposits to net loans of minimum 60 per cent.

Risk and capital adequacy

The banking group quantifies risk by measuring economic capital. Economic capital declined by NOK 1.3 billion from year-end 2015, to NOK 67.2 billion at year-end 2016.

Economic capital for the banking group

	31 Dec. 2016	30 Sept. 2016	30 June 2016	31 Dec. 2015
<i>Amounts in NOK billion</i>				
Credit risk	54.4	54.8	55.8	55.5
Market risk	6.9	6.8	7.0	6.9
Operational risk	8.6	8.6	8.6	8.4
Business risk	6.4	6.4	6.4	6.2
Gross economic capital	76.3	76.7	77.8	77.0
Diversification effect ¹⁾	(9.2)	(9.3)	(9.4)	(8.5)
Net economic capital	67.2	67.4	68.4	68.5
Diversification effect in per cent of gross economic capital ¹⁾	12.0	12.1	11.5	11.1

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

Economic capital for credit declined by NOK 1.1 billion through 2016, reflecting a reduction in credit volumes in the large corporate portfolio of approximately NOK 90 billion in terms of exposure at default (EAD). There was continued sound and stable credit quality in most portfolios, though some sectors faced significant challenges in 2016. The reduction in oil and gas investments had the most pronounced effect on oil service and offshore companies, and there were several extensive restructurings in these sectors in 2016. DNB devotes considerable resources and professional expertise to these processes and expects this to continue into 2017.

The situation for traditional shipping companies has been demanding, but far less dramatic than for oil-related industries. Rates in the dry bulk market improved in 2016, but from a historically low level. Rates in the tanker segment were strong in the first half, but declined in the second half of the year, while rates in the container segment were weak throughout the year. It might also become necessary to restructure companies in these segments.

The operational risk situation in 2016 was satisfactory, and there was a low level of losses. Efforts to strengthen information security in the banking group have been intensified to meet the increasing threats relating to the protection of confidential information and cyberattacks. In general, IT operations became more stable during 2016, which was mainly attributable to the upgrading of the IT infrastructure in connection with the move of the banking group's data processing centres to a single location in 2015. In August, a successful full-scale test of disaster recovery

solutions for DNB's mainframe computer was conducted. The test confirmed that the banking group's solution is robust and reliable.

Calculated according to transitional rules, risk-weighted assets were reduced by NOK 15.8 billion from year-end 2015, to NOK 1 041 billion. The common equity Tier 1 capital ratio was 15.7 per cent, while the capital adequacy ratio was 20.0 per cent.

New regulatory framework

Capital adequacy requirements for banks

The capital adequacy requirements for banks consist of two pillars. Pillar 1 encompasses minimum requirements and buffer requirements determined by the political authorities. Expectations from Finanstilsynet (the Financial Supervisory Authority of Norway) in the form of Pillar 2 requirements come in addition to this. Pillar 2 is intended to reflect institution-specific capital requirements related to risk factors which are not covered, or are only partly covered, by Pillar 1. The Pillar 2 requirement for DNB is set at 1.5 per cent. New rules for the calculation of the counter-cyclical capital buffer entered into force as of 1 October 2016. For DNB, this means that the counter-cyclical buffer requirement will be the weighted average of the buffer rates for the countries where the bank has credit exposures. At year-end 2016, the common equity Tier 1 capital requirement was 14.7 per cent under Pillar 1 and 2. This included a counter-cyclical capital buffer of 1.5 per cent. The counter-cyclical capital buffer requirement in Norway will increase by 0.5 percentage points, to 2.0 per cent, as of 31 December 2017.

There is a need to have a margin over the total common equity Tier 1 capital requirement to take into account expected fluctuations in exchange rates and market prices. In the opinion of Finanstilsynet, DNB should have a margin of approximately 1 percentage point, which means that DNB needed to have a common equity Tier 1 capital ratio of approximately 15.7 per cent at year-end 2016.

The Ministry of Finance has approved a regulatory change that clarifies the regulations on the consolidation of capital requirements for banks and insurance companies. This has implications for how IRB banks that have ownership interests in insurance companies (an IRB bank uses internal models to calculate and report credit risk) should calculate the Basel I floor that is unique to Norway. The regulatory change came into effect on 1 January 2017 and reduces the DNB Group's common equity Tier 1 capital ratio by approximately 20 basis points.

As a supplement to the risk-weighted capital requirements and as a measure to counter adjustments and gaps in the regulations, a non-risk based capital requirement, leverage ratio, will also be introduced. The Basel Committee has recommended and the European Commission has proposed a leverage ratio requirement of minimum 3 per cent as from 2018. In Norway, the Ministry of Finance has set the minimum leverage ratio requirement at 3 per cent as of 30 June 2017. All Norwegian banks must have a buffer on top of the minimum requirement of at least 2 per cent. Systemically important banks must have an additional buffer of minimum 1 per cent. As a systemically important bank in Norway, the total requirement for DNB will thus be 6 per cent. At year-end 2016, the banking group had a leverage ratio of 7.1, well above the upcoming requirement.

New rules on deposit guarantees and crisis management

The implementation of the EU legislative acts for the winding-up and restructuring of banks, BRRD (Bank Recovery and Resolution Directive), and the revised Directive on Deposit Guarantee Schemes (DGS) will require extensive changes in the Norwegian crisis resolution system, including the rules on public administration and the role of the Norwegian Banks' Guarantee Fund. The Banking Law Commission has considered how the directives should be implemented in Norwegian law. Among other things, it has been proposed that the banks should pay annual levies to both a deposit guarantee fund and a resolution fund. This will have

practical consequences for the current fund structure and the obligation to pay levies. The Ministry circulated the draft legislation for public consultation in the fourth quarter of 2016.

Norway has joined the EU financial supervisory system

Due to a stipulation in the Norwegian Constitution on limited access to transfer powers to international organisations, it was not possible to incorporate the EU regulations establishing the European supervisory authorities into the EEA agreement until the autumn of 2016. The EFTA Surveillance Authority, ESA, has been granted competence to make legally binding decisions addressed to national supervisory authorities and individual institutions in Norway, Liechtenstein and Iceland. Decisions will be based on drafts prepared by the relevant EU supervisory authority. ESA and the national supervisory authorities in the three EEA/EFTA states shall participate, without voting rights, in the EU's three European supervisory authorities, EBA, ESMA and EIOPA. Also, the EU supervisory authorities shall participate, without voting rights, in ESA's work in this field. The same applies to preparatory bodies. The EU supervisory authorities will be granted competence to issue recommendations, that is non-binding decisions, vis-à-vis EEA/EFTA national authorities and enterprises. Parallel to this, a process is underway to incorporate the remaining several hundred legislative acts on financial services that have been accumulated in the EEA Joint Committee into the EEA agreement and Norwegian legislation.

Home mortgage lending regulation

The Ministry of Finance has adopted a new home mortgage regulation effective as of 1 January 2017 as a measure against the strong growth in housing prices and household debt, especially in Oslo. The regulation requires that mortgage customers provide a down payment of 15 per cent. Customers who want to buy a second residential property in the municipality of Oslo must provide a 40 per cent down payment. As previously applied, borrowers must be able to withstand an interest rate increase of 5 percentage points, and this requirement is supplemented by a new provision on the customer's loan-to-income ratio. Loans are not to be granted if the customer's total debt exceeds five times gross annual income. Interest-only loans (including home equity credit lines) must not exceed 60 per cent of the property's assessed value. Financial institutions may grant loans that do not meet one or more of the criteria in the regulation for up to 10 per cent of the value of total approved loans, but only 8 per cent in the municipality of Oslo.

Macroeconomic developments

Global GDP increased by approximately 3 per cent in 2016, about the same as the year before. However, growth was unevenly distributed. The emerging economies had considerably stronger growth than the industrialised countries, with an economic growth rate of approximately 1.5 per cent from 2015 to 2016. Eight years after the financial crisis, the more economically developed countries, MEDCs, are still characterised by spare capacity, low inflation and historically low interest rates. This also affects the political landscape. President Donald Trump has signalled a strong fiscal stimulus package. This has increased expectations with respect to both growth and inflation, and was an important driver of the hike in long-term interest rates towards the end of 2016.

In the United States, the cyclical upturn appears to continue. After a weak start to 2016, the economy showed signs of recovery. Several factors are helping to keep up growth momentum. Monetary policy remains expansionary while fiscal policy is expected to become more expansionary. Higher oil prices are making a positive contribution to the energy sector, counteracting the weakening of households' purchasing power. In addition, the tightening effects of the strong US dollar are starting to abate.

Growth in the Chinese economy appears to be more stable than expected. This is partly due to the authorities' expansionary policy and partly to the higher commodity prices, which have

helped improve earnings in many industries. However, higher debt levels and unprofitable investments are increasing the risk of a crisis at some time in the future. In the short term, the greatest risk factors include capital flight, which will probably be intensified by higher US dollar interest rates and the authorities' restrictive housing policy, which may result in an unwanted reduction in housebuilding activity, higher loan default rates and lower consumption growth.

The result of the EU referendum in the United Kingdom has so far had fewer negative consequences than expected. The financial turmoil was short-lived and domestic demand remained buoyant well into the autumn of 2016. The British pound has weakened more than expected, which is positive for the British export economy. The downside is that the weaker currency also results in higher inflation, which will weaken households' real disposable income.

GDP for Mainland Norway rose by approximately 0.7 per cent from 2015 to 2016, slightly lower than the previous year. The fall in oil investments was the most important factor behind the weak growth levels and had the most pronounced effect on petroleum-related industries. Employment levels in the mainland economy were virtually unchanged from the year before, stimulated by increased public demand, more construction workers and growth in some tourism-based industries. In other industries, however, there were few signs of employment growth in 2016. The weakening of the Norwegian krone in preceding years has strengthened Norwegian tourist companies, parts of the transportation sector, and the hotel and restaurant industry. The depreciation of the krone also made a significant impact on inflation and reduced households' purchasing power. Real wages probably declined by more than 1 per cent, the weakest trend since 1981. According to AKU (a Norwegian labour force survey), the unemployment rate rose to 4.8 per cent, while the number of unemployed people registered with the Norwegian Labour and Welfare Administration (NAV) decreased slightly during the year. Zero growth in employment, however, supports the view that the labour market weakened slightly in 2016. In the housing market, prices rose significantly in the second half of the year. For the year as a whole, price inflation was 8.3 per cent. In Oslo, increases in housing prices were particularly strong, which was a major reason why the Norwegian government tightened the rules for home mortgages.

Future prospects

Economic forecasts for 2017 indicate continued moderate growth in the global economy. Growth is expected to pick up in the United States, be marginally reduced in China and have a somewhat steeper decline in the eurozone and the United Kingdom. In Norway, activity levels in the mainland economy are expected to increase somewhat, but hardly enough to cause any major reduction in unemployment levels. Internationally, there is significant risk related to factors such as global political changes, increasing financial imbalances in China, economic and political developments in the United States and the situation for some European banks.

DNB presented its updated financial ambitions for 2017-2019 at the Capital Markets Day in November. The principal target is still to achieve a return on equity above 12 per cent towards 2019. Several factors will contribute to reaching the return on equity target, including strong emphasis on profitability through strict cost control and more efficient use of capital.

The Group has set a target for its common equity Tier 1 capital ratio of 16.0 per cent from year-end 2017, including the announced change in the counter-cyclical buffer.

DNB aspires to have a cost/income ratio below 40 per cent towards 2018 and a dividend payout ratio of more than 50 per cent from 2017. A share buy-back programme in addition to a cash dividend will be considered.

Volume-weighted spreads are anticipated to widen somewhat in 2017, while lending volumes are expected to be stable in 2017 and 2018. During this period, total loans are expected to increase

for personal customers and small and medium-sized enterprises, while the Group will actively reduce its portfolio of loans to large corporates and international customers. In 2019, total lending volume is expected to rise by 2 to 3 per cent. Adjusted for exchange rate movements, risk-weighted assets are expected to be stable. DNB aims to increase commission and fee income by

approximately 3 per cent per year. Total impairment losses for the period 2016 to 2018 are estimated to be up to NOK 18 billion, with the highest impairment losses during the first part of the period.

Long-term funding costs are expected to decrease somewhat from 2016 to 2017.

Oslo, 1 February 2017
The Board of Directors of DNB Bank ASA


Anne Carine Tanum
(chairman)


Jarle Berge
(vice-chairman)


Lillian Hattrem


Kim Wahl


Rune Bjerke
(group chief executive)

Income statement

		DNB Bank ASA			
<i>Amounts in NOK million</i>		4th quarter	4th quarter	Full year	Full year
	Note	2016	2015	2016	2015
Total interest income	5	9 171	9 140	35 163	38 287
Total interest expenses	5	(3 288)	(2 935)	(11 555)	(14 072)
Net interest income	5	5 883	6 205	23 608	24 215
Commission and fee income	6	1 849	1 554	6 739	6 220
Commission and expenses	6	(765)	(709)	(2 924)	(2 676)
Net gains on financial instruments at fair value	7	2 692	1 428	8 834	3 964
Other income		2 394	5 651	5 837	9 786
Net other operating income		6 170	7 924	18 486	17 294
Total income		12 053	14 129	42 094	41 509
Salaries and other personnel expenses	8	(2 182)	(513)	(9 248)	(7 245)
Other expenses	8	(1 615)	(1 557)	(6 118)	(6 591)
Depreciation and impairment of fixed and intangible assets	8	(621)	(574)	(2 050)	(2 035)
Total operating expenses	8	(4 418)	(2 644)	(17 417)	(15 871)
Pre-tax operating profit before impairment		7 635	11 485	24 677	25 638
Net gains on fixed and intangible assets		6	44	14	91
Impairment of loans and guarantees	10	(1 044)	(1 206)	(4 679)	(1 638)
Pre-tax operating profit		6 598	10 323	20 012	24 090
Tax expense	9	(2 192)	144	(5 223)	(3 452)
Profit for the period		4 406	10 467	14 789	20 638
Portion attributable to shareholders of DNB Bank ASA		4 169	10 341	14 193	20 264
Portion attributable to additional Tier 1 capital holders		238	126	595	374
Profit for the period		4 406	10 467	14 789	20 638

Comprehensive income statement

		DNB Bank ASA			
<i>Amounts in NOK million</i>		4th quarter	4th quarter	Full year	Full year
		2016	2015	2016	2015
Profit for the period		4 406	10 467	14 789	20 638
Actuarial gains and losses		(22)	21	(166)	615
Items that will not be reclassified to the income statement		(22)	21	(166)	615
Currency translation of foreign operations		19	27	(135)	238
Items that may subsequently be reclassified to the income statement		19	27	(135)	238
Other comprehensive income for the period (net of tax)		(3)	48	(301)	853
Comprehensive income for the period		4 403	10 515	14 487	21 492

Balance sheet

DNB Bank ASA

<i>Amounts in NOK million</i>	Note	31 Dec. 2016	31 Dec. 2015
Assets			
Cash and deposits with central banks		207 934	16 004
Due from credit institutions	13, 14	549 093	630 700
Loans to customers	11, 12, 13, 14	690 060	705 532
Commercial paper and bonds at fair value	14, 15	223 360	210 062
Shareholdings	14	5 178	7 504
Financial derivatives	14	170 317	213 797
Commercial paper and bonds, held to maturity	13, 15	12 760	19 162
Investments in associated companies		995	975
Investments in subsidiaries		118 233	120 473
Intangible assets		3 598	3 675
Deferred tax assets		1 882	6 320
Fixed assets		7 034	7 480
Other assets		13 462	23 735
Total assets		2 003 906	1 965 419
Liabilities and equity			
Due to credit institutions	13, 14	338 731	262 330
Deposits from customers	13, 14	920 664	896 488
Financial derivatives	14	181 794	240 518
Debt securities issued	13, 14, 17	336 941	340 099
Payable taxes		4	703
Deferred taxes		56	12
Other liabilities		23 893	39 438
Provisions		1 916	1 101
Pension commitments		2 454	2 246
Subordinated loan capital	12, 13, 17	29 347	30 953
Total liabilities		1 835 802	1 813 886
Share capital		18 314	18 314
Share premium		19 895	19 895
Additional Tier 1 capital		15 952	8 353
Other equity		113 942	104 970
Total equity		168 104	151 533
Total liabilities and equity		2 003 906	1 965 419

Off-balance sheet transactions

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Income statement

<i>Amounts in NOK million</i>		DNB Bank Group			
		4th quarter 2016	4th quarter 2015	Full year 2016	Full year 2015
Total interest income	5	13 409	14 038	52 887	57 793
Total interest expenses	5	(4 911)	(4 888)	(18 369)	(22 258)
Net interest income	5	8 498	9 150	34 517	35 535
Commission and fee income	6	2 300	2 092	8 628	8 694
Commission and fee expenses	6	(780)	(729)	(2 994)	(2 737)
Net gains on financial instruments at fair value	7	1 703	2 161	6 506	8 704
Profit from investments accounted for by the equity method		(45)	(28)	1 189	(72)
Net gains on investment properties		(7)	122	(35)	269
Other income		377	371	2 023	2 051
Net other operating income		3 547	3 989	15 316	16 909
Total income		12 045	13 139	49 833	52 444
Salaries and other personnel expenses	8	(2 672)	(1 005)	(11 206)	(9 140)
Other expenses	8	(1 842)	(1 893)	(7 207)	(7 892)
Depreciation and impairment of fixed and intangible assets	8	(493)	(567)	(2 103)	(2 159)
Total operating expenses	8	(5 007)	(3 464)	(20 516)	(19 191)
Pre-tax operating profit before impairment		7 038	9 675	29 317	33 253
Net gains on fixed and intangible assets		(12)	(9)	(19)	45
Impairment of loans and guarantees	10	(1 753)	(1 420)	(7 424)	(2 270)
Pre-tax operating profit		5 273	8 245	21 874	31 028
Tax expense	9	(312)	(1 851)	(3 964)	(7 755)
Profit from operations held for sale, after taxes		26	28	4	(51)
Profit for the period		4 988	6 422	17 914	23 222
Portion attributable to shareholders of DNB Bank ASA		4 750	6 297	17 319	22 848
Portion attributable to additional Tier 1 capital holders		238	126	595	374
Profit for the period		4 988	6 422	17 914	23 222

Comprehensive income statement

<i>Amounts in NOK million</i>		DNB Bank Group			
		4th quarter 2016	4th quarter 2015	Full year 2016	Full year 2015
Profit for the period		4 988	6 422	17 914	23 222
Actuarial gains and losses		(35)	15	(179)	592
Items that will not be reclassified to the income statement		(35)	15	(179)	592
Currency translation of foreign operations ¹⁾		3 561	2 371	(6 478)	9 618
Currency translation reserve reclassified to the income statement				(43)	
Hedging of net investment ²⁾		(2 415)	(1 578)	4 346	(6 203)
Investments according to the equity method ³⁾		4	889	(25)	889
Investments according to the equity method, reclassified to the income statement ³⁾				(855)	
Items that may subsequently be reclassified to the income statement		1 150	1 682	(3 055)	4 304
Other comprehensive income for the period (net of tax)		1 115	1 697	(3 233)	4 896
Comprehensive income for the period		6 103	8 120	14 680	28 118

1) Currency translation effects related to the Baltics came to NOK 103 million in the fourth quarter of 2016.

2) Hedging of net investments in the Baltics represented a loss of NOK 61 million in the fourth quarter of 2016, net of tax.

3) DNB had indirect ownership interests in Visa Europe through its membership in Visa Norge. In connection with the valuation of the holdings in Visa Europe as at 31 March 2016 an accumulated gain of NOK 855 million was recognised in other comprehensive income. Upon the completion of the acquisition of Visa Europe by Visa Inc in the second quarter of 2016, this amount was reclassified to profit and a total gain of NOK 1 128 million was recognised as "Profit from investments accounted for by the equity method" in the income statement.

Balance sheet

		DNB Bank Group	
		31 Dec. 2016	31 Dec. 2015
<i>Amounts in NOK million</i>	Note		
Assets			
Cash and deposits with central banks		208 263	19 317
Due from credit institutions	13, 14	174 908	297 457
Loans to customers	11, 12, 13, 14	1 492 268	1 531 932
Commercial paper and bonds at fair value	14, 15	217 887	207 063
Shareholdings	14	6 200	8 794
Financial derivatives	14	157 957	203 273
Commercial paper and bonds, held to maturity	13, 15	12 760	19 162
Investment properties		1 175	2 333
Investments accounted for by the equity method		3 570	4 091
Intangible assets		3 981	4 176
Deferred tax assets		1 392	1 138
Fixed assets		7 117	8 059
Assets held for sale	16	52 541	200
Other assets		8 255	8 608
Total assets		2 348 272	2 315 603
Liabilities and equity			
Due to credit institutions	13, 14	211 606	161 267
Deposits from customers	13, 14	945 694	957 322
Financial derivatives	14	130 990	154 878
Debt securities issued	13, 14, 17	767 750	806 810
Payable taxes		8 847	2 493
Deferred taxes		2 382	6 461
Other liabilities		15 781	18 409
Liabilities held for sale	16	41 243	71
Provisions		2 038	1 225
Pension commitments		2 516	2 301
Subordinated loan capital	13, 14, 17	29 347	30 953
Total liabilities		2 158 194	2 142 191
Share capital		18 314	18 314
Share premium		20 611	20 611
Additional Tier 1 capital		15 952	8 353
Other equity		135 200	126 133
Total equity		190 078	173 412
Total liabilities and equity		2 348 272	2 315 603
Off-balance sheet transactions	19		

Statement of changes in equity

DNB Bank ASA

<i>Amounts in NOK million</i>	Share capital	Share premium	Additional Tier 1 Capital	Actuarial gains and losses	Currency translation reserve	Other equity	Total equity
Balance sheet as at 31 Dec. 2014	18 314	19 895		(2 741)	414	91 838	127 720
Profit for the period			374			20 264	20 638
Other comprehensive income (net of tax)				615	238		853
Comprehensive income for the period			374	615	238	20 264	21 492
Defined-benefit pension scheme discontinued				1 667		(1 667)	
Additional Tier 1 Capital issued			8 053			(31)	8 023
Interest payments additional Tier 1 capital			(75)				(75)
Transfer of lending portfolio to subsidiary (continuity)						(627)	(627)
Group contribution for 2015 to DNB ASA						(5 000)	(5 000)
Balance sheet as at 31 Dec. 2015	18 314	19 895	8 353	(459)	652	104 777	151 533
Profit for the period			595			14 193	14 789
Other comprehensive income				(166)	(135)		(301)
Comprehensive income for the period			595	(166)	(135)	14 193	14 487
Additional Tier 1 capital issued			7 520			(43)	7 477
Interest payments additional Tier 1 capital			(505)				(505)
Currency movements taken to income			(11)			11	
Transfer of lending portfolio to subsidiary (continuity)						195	195
Group contribution for 2016 to DNB ASA						(9 284)	(9 284)
Group contribution for 2016 from DNB ASA						4 200	4 200
Balance sheet as at 31 Dec. 2016	18 314	19 895	15 952	(619)	517	114 045	168 104

Statement of changes in equity (continued)

<i>Amounts in NOK million</i>	DNB Bank Group							
	Share capital	Share premium	Additional Tier 1 capital	Actuarial gains and losses	Currency translation reserve ¹⁾	Net investment reserve ¹⁾	Other equity	Total equity ¹⁾
Balance sheet as at 31 Dec. 2014	18 314	20 611		(2 834)	8 637	(5 645)	102 226	141 309
Profit for the period			374				22 848	23 222
Other comprehensive income (net of tax)				592	9 618	(6 203)	889	4 896
Comprehensive income for the period			374	592	9 618	(6 203)	23 736	28 118
Defined-benefit pension scheme discontinued				1 763			(1 763)	
Currency translation reserve taken to income					34		4	38
Additional Tier 1 capital issued			8 053				(31)	8 023
Interest payments additional Tier 1 capital			(75)					(75)
Group contribution to DNB ASA for 2014							(4 001)	(4 001)
Balance sheet as at 31 Dec. 2015	18 314	20 611	8 353	(479)	18 289	(11 848)	120 171	173 412
Profit for the period			595				17 319	17 914
Other comprehensive income				(179)	(6 521)	4 346	(880)	(3 233)
Comprehensive income for the period			595	(179)	(6 521)	4 346	16 438	14 680
Additional Tier 1 capital issued			7 520				(43)	7 477
Interest payments additional Tier 1 capital			(505)					(505)
Currency movements taken to income			(11)				11	
Defined-benefit pension schemes discontinued				16			(16)	
AGDL provisions in Luxembourg reclassified to equity							13	13
Group contribution to DNB ASA for 2015							(5 000)	(5 000)
Balance sheet as at 31 Dec. 2016	18 314	20 611	15 952	(641)	11 768	(7 502)	131 575	190 078

1) *Of which OCI related to the Baltics:*

<i>Balance sheet as at 31 December 2015</i>	1 465	(987)	478
<i>Other comprehensive income</i>	(449)	275	(174)
<i>Balance sheet as at 31 December 2016</i>	1 015	(712)	304

Currency translation reserve and net investment hedge reserve related to the Baltics totaled NOK 304 million as at 31 December 2016, of which NOK 280 million represented accumulated tax on the hedging instruments.

Cash flow statement

DNB Bank ASA

<i>Amounts in NOK million</i>	Full year 2016	Full year 2015
Operating activities		
Net receipts/payments on loans to customers	(1 193)	50 461
Interest received from customers	26 974	30 885
Net receipts/payments on deposits from customers	37 498	(44 221)
Interest paid to customers	(5 219)	(10 485)
Net receipts/payments on loans to credit institutions	144 571	(20 697)
Interest received from credit institutions	3 774	3 870
Interest paid to credit institutions	(1 975)	(1 558)
Net receipts/payments on the sale of financial assets for investment or trading	(8 655)	16 386
Interest received on bonds and commercial paper	4 327	5 080
Net receipts on commissions and fees	3 998	3 553
Payments to operations	(15 995)	(16 346)
Taxes paid	(1 268)	(800)
Other receipts	8 563	9 595
Net cash flow from operating activities	195 401	25 723
Investing activities		
Net payments on the acquisition of fixed assets	(1 627)	(1 866)
Receipts on the sale of long-term investments in shares	861	223
Payments on the acquisition of long-term investments in shares	(3 700)	(33 124)
Dividends received on long-term investments in shares	57	104
Net cash flow from investment activities	(4 408)	(34 662)
Financing activities		
Receipts on issued bonds and commercial paper	8 943 961	3 072 165
Payments on redeemed bonds and commercial paper	(8 935 044)	(3 110 990)
Interest payments on issued bonds and commercial paper	(6 238)	(5 097)
Receipts on the raising of subordinated loan capital	738	3 805
Redemptions of subordinated loan capital	(3)	(4 604)
Interest payments on subordinated loan capital	(920)	(1 027)
Receipts on issued additional Tier 1 capital	7 520	8 023
Interest payments on additional Tier 1 capital	(516)	(75)
Group contribution payments	(6 942)	(4 729)
Net cash flow from funding activities	2 555	(42 529)
Effects of exchange rate changes on cash and cash equivalents	(1 663)	13 547
Net cash flow	191 884	(37 921)
Cash as at 1 January	19 884	57 805
Net payments of cash	191 884	(37 921)
Cash at end of period ¹⁾	211 768	19 884

*) *Of which: Cash and deposits with central banks* 207 934 16 004
Deposits with credit institutions with no agreed period of notice ¹⁾ 3 835 3 880

1) Recorded under "Due from credit institutions" in the balance sheet.

Cash flow statement (continued)

	DNB Bank Group	
<i>Amounts in NOK million</i>	Full year 2016	Full year 2015
Operating activities		
Net payments on loans to customers	(35 187)	(32 213)
Interest received from customers	47 420	51 863
Net receipts/payments on deposits from customers	40 724	(34 447)
Interest paid to customers	(3 711)	(7 475)
Net receipts on loans to credit institutions	163 235	3 917
Interest received from credit institutions	1 261	1 617
Interest paid to credit institutions	(1 661)	(1 355)
Net receipts/payments on the sale of financial assets for investment or trading	4 076	(16 600)
Interest received on bonds and commercial paper	4 271	4 592
Net receipts on commissions and fees	5 757	5 965
Payments to operations	(19 014)	(19 210)
Taxes paid	(1 455)	(2 473)
Other receipts	8 327	5 433
Net cash flow from operating activities	214 042	(40 387)
Investing activities		
Net payments on the acquisition of fixed assets	(1 529)	(1 853)
Net receipts/payments, investment properties	(605)	2 833
Receipts on the sale of long-term investments in shares	861	76
Dividends received on long-term investments in shares	66	6
Net cash flow from investment activities	(1 206)	1 062
Financing activities		
Receipts on issued bonds and commercial paper	8 995 908	3 142 451
Payments on redeemed bonds and commercial paper	(9 000 786)	(3 145 857)
Interest payments on issued bonds and commercial paper	(16 016)	(15 129)
Receipts on the raising of subordinated loan capital	738	3 805
Redemptions of subordinated loan capital	(3)	(4 604)
Interest payments on subordinated loan capital	(923)	(1 029)
Receipts on issued additional Tier 1 capital	7 520	8 023
Interest payments on additional Tier 1 capital	(516)	(75)
Group contributions payments	(6 849)	(4 001)
Net cash flow from funding activities	(20 928)	(16 415)
Effects of exchange rate changes on cash and cash equivalents	(312)	14 622
Net cash flow	191 596	(41 118)
Cash as at 1 January	23 194	64 312
Net payments of cash	191 596	(41 118)
Cash at end of period ¹⁾	214 790	23 194

*) Of which: Cash and deposits with central banks	211 908	19 317
Deposits with credit institutions with no agreed period of notice ¹⁾	2 881	3 876

1) Recorded under "Due from credit institutions" in the balance sheet.

Note 1 Basis for preparation

The quarterly financial statements for the DNB Bank group have been prepared in accordance with IAS 34 Interim Financial Reporting as issued by the International Accounting Standards Board and as adopted by the European Union. DNB Bank ASA has prepared the financial statements according to the Norwegian Ministry of Finance's regulations on annual accounts, Section 1-6, on the use of IFRS. When preparing the consolidated financial statements, management makes estimates, judgments and assumptions that affect the application of the accounting principles and the carrying amount of assets, liabilities, income and expenses. Estimates and assumptions are subject to continual evaluation and are based on historical experience and other factors, including expectations of future events that are believed to be probable on the balance sheet date. A description of the accounting policies, significant estimates and areas where judgment is applied by the DNB Bank group, appear in note 1 Accounting principles in the annual report for 2015.

Note 2 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 Bank Group's resources. Special product areas are responsible for production and development for parts of the product range and for ensuring that the Bank 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 Bank Group 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. 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 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 the Bank Group'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 segments are based on the banking group's accounting principles and DNB's management model. Allocation of costs and capital between segments involves 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 III with capital requirement related to credit risk, market risk and operational risk. The allocation of capital for 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 2 Segments (continued)

Income statement, fourth quarter

	DNB Bank Group											
	Personal customers		Small and medium-sized enterprises		Large corporates and international customers		Trading		Other operations/eliminations ¹⁾		DNB Bank Group	
	4th quarter		4th quarter		4th quarter		4th quarter		4th quarter		4th quarter	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
<i>Amounts in NOK million</i>												
Net interest income	3 217	3 486	1 638	1 610	3 668	3 929	1	3	(26)	122	8 498	9 150
Net other operating income	790	835	393	295	1 336	1 105	817	796	210	958	3 547	3 989
Total income	4 007	4 321	2 031	1 905	5 004	5 034	818	799	185	1 080	12 045	13 139
Operating expenses	(1 894)	(2 041)	(829)	(758)	(1 875)	(2 037)	(159)	(97)	(250)	1 468	(5 007)	(3 464)
Pre-tax operating profit before impairment	2 113	2 281	1 202	1 147	3 129	2 997	659	702	(65)	2 548	7 038	9 675
Net gains on fixed and intangible assets		0	(0)	(0)	(4)	5			(8)	(13)	(12)	(9)
Impairment of loans and guarantees ²⁾	129	15	(289)	(360)	(1 586)	(1 079)			(6)	3	(1 753)	(1 420)
Profit from repossessed operations			40	35	7	(6)			(47)	(30)		
Pre-tax operating profit	2 242	2 296	953	823	1 546	1 916	659	702	(126)	2 508	5 273	8 245
Tax expense	(560)	(620)	(238)	(222)	(417)	(556)	(165)	(183)	1 069	(271)	(312)	(1 851)
Profit from operations held for sale, after taxes	0	(1)			(0)				26	29	26	28
Profit for the period	1 681	1 675	715	601	1 129	1 361	494	520	969	2 266	4 988	6 422

1) See the tables below for more information about Other operations/eliminations.

2) See note 10 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											
	Personal customers		Small and medium-sized enterprises		Large corporates and international customers		Trading		Other operations/eliminations		DNB Bank Group	
	4th quarter		4th quarter		4th quarter		4th quarter		4th quarter		4th quarter	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
<i>Amounts in NOK billion</i>												
Loans to customers ^{1) 2)}	718.2	695.7	231.9	220.3	531.1	579.4	24.4	28.3	(10.9)	17.8	1 494.7	1 541.5
Deposits from customers ^{1) 2)}	399.4	391.1	185.7	172.8	367.0	403.5	54.5	203.7	(33.9)	4.5	972.7	1 175.6
Allocated capital ³⁾	38.1	31.7	24.3	20.4	85.9	70.4	7.2	7.3				

Key figures

	DNB Bank Group											
	Personal customers		Small and medium-sized enterprises		Large corporates and international customers		Trading		Other operations		DNB Bank Group	
	4th quarter		4th quarter		4th quarter		4th quarter		4th quarter		4th quarter	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
<i>Per cent</i>												
Cost/income ratio ⁴⁾	47.3	47.2	40.8	39.8	37.5	40.5	19.5	12.1			41.6	26.4
Ratio of deposits to loans ^{2) 5)}	55.6	56.2	80.1	78.5	69.1	69.6					65.1	76.3
Return on allocated capital, annualised ³⁾	17.5	20.9	11.7	11.7	5.2	7.7	27.2	28.4			11.2	15.6

1) Loans to and deposits from customers in the Baltics are included under Large corporates and international customers in spite of being reclassified as assets and liabilities held for sale in August 2016. The reclassification is reflected under Other operations/elimination. Reclassified loans amounted to NOK 46.5 billion and deposits to NOK 36.7 billion.

2) Loans to customers include accrued interest, impairment and value adjustments. Correspondingly, deposits from customers include accrued interest and value adjustments. In November 2015, a portfolio of home mortgages amounting to approximately NOK 20 billion was sold from DNB Boligkreditt to DNB Livsforsikring, and in November 2016, mortgages representing an additional NOK 5 billion were sold. In the fourth quarter of 2016, commercial mortgages amounting to NOK 2.6 billion and 4.5 billion, respectively, were sold from DNB Næringskreditt and DNB Bank to DNB Livsforsikring.

3) Allocated capital for the segments is calculated based on the external capital adequacy requirement (Basel III) which must be met by the banking group. The capital allocated in 2016 corresponds to a common equity Tier 1 capital ratio of 17.2 per cent compared to 14.5 per cent in 2015. Recorded capital is used for the banking group.

4) Total operating expenses relative to total income.

5) Deposits from customers relative to loans to customers. Calculated on the basis of average balance sheet items.

Note 2 Segments (continued)

Income statement, Full year

	DNB Bank Group											
	Personal customers		Small and medium-sized enterprises		Large corporates and international customers		Trading		Other operations/eliminations		DNB Group	
	Full year	Full year	Full year	Full year	Full year	Full year	Full year	Full year	Full year	Full year	Full year	
<i>Amounts in NOK million</i>	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Net interest income	13 223	13 655	6 358	6 131	14 300	15 196	28	89	609	464	34 517	35 535
Net other operating income	3 567	3 691	1 418	1 190	5 381	5 232	2 976	1 503	1 974	5 292	15 316	16 909
Total income	16 790	17 346	7 776	7 322	19 681	20 427	3 004	1 592	2 582	5 756	49 833	52 444
Operating expenses	(8 174)	(8 307)	(3 102)	(2 840)	(7 408)	(7 476)	(548)	(505)	(1 283)	(62)	(20 516)	(19 191)
Pre-tax operating profit before impairment	8 616	9 039	4 674	4 481	12 272	12 951	2 455	1 087	1 300	5 694	29 317	33 253
Net gains on fixed and intangible assets	0	0	2	(2)	24	53			(44)	(7)	(19)	45
Impairment of loans and guarantees ¹⁾	392	939	(1 082)	(1 068)	(6 734)	(2 108)			(0)	(33)	(7 424)	(2 270)
Profit from repossessed operations			6	3	8	(67)			(14)	64		
Pre-tax operating profit	9 008	9 979	3 599	3 414	5 570	10 829	2 455	1 087	1 241	5 719	21 874	31 028
Taxes	(2 252)	(2 694)	(900)	(922)	(1 504)	(3 140)	(614)	(283)	1 306	(716)	(3 964)	(7 755)
Profit from operations held for sale, after taxes	(1)	2			3				2	(53)	4	(51)
Profit for the period	6 755	7 286	2 699	2 492	4 070	7 689	1 841	804	2 549	4 951	17 914	23 222

1) See note 10 Impairment of loans and guarantees for an analysis of the gross change in impairment for the banking group.

Other operations/eliminations

Other operations/eliminations include IT and Operations, HR (Human Resources), Group Finance including Group Treasury, Risk Management, Corporate Communications, the partially owned company Eksportfinans, investments in IT infrastructure. In addition, Other operations/eliminations 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 and all intra-group eliminations are included in Other operations/eliminations.

Pre-tax operating profit

	DNB Bank Group	
	4th quarter 2016	4th quarter 2015
<i>Amounts in NOK million</i>		
Unallocated interest income	(157)	58
Income from equity investments	87	285
Mark-to-market adjustments on financial instruments	681	195
Basis swaps	(713)	(4)
Profit from associated companies	(45)	(5)
Net gains on investment properties	15	167
Profit from repossessed operations	(47)	(30)
Unallocated personnel expenses ¹⁾	50	1 633
Unallocated IT and Operations expenses	63	114
IT restructuring	(2)	9
Reversal of provisions	24	46
Impairment of fixed assets and value adjustments on investments properties		(5)
Other	(84)	44
Pre-tax operating profit	(126)	2 508

1) Of which an unallocated non-recurring effect on pension expenses of NOK 1 778 million in 2015. See note 8 Operating expenses.

Note 3 Capital adequacy

Capital adequacy is calculated and reported in accordance with the EU capital requirements regulations for banks and investment firms (CRD IV/CRR). The regulatory consolidation deviates from consolidation in the accounts and comprises the parent company, subsidiaries and associated companies within the financial sector. Associated companies are consolidated pro rata.

DNB Bank ASA		Primary capital	DNB Bank Group	
31 Dec. 2015	31 Dec. 2016	<i>Amounts in NOK million</i>	31 Dec. 2016	31 Dec. 2015
151 533	168 104	Total equity	190 078	173 412
		Effect from regulatory consolidation	(181)	(541)
(8 053)	(15 574)	Additional Tier 1 capital instruments included in total equity	(15 574)	(8 053)
(219)	(284)	Net accrued interest on additional Tier 1 capital instruments	(284)	(219)
143 261	152 246	Common equity Tier 1 capital instruments	174 039	164 599
		Deductions		
(38)		Pension funds above pension commitments		(38)
(3 012)	(2 900)	Goodwill	(2 951)	(3 029)
(195)	(224)	Deferred tax assets that are not due to temporary differences	(482)	(640)
(663)	(699)	Other intangible assets	(946)	(1 075)
		Group contribution, payable	(5 084)	(5 000)
(1 383)	(6)	Expected losses exceeding actual losses, IRB portfolios	(153)	(2 309)
(671)	(479)	Value adjustment due to the requirements for prudent valuation (AVA)	(786)	(1 055)
(15)	107	Adjustments for unrealised losses/(gains) on debt recorded at fair value	(90)	(412)
(785)	(580)	Adjustments for unrealised losses/(gains) arising from the institution's own credit risk related to derivative liabilities (DVA)	(159)	(150)
136 499	147 467	Common equity Tier 1 capital	163 388	150 889
10 267	17 471	Additional Tier 1 capital instruments	17 471	10 267
146 766	164 938	Tier 1 capital	180 860	161 156
5 702	5 602	Perpetual subordinated loan capital	5 602	5 702
22 185	21 249	Term subordinated loan capital	21 249	22 185
27 887	26 851	Tier 2 capital	26 851	27 887
174 653	191 789	Total eligible capital	207 711	189 043
906 084	773 244	Risk-weighted volume, transitional rules	1 040 888	1 056 731
72 487	61 860	Minimum capital requirement, transitional rules	83 271	84 539
15.1	19.1	Common equity Tier 1 capital ratio, transitional rules (%)	15.7	14.3
16.2	21.3	Tier 1 capital ratio, transitional rules (%)	17.4	15.3
19.3	24.8	Capital ratio, transitional rules (%)	20.0	17.9

Note 3 Capital adequacy (continued)

Basel III

The majority of the credit portfolios are reported according to the IRB approach. However, one portfolio, banks and financial institutions (DNB Bank) is still subject to final IRB approval from Finanstilsynet. The portfolio Large corporate clients rated by simulation models (DNB Bank) was approved in December 2015.

Specification of risk-weighted volume and capital requirements

	DNB Bank ASA					
	Nominal exposure	EAD ¹⁾	Average risk weights in per cent	Risk-weighted volume	Capital requirements	Capital requirements
	31 Dec. 2016	31 Dec. 2016	31 Dec. 2016	31 Dec. 2016	31 Dec. 2016	31 Dec. 2015
<i>Amounts in NOK million</i>						
IRB approach						
Corporate	753 590	600 034	48.8	292 590	23 407	24 752
Specialised lending (SL)	7 742	7 482	52.0	3 891	311	396
Retail - mortgages	79 758	79 758	25.0	19 910	1 593	2 045
Retail - other exposures	112 484	92 484	25.7	23 759	1 901	1 965
Securitisation	12 760	12 760	91.8	11 718	937	1 201
Total credit risk, IRB approach	966 334	792 518	44.4	351 868	28 149	30 359
Standardised approach						
Central government	42 948	55 454	0.1	79	6	30
Institutions	429 144	352 369	22.0	77 428	6 194	13 545
Corporate	102 181	80 795	93.0	75 109	6 009	6 713
Retail - mortgages	7 152	6 650	39.4	2 619	210	177
Retail - other exposures	104 855	33 820	74.6	25 228	2 018	1 587
Equity positions	120 148	120 148	100.3	120 482	9 639	9 807
Other assets	11 584	11 584	88.5	10 249	820	1 704
Total credit risk, standardised approach	818 012	660 820	47.1	311 195	24 896	33 562
Total credit risk	1 784 346	1 453 338	45.6	663 063	53 045	63 922
Market risk						
Position risk, debt instruments				23 189	1 855	1 849
Position risk, equity instruments				310	25	19
Currency risk						
Commodity risk				72	6	3
Credit value adjustment risk (CVA)				12 179	974	947
Total market risk				35 749	2 860	2 818
Operational risk				74 433	5 955	5 747
Total risk-weighted volume and capital requirements before transitional rules				773 244	61 860	72 487
Additional capital requirements according to transitional rules						
Total risk-weighted volume and capital requirements				773 244	61 860	72 487

1) EAD, exposure at default.

Note 3 Capital adequacy (continued)

Specification of risk-weighted volume and capital requirements

	DNB Bank Group					
	Nominal exposure	EAD ¹⁾	Average risk weights	Risk-weighted volume	Capital requirements	Capital requirements
	31 Dec. 2016	31 Dec. 2016	in per cent 31 Dec. 2016	31 Dec. 2016	31 Dec. 2016	31 Dec. 2015
<i>Amounts in NOK million</i>						
IRB approach						
Corporate	1 039 384	842 921	48.4	407 740	32 619	33 421
Specialised Lending (SL)	8 825	8 517	52.3	4 456	356	468
Retail - mortgages	706 195	706 195	22.1	155 814	12 465	12 241
Retail - other exposures	112 484	92 484	25.7	23 759	1 901	1 965
Securitisation	12 760	12 760	91.8	11 718	937	1 201
Total credit risk, IRB approach	1 879 648	1 662 878	36.3	603 487	48 279	49 295
Standardised approach						
Central government	55 426	69 760	0.1	84	7	33
Institutions	163 442	115 757	24.2	28 036	2 243	2 390
Corporate	161 010	127 939	86.0	109 983	8 799	10 164
Retail - mortgages	51 665	49 631	45.5	22 559	1 805	1 764
Retail - other exposures	122 926	48 737	75.4	36 742	2 939	2 642
Equity positions	7 791	7 790	106.5	8 296	664	263
Securitisation	1 760	1 160	44.6	518	41	60
Other assets	13 639	13 639	78.7	10 733	859	763
Total credit risk, standardised approach	577 658	434 412	49.9	216 952	17 356	18 078
Total credit risk	2 457 307	2 097 290	39.1	820 439	65 635	67 373
Market risk						
Position risk, debt instruments				14 615	1 169	1 141
Position risk, equity instruments				310	25	36
Currency risk						
Commodity risk				72	6	3
Credit value adjustment risk (CVA)				6 156	493	514
Total market risk				21 153	1 692	1 695
Operational risk				83 440	6 675	6 742
Total risk-weighted volume and capital requirements before transitional rules				925 033	74 003	75 810
Additional capital requirements according to transitional rules ²⁾				115 855	9 268	8 729
Total risk-weighted volume and capital requirements				1 040 888	83 271	84 539

1) EAD, exposure at default.

2) Due to transitional rules, the minimum capital adequacy requirements cannot be reduced below 80 per cent of the corresponding figure calculated according to the Basel I regulations.

Note 4 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 and international group entities. 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, a systemic crisis and a combination thereof, and a contingency plan has been established to handle market events. In addition, limits have been set 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 63.4 per cent at end-December 2016, up from 62.5 per cent a year earlier. The ratio of deposits to net loans in DNB Bank ASA was 133.4 per cent at end-December 2016.

The short-term funding markets were generally sound for banks with high credit ratings in the fourth quarter of 2016. New regulations for US money market funds came into force on 14 October, which led to a significant reduction in demand from this investor group. The reduced demand was to some extent replaced by demand from other types of investors. DNB had ample access to short term funding throughout the quarter.

The activity level in the long-term funding markets varied during the fourth quarter. The activity level declined prior to the US presidential election, but increased markedly afterwards. In December, uncertainty related to a potential reduction in the ECB's asset purchase programme (so called "tapering") resulted in wider spreads, in particular on covered bonds. The activity level was once again down towards the end of December, which is normal for that time of the year. The short-term liquidity requirement, Liquidity Coverage Ratio (LCR), remained stable at above 100 per cent throughout the quarter. At end-December, the total LCR was 138 per cent, with an LCR of 562 per cent for EUR, 190 per cent for USD and 59 per cent for NOK.

The average remaining term to maturity for the portfolio of senior bond debt and covered bonds was 3.9 years at end-December 2016, up from 3.8 a year earlier. The banking group aims to maintain a sound and stable maturity structure for funding over the next five years.

Note 5 Net interest income

<i>Amounts in NOK million</i>	DNB Bank ASA			
	4th quarter 2016	4th quarter 2015	Full year 2016	Full year 2015
Interest on amounts due from credit institutions	1 167	956	3 879	3 838
Interest on loans to customers	5 861	6 101	23 387	25 975
Interest on impaired loans and guarantees	192	146	622	459
Interest on commercial paper and bonds	1 191	1 183	4 630	5 115
Front-end fees etc.	65	86	260	293
Other interest income	695	668	2 385	2 606
Total interest income	9 171	9 140	35 163	38 287
Interest on amounts due to credit institutions	(894)	(440)	(2 138)	(1 559)
Interest on deposits from customers	(1 597)	(1 791)	(6 373)	(9 292)
Interest on debt securities issued	(915)	(802)	(3 683)	(3 075)
Interest on subordinated loan capital	(130)	(139)	(529)	(568)
Guarantee fund levy ¹⁾	(161)	(151)	(638)	(675)
Other interest expenses ²⁾	410	388	1 804	1 096
Total interest expenses	(3 288)	(2 935)	(11 555)	(14 072)
Net interest income	5 883	6 205	23 608	24 215

<i>Amounts in NOK million</i>	DNB Bank Group			
	4th quarter 2016	4th quarter 2015	Full year 2016	Full year 2015
Interest on amounts due from credit institutions	431	430	1 339	1 608
Interest on loans to customers	11 129	11 775	44 735	49 037
Interest on impaired loans and guarantees	317	203	911	619
Interest on commercial paper and bonds	1 173	1 106	4 578	4 605
Front-end fees etc.	81	96	294	337
Other interest income	277	428	1 029	1 587
Total interest income	13 409	14 038	52 887	57 793
Interest on amounts due to credit institutions	(762)	(369)	(1 705)	(1 365)
Interest on deposits from customers	(1 679)	(1 838)	(6 703)	(9 483)
Interest on debt securities issued	(2 933)	(3 238)	(12 385)	(12 809)
Interest on subordinated loan capital	(131)	(140)	(532)	(569)
Guarantee fund levy ¹⁾	(200)	(202)	(768)	(845)
Other interest expenses ²⁾	795	899	3 722	2 814
Total interest expenses	(4 911)	(4 888)	(18 369)	(22 258)
Net interest income	8 498	9 150	34 517	35 535

1) The amount recorded in the quarter represents a proportional share of the estimated annual levy.

2) Other interest expenses include interest rate adjustments resulting from interest swaps.

Note 6 Net commission and fee income

<i>Amounts in NOK million</i>	DNB Bank ASA			
	4th quarter 2016	4th quarter 2015	Full year 2016	Full year 2015
Money transfers	795	849	3 451	3 378
Asset management services	96	71	342	294
Custodial services	78	81	319	348
Securities broking	187	129	573	425
Corporate finance	277	86	575	289
Interbank fees	5	7	23	29
Credit broking	142	124	494	625
Sale of insurance products	93	90	372	366
Other commissions and fees	175	117	589	466
Total commission and fee income	1 849	1 554	6 739	6 220
Money transfers	(445)	(451)	(1 754)	(1 636)
Asset management services	(15)	(15)	(15)	(15)
Custodial services	(40)	(42)	(170)	(172)
Securities broking	(40)	(33)	(173)	(115)
Corporate finance	(19)	(15)	(73)	(55)
Interbank fees	(14)	(15)	(57)	(61)
Credit broking	(22)	(24)	(87)	(83)
Sale of insurance products	(27)	(24)	(114)	(95)
Other commissions and fees	(144)	(103)	(481)	(459)
Total commission and fee expenses	(765)	(709)	(2 924)	(2 676)
Net commission and fee income	1 084	845	3 815	3 544

<i>Amounts in NOK million</i>	DNB Bank Group			
	4th quarter 2016	4th quarter 2015	Full year 2016	Full year 2015
Money transfers	870	912	3 731	3 596
Asset management services	119	93	406	351
Custodial services	86	87	344	363
Securities broking	200	142	616	482
Corporate finance	338	123	767	609
Interbank fees	5	7	23	29
Credit broking	108	135	491	781
Sales of insurance products	100	96	397	392
Real estate broking	260	289	1 121	1 220
Other commissions and fees	214	209	732	870
Total commission and fee income	2 300	2 092	8 628	8 694
Money transfers	(455)	(459)	(1 795)	(1 670)
Asset management services	(15)	(15)	(15)	(15)
Custodial services	(40)	(43)	(172)	(174)
Securities broking	(40)	(36)	(176)	(119)
Corporate finance	(19)	(15)	(73)	(55)
Interbank fees	(14)	(15)	(57)	(61)
Credit broking	(2)	(9)	(26)	(27)
Sale of insurance products	(27)	(24)	(114)	(95)
Other commissions and fees	(167)	(128)	(567)	(537)
Total commission and fee expenses	(780)	(729)	(2 994)	(2 737)
Net commission and fee income	1 520	1 363	5 634	5 956

Note 7 Net gains on financial instruments at fair value

	DNB Bank ASA			
<i>Amounts in NOK million</i>	4th quarter 2016	4th quarter 2015	Full year 2016	Full year 2015
Dividends	31	19	124	147
Net gains on commercial paper and bonds	(1 965)	(1 217)	(1 680)	(2 847)
Net gains on shareholdings and equity-related derivatives	85	215	1 201	(190)
Net unrealised gains on basis swaps	513	(219)	649	(319)
Net gains on other financial instruments	4 028	2 631	8 541	7 173
Net gains on financial instruments at fair value	2 692	1 428	8 834	3 964

	DNB Bank Group			
<i>Amounts in NOK million</i>	4th quarter 2016	4th quarter 2015	Full year 2016	Full year 2015
Dividends	31	19	133	156
Net gains on commercial paper and bonds	(1 956)	(1 249)	(1 815)	(2 573)
Net gains on shareholdings and equity-related derivatives	84	380	361	(38)
Net unrealised gains on basis swaps	(713)	(4)	(542)	2 685
Net gains on other financial instruments	4 256	3 015	8 368	8 474
Net gains on financial instruments at fair value	1 703	2 161	6 506	8 704

Note 8 Operating expenses

<i>Amounts in NOK million</i>	DNB Bank ASA			
	4th quarter 2016	4th quarter 2015	Full year 2016	Full year 2015
Salaries	(1 493)	(1 544)	(6 138)	(6 175)
Employer's national insurance contributions	(281)	(226)	(968)	(901)
Pension expenses ¹⁾	(68)	1 528	(872)	823
Restructuring expenses	(180)	(101)	(656)	(345)
Other personnel expenses	(159)	(170)	(614)	(647)
Total salaries and other personnel expenses	(2 182)	(513)	(9 248)	(7 245)
Fees ²⁾	(487)	(317)	(1 474)	(1 370)
IT expenses ²⁾	(392)	(426)	(1 886)	(2 184)
Postage and telecommunications	(47)	(56)	(179)	(223)
Office supplies	(7)	(11)	(25)	(36)
Marketing and public relations	(168)	(158)	(567)	(589)
Travel expenses	(65)	(74)	(173)	(210)
Reimbursement to Norway Post for transactions executed	(48)	(43)	(198)	(174)
Training expenses	(19)	(18)	(49)	(60)
Operating expenses on properties and premises	(265)	(272)	(1 112)	(1 165)
Operating expenses on machinery, vehicles and office equipment	(17)	(17)	(63)	(67)
Other operating expenses	(101)	(165)	(391)	(513)
Total other expenses	(1 615)	(1 557)	(6 118)	(6 591)
Depreciation and impairment of fixed and intangible assets	(621)	(574)	(2 050)	(2 035)
Total depreciation and impairment of fixed and intangible assets	(621)	(574)	(2 050)	(2 035)
Total operating expenses	(4 418)	(2 644)	(17 417)	(15 871)

<i>Amounts in NOK million</i>	DNB Bank Group			
	4th quarter 2016	4th quarter 2015	Full year 2016	Full year 2015
Salaries	(1 864)	(1 921)	(7 622)	(7 660)
Employer's national insurance contributions	(338)	(289)	(1 190)	(1 124)
Pension expenses ¹⁾	(84)	1 532	(968)	770
Restructuring expenses	(191)	(106)	(693)	(352)
Other personnel expenses	(195)	(220)	(733)	(775)
Total salaries and other personnel expenses	(2 672)	(1 005)	(11 206)	(9 140)
Fees ²⁾	(506)	(349)	(1 575)	(1 497)
IT expenses ²⁾	(435)	(483)	(2 087)	(2 397)
Postage and telecommunications	(55)	(62)	(222)	(268)
Office supplies	(20)	(24)	(74)	(87)
Marketing and public relations	(212)	(200)	(804)	(845)
Travel expenses	(81)	(94)	(225)	(271)
Reimbursement to Norway Post for transactions executed	(48)	(43)	(198)	(174)
Training expenses	(22)	(23)	(61)	(72)
Operating expenses on properties and premises	(315)	(322)	(1 285)	(1 365)
Operating expenses on machinery, vehicles and office equipment	(23)	(25)	(92)	(100)
Other operating expenses	(126)	(270)	(585)	(817)
Total other expenses	(1 842)	(1 893)	(7 207)	(7 892)
Depreciation and impairment of fixed and intangible assets	(493)	(567)	(2 103)	(2 159)
Total depreciation and impairment of fixed and intangible assets	(493)	(567)	(2 103)	(2 159)
Total operating expenses	(5 007)	(3 464)	(20 516)	(19 191)

1) In the fourth quarter of 2015 DNB decided to change the Bank Group's pension scheme from a defined benefit to a defined contribution scheme with effect from December 2015. The change included the majority of its employees in Norway who were members of the Bank Group closed defined benefit scheme. The change resulted in a one-time effect of NOK 1 808 million and 1 778 for the Bank Group and DNB Bank ASA, respectively, which reduced pension expenses in 2015.

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

Note 9 Taxes

DNB Bank ASA		Balancing tax charges against pre-tax operating profit	DNB Bank Group	
Full year 2015	Full year 2016	Amounts in NOK million	Full year 2016	Full year 2015
24 090	20 012	Pre-tax operating profit	21 874	31 028
(6 504)	(5 003)	Estimated tax expense - nominal tax rate 25 per cent (27 per cent in 2015)	(5 469)	(8 378)
(38)		Tax effect of different tax rates in other countries	10	(168)
162	357	Tax effect of debt interest distribution with international branches	357	162
3 489	(572)	Tax effect of tax-exempt income and non-deductible expenses	861	149
		Tax effect of tax losses carried forward not recognised in the balance sheet ¹⁾	123	32
(489)		Tax effect of changed tax rate from 27 to 25 per cent for deferred taxes recognised in the balance sheet	18	511
(72)	(5)	Excess tax provision previous year	136	(63)
(3 452)	(5 223)	Total tax expense	(3 964)	(7 755)
14%	26%	Effective tax rate	18%	25%

1) Deferred taxes for tax-deductible differences (mainly losses carried forward) in subsidiaries are recognised in the balance sheet to the extent that it is probable that the Group can utilise the tax positions in the future.

Note 10 Impairment of loans and guarantees

Amounts in NOK million	DNB Bank ASA			
	4th quarter 2016	4th quarter 2015	Full year 2016	Full year 2015
Write-offs	(358)	(738)	(873)	(1 407)
New/increased individual impairment	(958)	(461)	(4 260)	(2 326)
Total new/increased individual impairment	(1 315)	(1 199)	(5 133)	(3 733)
Reassessed individual impairment previous years	87	107	614	672
Recoveries on loans and guarantees previously written off	196	191	957	1 715
Net individual impairment	(1 032)	(900)	(3 562)	(1 346)
Change in collective impairment of loans	(12)	(306)	(1 117)	(292)
Impairment of loans and guarantees ¹⁾	(1 044)	(1 206)	(4 679)	(1 638)
Write-offs covered by individual impairment made in previous years	252	279	1 278	2 463
1) Of which individual impairment of guarantees	(105)	3	(346)	(40)

Amounts in NOK million	DNB Bank Group			
	4th quarter 2016	4th quarter 2015	Full year 2016	Full year 2015
Write-offs	(455)	(748)	(1 359)	(1 446)
New/increased individual impairment	(1 519)	(672)	(5 910)	(3 288)
Total new/increased individual impairment	(1 974)	(1 420)	(7 269)	(4 735)
Reassessed individual impairment previous years	177	217	990	978
Recoveries on loans and guarantees previously written off	217	200	999	1 742
Net individual impairment	(1 580)	(1 002)	(5 280)	(2 015)
Change in collective impairment of loans	(172)	(418)	(2 144)	(255)
Impairment of loans and guarantees ¹⁾	(1 753)	(1 420)	(7 424)	(2 270)
Write-offs covered by individual impairment made in previous years	849	666	2 803	3 749
1) Of which individual impairment of guarantees	(105)	0	(344)	(36)

Note 11 Loans to customers

DNB Bank ASA			DNB Bank Group	
31 Dec. 2015	31 Dec. 2016		31 Dec. 2016	31 Dec. 2015
<i>Amounts in NOK million</i>				
Loans at amortised cost				
648 296	639 628	Loans to customers, nominal amount	1 391 602	1 417 866
(4 639)	(6 646)	- Individual impairment	(8 566)	(8 484)
643 657	632 982	Loans to customers, after individual impairment	1 383 036	1 409 382
1 520	1 214	+ Accrued interest and amortisation	1 791	2 313
(430)	(374)	- Individual impairment of accrued interest and amortisation	(494)	(656)
(1 709)	(2 787)	- Collective impairment	(4 481)	(2 524)
643 036	631 034	Loans to customers, at amortised cost	1 379 852	1 408 515
Loans at fair value				
62 470	58 937	Loans to customers, nominal amount	111 742	122 098
78	63	+ Accrued interest	151	187
(52)	26	+ Adjustment to fair value	523	1 132
62 495	59 026	Loans to customers, at fair value	112 416	123 417
705 532	690 060	Loans to customers ^{*) 1)}	1 492 268	1 531 932
32 384	29 466	*) Of which repo trading volumes	29 466	32 384

1) Loans to customers in the Baltics were reclassified as assets held for sale in August 2016, and amounted to NOK 45 007 million at end-December 2016.

Note 12 Net impaired loans and guarantees for principal customer groups ^{1) 2)}

DNB Bank ASA			DNB Bank Group	
31 Dec. 2015	31 Dec. 2016		31 Dec. 2016	31 Dec. 2015
<i>Amounts in NOK million</i>				
1 121	1 074	Private individuals	2 281	2 661
1 379	2 081	Transportation by sea and pipelines and vessel construction	2 748	2 045
1 137	1 223	Real estate	1 826	2 289
609	2 405	Manufacturing	3 986	1 530
323	771	Services	797	359
385	728	Trade	790	476
	3 625	Oil and gas	3 625	
488	2 138	Transportation and communication	3 905	1 099
333	691	Building and construction	749	470
314	10	Power and water supply	386	317
5	44	Seafood	44	5
36	27	Hotels and restaurants	61	118
67	22	Agriculture and forestry	107	110
7	0	Central and local government	0	7
19	4	Other sectors	19	34
6 223	14 843	Total customers	21 323	11 519
		Credit institutions		
6 223	14 843	Total net impaired loans and guarantees	21 323	11 519
1 582	1 953	Non-performing loans and guarantees not subject to impairment	4 320	2 461
7 804	16 796	Total net non-performing and doubtful loans and guarantees ²⁾	25 644	13 980

1) Includes loans and guarantees subject to individual impairment and total 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.

2) The DNB Bank Group figure includes volumes in the Baltics, reclassified as assets held for sale in August 2016, of which net non-performing and net doubtful loans and guarantees totalled NOK 2 256 million at end-December.

Note 13 Fair value of financial instruments at amortised cost

<i>Amounts in NOK million</i>	DNB Bank ASA			
	31 December 2016		31 December 2015	
	Carrying amount	Fair value	Carrying amount	Fair value
Cash and deposits with central banks	4 648	4 648	2 350	2 350
Due from credit institutions	203 450	203 450	127 972	127 972
Loans to customers	631 034	634 571	643 036	636 275
Commercial paper and bonds, held to maturity	12 760	12 406	19 162	18 463
Total financial assets	851 891	855 075	792 520	785 059
Due to credit institutions	38 104	38 104	26 275	26 275
Deposits from customers	865 855	865 855	852 252	852 252
Securities issued ¹⁾	170 531	173 788	161 909	164 603
Subordinated loan capital ¹⁾	28 093	28 065	29 712	29 711
Total financial liabilities	1 102 583	1 105 812	1 070 147	1 072 841

<i>Amounts in NOK million</i>	DNB Bank Group			
	31 December 2016		31 December 2015	
	Carrying amount	Fair value	Carrying amount	Fair value
Cash and deposits with central banks	4 977	4 977	5 663	5 663
Due from credit institutions	14 035	14 035	14 602	14 602
Loans to customers	1 379 852	1 383 679	1 408 515	1 401 036
Commercial paper and bonds, held to maturity	12 760	12 406	19 162	18 463
Total financial assets	1 411 623	1 415 097	1 447 942	1 439 763
Due to credit institutions	32 363	32 363	29 735	29 735
Deposits from customers	890 885	890 885	913 086	913 086
Securities issued ¹⁾	526 863	533 874	558 388	562 620
Subordinated loan capital ¹⁾	28 093	28 065	29 712	29 711
Total financial liabilities	1 478 205	1 485 187	1 530 921	1 535 153

1) Includes hedged liabilities.

Note 14 Financial instruments at fair value

DNB Bank ASA				
<i>Amounts in NOK million</i>	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	Total
Assets as at 31 December 2016				
Deposits with central banks		203 286		203 286
Due from credit institutions		345 643		345 643
Loans to customers		42 974	16 052	59 026
Commercial paper and bonds at fair value	50 893	172 092	375	223 360
Shareholdings	4 140	239	799	5 178
Financial derivatives	0	168 998	1 319	170 317
Liabilities as at 31 December 2016				
Due to credit institutions		300 628		300 628
Deposits from customers		54 809		54 809
Debt securities issued		166 410		166 410
Subordinated loan capital		1 254		1 254
Financial derivatives	0	180 732	1 062	181 794
Other financial liabilities ¹⁾	516	0		516

DNB Bank ASA				
<i>Amounts in NOK million</i>	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	Total
Assets as at 31 December 2015				
Deposits with central banks		13 654		13 654
Due from credit institutions		502 727		502 727
Loans to customers		37 640	24 855	62 495
Commercial paper and bonds at fair value	37 906	171 590	566	210 062
Shareholdings	6 675	1	828	7 504
Financial derivatives	2	212 291	1 504	213 797
Liabilities as at 31 December 2015				
Due to credit institutions		236 055		236 055
Deposits from customers		44 236		44 236
Debt securities issued		178 190		178 190
Subordinated loan capital		1 241		1 241
Financial derivatives	0	239 374	1 144	240 518
Other financial liabilities ¹⁾	5 285	75		5 359

1) Short positions, trading activities.

Note 14 Financial instruments at fair value (continued)

<i>Amounts in NOK million</i>	DNB Bank Group			
	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	Total
Assets as at 31 December 2016				
Deposits with central banks		203 286		203 286
Due from credit institutions		160 873		160 873
Loans to customers		42 974	69 442	112 416
Commercial paper and bonds at fair value	54 988	162 524	375	217 887
Shareholdings	5 009	245	946	6 200
Financial derivatives	0	156 637	1 319	157 957
Liabilities as at 31 December 2016				
Due to credit institutions		179 243		179 243
Deposits from customers		54 809		54 809
Debt securities issued		240 887		240 887
Subordinated loan capital		1 254		1 254
Financial derivatives	0	129 928	1 062	130 990
Other financial liabilities ¹⁾	516	0		516

<i>Amounts in NOK million</i>	DNB Bank Group			
	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	Total
Assets as at 31 December 2015				
Deposits with central banks		13 654		13 654
Due from credit institutions		282 855		282 855
Loans to customers		37 640	85 777	123 417
Commercial paper and bonds at fair value	42 335	163 994	734	207 063
Shareholdings	7 564	2	1 229	8 794
Financial derivatives	2	201 767	1 504	203 273
Liabilities as at 31 December 2015				
Due to credit institutions		131 532		131 532
Deposits from customers		44 236		44 236
Debt securities issued		248 422		248 422
Subordinated loan capital		1 241		1 241
Financial derivatives	0	153 734	1 144	154 878
Other financial liabilities ¹⁾	5 285	75		5 359

1) Short positions, trading activities.

Financial assets and liabilities in the Baltics were reclassified to assets and liabilities held for sale in August 2016 and are not included in the table above.

For a further description of the instruments and valuation techniques, see the annual report for 2015

Note 14 Financial instruments at fair value (continued)

Financial instruments at fair value, level 3

DNB Bank ASA

<i>Amounts in NOK million</i>	Financial assets				Financial liabilities
	Loans to customers	Commercial paper and bonds	Share-holdings	Financial derivatives	Financial derivatives
Carrying amount as at 31 December 2015	24 855	566	828	1 504	1 144
Net gains recognised in the income statement	42	(12)	(119)	(201)	(122)
Additions/purchases	4 914	308	135	802	797
Sales	(2 696)	(597)	(45)		
Settled	(11 063)			(772)	(751)
Transferred from level 1 or level 2		698			
Transferred to level 1 or level 2		(576)			
Other		(13)		(14)	(6)
Carrying amount as at 31 December 2016	16 052	375	799	1 319	1 062

Financial instruments at fair value, level 3

DNB Bank Group

<i>Amounts in NOK million</i>	Financial assets				Financial liabilities
	Loans to customers	Commercial paper and bonds	Share-holdings	Financial derivatives	Financial derivatives
Carrying amount as at 31 December 2015	85 777	734	1 229	1 504	1 144
Net gains recognised in the income statement	(519)	(97)	(120)	(201)	(122)
Additions/purchases	13 818	308	156	802	797
Sales	(5 146)	(657)	(283)		
Settled	(24 489)	0		(772)	(751)
Transferred from level 1 or level 2		698			
Transferred to level 1 or level 2		(576)			
Other ¹⁾		(35)	(36)	(14)	(6)
Carrying amount as at 31 December 2016	69 442	375	946	1 319	1 062

1) Includes assets and liabilities in the Baltics reclassified as assets held for sale in August 2016.

Note 14 Financial instruments at fair value (continued)

DNB Bank ASA			Breakdown of fair value, level 3		DNB Bank Group		
31 Dec. 2016					31 Dec. 2016		
Share- holdings	Commercial paper and bonds	Loans to customers	<i>Amounts in NOK million</i>		Loans to customers	Commercial paper and bonds	Share- holdings
660	412	15 984	Principal amount/purchase price		68 789	412	770
138	(37)	24	Fair value adjustment ¹⁾		521	(37)	176
		44	Accrued interest		131		
799	375	16 052	Carrying amount		69 442	375	946

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.

DNB Bank ASA				Breakdown of shareholdings, level 3			DNB Bank Group			
				<i>Amounts in NOK million</i>						
Total	Other	Private Equity (PE) funds	Unquoted equities	Unquoted equities	Private Equity (PE) funds	Other	Total			
799	24	226	549	Carrying amount as at 31 December 2016			696	226	24	946

DNB Bank ASA			Sensitivity analysis, level 3		DNB Bank Group	
Effect of reasonably possible alternative assumptions	Carrying amount 31 Dec. 2016		<i>Amounts in NOK million</i>	Carrying amount 31 Dec. 2016	Effect of reasonably possible alternative assumptions	
(28)	16 052		Loans to customers	69 442	(149)	
(1)	375		Commercial paper and bonds	375	(1)	
	799		Shareholdings	946		
	257		Financial derivatives, net	257		

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 industries and power companies. A 10 basis point increase in the discount rate has had insignificant effects.

Note 15 Commercial paper and bonds, held to maturity

DNB Bank ASA			DNB Bank Group	
31 Dec. 2015	31 Dec. 2016		31 Dec. 2016	31 Dec. 2015
<i>Amounts in NOK million</i>				
19 162	12 760	International bond portfolio	12 760	19 162
19 162	12 760	Commercial paper and bonds, held to maturity	12 760	19 162

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". In the period following the reclassification some additional investments were classified as held-to-maturity. Portfolios in this category are recorded at amortised cost and written down if there is objective evidence of a decrease in value.

Effects of the reclassifications of the international bond portfolio

By measuring the portfolio at amortised cost, the value of the portfolio as at 31 December 2016 was NOK 0.3 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 10.4 billion at end-December 2016. The average term to maturity of the portfolio was 5.2 years, and the change in value resulting from a credit spread adjustment of one basis point was NOK 5.8 million at end-December 2016.

Effects on profits of the reclassification

<i>Amounts in NOK million</i>	DNB Bank Group			
	4th quarter 2016	4th quarter 2015	Full year 2016	Full year 2015
Recorded amortisation effect	19	9	84	95
Net gain, if valued at fair value	65	5	448	(170)
Effects of reclassification on profits	(46)	4	(364)	265

Effects on the balance sheet of the reclassification

<i>Amounts in NOK million</i>	DNB Bank Group	
	31 Dec. 2016	31 Dec. 2015
Recorded unrealised losses	318	402
Unrealised losses, if valued at fair value	665	1 113
Effects of reclassification on the balance sheet	347	711

Development in the portfolio after the reclassification

<i>Amounts in NOK million</i>	DNB Bank Group	
	31 Dec. 2016	31 Dec. 2015
Reclassified portfolio, carrying amount	10 414	14 686
Reclassified portfolio, if valued at fair value	10 067	13 975
Effects of reclassification on the balance sheet	347	711

Note 16 Assets and liabilities held for sale

On 25 August 2016 DNB and Nordea announced an agreement to combine their operations in Estonia, Latvia and Lithuania. The transaction is conditional upon regulatory approvals, and is expected to close in the second quarter of 2017. Nordea and DNB will have equal voting rights in the combined bank, while having different economic ownership levels that reflect the relative equity value of their contribution to the combined bank at the time of closing.

Once the transaction has been completed DNB Bank ASA will no longer have full control of its subsidiaries, but will be involved in the financial and operating policy decisions of the new company established together with Nordea. At end-December 2016 all assets and liabilities related to DNB's Baltic operations were presented as held for sale, while there were no changes in the presentation in the income statement. The capital adequacy reporting was not affected. No impairment loss has been recognised in the income statement following the reclassification. The subsidiaries are part of DNB's Large corporates and international customers segment. Following the completion of the transaction, DNB's ownership will be consolidated on one line in the financial statement according to the equity method.

The table below shows consolidated balance sheet amounts reclassified as assets and liabilities held for sale at end-December 2016.

	DNB Baltics
	31 Dec. 2016
<i>Amounts in NOK million</i>	
Assets	
Cash and deposits with central banks	3 645
Due from credit institutions	229
Loans to customers	45 007
Commercial paper and bonds at fair value	1 713
Shareholdings	47
Financial derivatives	72
Investment properties	607
Intangible assets	78
Deferred tax assets	124
Fixed assets	406
Other assets	375
Total assets	52 303
Liabilities	
Due to credit institutions	3 834
Deposits from customers	36 464
Financial derivatives	402
Payable taxes	21
Other liabilities	439
Provisions	4
Total liabilities	41 165

Note 17 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					
	Balance sheet	Issued	Matured/ redeemed	Exchange rate movements	Other adjustments	Balance sheet
	31 Dec. 2016					31 Dec. 2015
<i>Amounts in NOK million</i>						
Commercial paper issued, nominal amount	153 415	8 917 217	(8 920 456)	(3 333)		159 988
Bond debt, nominal amount	173 368	26 744	(14 588)	(6 766)		167 978
Adjustments	10 158				(1 975)	12 133
Total debt securities issued	336 941	8 943 961	(8 935 044)	(10 099)	(1 975)	340 099

Debt securities issued	DNB Bank ASA					
	Balance sheet	Issued	Matured/ redeemed	Exchange rate movements	Other adjustments	Balance sheet
	31 Dec. 2015					31 Dec. 2014
<i>Amounts in NOK million</i>						
Commercial paper issued, nominal amount	159 988	3 057 350	3 092 740	(11 338)		206 715
Bond debt, nominal amount	167 978	14 815	9 040	15 896		146 308
Adjustments	12 133				(1 049)	13 182
Total debt securities issued	340 099	3 072 165	3 101 780	4 558	(1 049)	366 205

Debt securities issued	DNB Bank Group					
	Balance sheet	Issued	Matured/ redeemed	Exchange rate movements	Other adjustments	Balance sheet
	31 Dec. 2016					31 Dec. 2015
<i>Amounts in NOK million</i>						
Commercial paper issued, nominal amount	153 415	8 917 217	(8 920 456)	(3 333)		159 988
Bond debt, nominal amount ¹⁾	581 447	78 691	(80 330)	(24 918)		608 004
Adjustments	32 888				(5 931)	38 819
Total debt securities issued	767 750	8 995 908	(9 000 786)	(28 251)	(5 931)	806 810

Debt securities issued	DNB Bank Group					
	Balance sheet	Issued	Matured/ redeemed	Exchange rate movements	Other adjustments	Balance sheet
	31 Dec. 2015					31 Dec. 2014
<i>Amounts in NOK million</i>						
Commercial paper issued, nominal amount	159 988	3 057 350	3 092 740	(11 338)		206 715
Bond debt, nominal amount ¹⁾	608 004	85 100	53 118	13 539		562 483
Adjustments	38 819				(5 892)	44 711
Total debt securities issued	806 810	3 142 451	3 145 858	2 201	(5 892)	813 909

1) Minus own bonds. The total nominal amount of outstanding covered bonds in DNB Boligkreditt was NOK 415.8 billion as at 31 December 2016. The market value of the cover pool represented NOK 599.6 billion.

Note 17 Debt securities issued and subordinated loan capital (continued)

	DNB Bank ASA					
	Balance sheet		Matured/	Exchange rate	Other	Balance sheet
<i>Amounts in NOK million</i>	31 Dec. 2016	Issued 2016	redeemed 2016	movements 2016	adjustments 2016	31 Dec. 2015
Term subordinated loan capital, nominal amount	19 415	738	(3)	(1 158)		19 838
Perpetual subordinated loan capital, nominal amount	5 602			(100)		5 702
Perpetual subordinated loan capital securities, nominal amount	3 732			(829)		4 561
Adjustments	599				(254)	853
Total subordinated loan capital and perpetual subordinated loan capital securities	29 347	738	(3)	(2 087)	(254)	30 953

	DNB Bank ASA					
	Balance sheet		Matured/	Exchange rate	Other	Balance sheet
<i>Amounts in NOK million</i>	31 Dec. 2015	Issued 2015	redeemed 2015	movements 2015	adjustments 2015	31 Dec. 2014
Term subordinated loan capital, nominal amount	19 838	3 805	4 604	1 314		19 322
Perpetual subordinated loan capital, nominal amount	5 702			909		4 792
Perpetual subordinated loan capital securities, nominal amount	4 561			533		4 028
Adjustments	853				(323)	1 176
Total subordinated loan capital and perpetual subordinated loan capital securities	30 953	3 805	4 604	2 756	(323)	29 319

	DNB Bank Group					
	Balance sheet		Matured/	Exchange rate	Other	Balance sheet
<i>Amounts in NOK million</i>	31 Dec. 2016	Issued 2016	redeemed 2016	movements 2016	adjustments 2016	31 Dec. 2015
Term subordinated loan capital, nominal amount	19 415	738	(3)	(1 158)		19 838
Perpetual subordinated loan capital, nominal amount	5 602			(100)		5 702
Perpetual subordinated loan capital securities, nominal amount	3 732			(829)		4 561
Adjustments	599				(254)	853
Total subordinated loan capital and perpetual subordinated loan capital securities	29 347	738	(3)	(2 087)	(254)	30 953

	DNB Bank Group					
	Balance sheet		Matured/	Exchange rate	Other	Balance sheet
<i>Amounts in NOK million</i>	31 Dec. 2015	Issued 2015	redeemed 2015	movements 2015	adjustments 2015	31 Dec. 2014
Term subordinated loan capital, nominal amount	19 838	3 805	4 604	1 314		19 322
Perpetual subordinated loan capital, nominal amount	5 702			909		4 792
Perpetual subordinated loan capital securities, nominal amount	4 561			533		4 028
Adjustments	853				(323)	1 176
Total subordinated loan capital and perpetual subordinated loan capital securities	30 953	3 805	4 604	2 756	(323)	29 319

Note 18 Information on related parties

DNB Boligkreditt AS

In 2016, portfolios representing NOK 19.8 billion were transferred in accordance with the "Agreement relating to transfer of loan portfolio between DNB Bank ASA and DNB Boligkreditt AS".

At end-December 2016 the bank had invested NOK 9 billion in covered bonds issued by DNB Boligkreditt.

The management fee paid to the bank for purchased services amounted to NOK 2.328 million in 2016 (NOK 3.267 million in 2015).

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 DNB Boligkreditt a revolving credit facility at all times equal to DNB Boligkreditt's payment obligations in NOK for the next 12 months in respect of issued Covered Bonds and related derivative hedge agreements. DNB 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. DNB Boligkreditt may not make use of the RCF for the fulfillment 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 DNB Boligkreditt under the RCF do not constitute a guarantee in respect of amounts due and payable under the Covered Bonds. The agreement was cancelled on DNB Boligkreditt's initiative in the second quarter of 2016.

In 2016 DNB Boligkreditt entered into reverse repurchasing agreements (reverse repos) with the bank as counterparty. The value of the repos amounted to NOK 26.2 billion at end-December 2016.

The company has a long-term overdraft facility in DNB Bank ASA. In the fourth quarter of 2016 the limit of the overdraft facility was increased from NOK 160 billion to NOK 190 billion.

DNB Næringskreditt AS

In 2016, loans with a total value of NOK 7.2 billion had been transferred from the bank to DNB Næringskreditt.

At end-December the bank had invested NOK 0.9 billion in covered bonds issued by DNB Næringskreditt.

The management fee paid to the bank for purchased services amounted to NOK 74 million in 2016 (NOK 93 million in 2015).

In 2016 DNB Næringskreditt entered into reverse repurchase agreements (reverse repos) with the bank as counterparty. The value of the repos amounted to NOK 112 million at end-December 2016.

The company has a long-term overdraft facility in DNB Bank ASA. In the fourth quarter of 2016 the limit of the overdraft facility was increased from NOK 25 billion to NOK 30 billion.

DNB Livsforsikring AS

At end-December 2016 DNB Livsforsikring's holding of DNB Boligkreditt bonds was valued at NOK 1.9 billion.

In November 2016, a portfolio of home mortgages amounting to approximately NOK 5 billion was sold from DNB Boligkreditt to DNB Livsforsikring.

In the fourth quarter of 2016 commercial mortgages amounting to NOK 2.6 billion and 4.5 billion respectively, were sold from DNB Næringskreditt and DNB Bank to DNB Livsforsikring.

DNB Sweden Branch and DNB Sweden AB

On 21 September 2015, an agreement was entered into between DNB Sweden Branch and DNB Sweden AB, which implies that DNB Sweden AB will take over the right to extend loans to the branch's new and existing customers. Existing loans will be transferred to DNB Sweden AB to the extent deemed feasible and rational. At end-December 2016 loans with a total value of SEK 31.9 billion has been transferred to DNB Sweden AB. Remaining loans in DNB Sweden Branch totalled SEK 5.6 billion.

Note 19 Off-balance sheet transactions

DNB Bank ASA		Off-balance sheet transactions and additional information	DNB Bank Group	
31 Dec. 2015	31 Dec. 2016		31 Dec. 2016	31 Dec. 2015
		<i>Amounts in NOK million</i>		
32 568	29 930	Performance guarantees	30 900	33 712
36 375	32 547	Payment guarantees	34 472	37 544
16 715	17 979	Loan guarantees	17 898	16 629
7 253	6 535	Guarantees for taxes etc.	6 557	7 271
2 780	2 213	Other guarantee commitments	2 714	3 258
95 692	89 205	Total guarantee commitments	92 541	98 414
		Support agreements	6 106	11 827
95 692	89 205	Total guarantee commitments etc. ^{*)}	98 647	110 241
963 486	479 792	Unutilised credit lines and loan offers ¹⁾	606 122	600 523
4 576	3 861	Documentary credit commitments	3 948	4 790
		Other commitments	37	51
968 062	483 653	Total commitments	610 107	605 364
1 063 754	572 858	Total guarantee and off-balance commitments	708 754	715 605
17 828	9 322	Pledged securities		
		<i>*) Of which counter-guaranteed by financial institutions</i>	326	311

1) Reduction in unutilised credit lines and loan offers for DNB Bank ASA, is mainly due to a cancelation of a unutilised credit facility towards DNB Boligkreditt in the second quarter of 2016. See note 16 related parties for further descriptions.

Key figures

	DNB Bank Group			
	4th quarter 2016	4th quarter 2015	Full year 2016	Full year 2015
Interest rate analysis				
1 Combined weighted total average spread for lending and deposits (%) ¹⁾²⁾	1.28	1.32	1.32	1.33
2 Average spread for ordinary lending to customers (%) ¹⁾²⁾	1.96	2.11	2.03	2.17
3 Average spread for deposits from customers (%) ¹⁾²⁾	0.25	0.12	0.21	0.01
Rate of return/profitability				
4 Net other operating income, per cent of total income	29.5	30.4	30.7	32.2
5 Cost/income ratio (%)	41.6	26.4	41.2	36.6
6 Return on equity, annualised (%)	11.2	15.6	10.4	15.1
Financial strength at end of period				
7 Common equity Tier 1 capital ratio, transitional rules (%) ³⁾	15.7	14.3	15.7	14.3
8 Tier 1 capital ratio, transitional rules (%) ³⁾	17.4	15.3	17.4	15.3
9 Capital ratio, transitional rules (%) ³⁾	20.0	17.9	20.0	17.9
10 Common equity Tier 1 capital (NOK million) ³⁾	163 388	150 889	163 388	150 889
11 Risk-weighted volume, transitional rules (NOK million)	1 040 888	1 056 731	1 040 888	1 056 731
Loan portfolio and impairment				
12 Individual impairment relative to average net loans to customers, annualised (%) ¹⁾	(0.43)	(0.26)	(0.35)	(0.13)
13 Impairment relative to average net loans to customers, annualised (%) ¹⁾	(0.47)	(0.37)	(0.49)	(0.15)
14 Net non-performing and net doubtful loans and guarantees, per cent of net loans ¹⁾	1.50	0.76	1.50	0.76
15 Net non-performing and net doubtful loans and guarantees at end of period (NOK million) ¹⁾	25 644	13 980	25 644	13 980
Liquidity				
16 Ratio of customer deposits to net loans to customers at end of period (%)	63.4	62.5	63.4	62.5
Staff				
17 Number of full-time positions at end of period	10 366	10 608	10 366	10 608

1) Includes assets and liabilities in the Baltics, reclassified as held for sale in August 2016.

2) As from the first quarter of 2016, interest rate spreads are based on customer segments. Figures for previous periods have been restated accordingly.

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

Definitions

1, 2, 3 Based on customer segments and nominal values and excluding impaired loans. Measured against the 3-month money market rate.

5 Total operating expenses relative to total income.

6 Return on equity represents the shareholders' share of profit for the period relative to average equity.

Profit and balance sheet trends

Income statement

	DNB Bank ASA				
<i>Amounts in NOK million</i>	4th quarter 2016	3rd quarter 2016	2nd quarter 2016	1st quarter 2016	4th quarter 2015
Total interest income	9 171	8 671	8 503	8 817	9 140
Total interest expenses	(3 288)	(2 764)	(2 658)	(2 845)	(2 935)
Net interest income	5 883	5 907	5 846	5 972	6 205
Commission and fee income	1 849	1 611	1 680	1 598	1 554
Commission and expenses	(765)	(714)	(740)	(705)	(709)
Net gains on financial instruments at fair value	2 692	2 279	2 468	1 395	1 428
Other income	2 394	977	1 245	1 222	5 651
Net other operating income	6 170	4 153	4 653	3 510	7 924
Total income	12 053	10 060	10 498	9 482	14 129
Salaries and other personnel expenses	(2 182)	(2 254)	(2 208)	(2 605)	(513)
Other expenses	(1 615)	(1 420)	(1 636)	(1 447)	(1 557)
Depreciation and impairment of fixed and intangible assets	(621)	(406)	(453)	(571)	(574)
Total operating expenses	(4 418)	(4 080)	(4 297)	(4 622)	(2 644)
Pre-tax operating profit before impairment	7 635	5 980	6 201	4 860	11 485
Net gains on fixed and intangible assets	6	7	(5)	6	44
Impairment of loans and guarantees	(1 044)	(1 517)	(1 700)	(418)	(1 206)
Pre-tax operating profit	6 598	4 470	4 496	4 448	10 323
Tax expense	(2 192)	(1 010)	(960)	(1 061)	144
Profit for the period	4 406	3 460	3 536	3 386	10 467
Portion attributable to shareholders of DNB Bank ASA	4 169	3 332	3 422	3 271	10 341
Portion attributable to additional Tier 1 capital holders	238	128	115	115	126
Profit for the period	4 406	3 460	3 536	3 386	10 467

Comprehensive income statement

	DNB Bank ASA				
<i>Amounts in NOK million</i>	4th quarter 2016	3rd quarter 2016	2nd quarter 2016	1st quarter 2016	4th quarter 2015
Profit for the period	4 406	3 460	3 536	3 386	10 467
Actuarial gains and losses	(22)	(106)		(39)	21
Items that will not be reclassified to the income statement	(22)	(106)		(39)	21
Currency translation of foreign operations	19	(48)	(35)	(71)	27
Items that may subsequently be reclassified to the income statement	19	(48)	(35)	(71)	27
Other comprehensive income for the period (net of tax)	(3)	(153)	(35)	(110)	48
Comprehensive income for the period	4 403	3 306	3 501	3 276	10 515

Profit and balance sheet trends (continued)

Balance sheet

	DNB Bank ASA				
<i>Amounts in NOK million</i>	31 Dec. 2016	30 Sept. 2016	30 June 2016	31 March 2016	31 Dec. 2015
Assets					
Cash and deposits with central banks	207 934	174 843	151 327	163 451	16 004
Due from credit institutions	549 093	550 748	563 704	521 971	630 700
Loans to customers	690 060	681 403	685 942	695 502	705 532
Commercial paper and bonds at fair value	223 360	213 441	217 875	205 151	210 062
Shareholdings	5 178	4 245	4 337	6 227	7 504
Financial derivatives	170 317	199 343	209 673	225 520	213 797
Commercial paper and bonds, held to maturity	12 760	13 185	15 479	16 728	19 162
Investments in associated companies	995	975	975	975	975
Investments in subsidiaries	118 233	115 207	119 141	116 665	120 473
Intangible assets	3 598	3 556	3 600	3 629	3 675
Deferred tax assets	1 882	6 331	6 305	6 322	6 320
Fixed assets	7 034	7 037	7 262	7 386	7 480
Other assets	13 462	15 659	11 415	27 264	23 735
Total assets	2 003 906	1 985 974	1 997 034	1 996 790	1 965 419
Liabilities and equity					
Due to credit institutions	338 731	321 327	301 356	263 686	262 330
Deposits from customers	920 664	907 972	901 283	873 144	896 488
Financial derivatives	181 794	205 520	224 833	245 824	240 518
Debt securities issued	336 941	332 229	359 440	385 311	340 099
Payable taxes	4	2 908	1 982	1 402	703
Deferred taxes	56	13	14	12	12
Other liabilities	23 893	20 985	15 408	39 393	39 438
Provisions	1 916	1 623	1 560	1 415	1 101
Pension commitments	2 454	2 669	2 455	2 371	2 246
Subordinated loan capital	29 347	28 202	29 498	29 826	30 953
Total liabilities	1 835 802	1 823 448	1 837 828	1 842 383	1 813 886
Share capital	18 314	18 314	18 314	18 314	18 314
Share premium	19 895	19 895	19 895	19 895	19 895
Additional Tier 1 capital	15 952	9 641	9 559	8 067	8 353
Other equity	113 942	114 675	111 437	108 130	104 970
Total equity	168 104	162 526	159 205	154 407	151 533
Total liabilities and equity	2 003 906	1 985 974	1 997 034	1 996 790	1 965 419

Profit and balance sheet trends (continued)

Income statement

Amounts in NOK million	DNB Bank Group				
	4th quarter 2016	3rd quarter 2016	2nd quarter 2016	1st quarter 2016	4th quarter 2015
Total interest income	13 409	13 107	12 973	13 397	14 038
Total interest expenses	(4 911)	(4 513)	(4 351)	(4 594)	(4 888)
Net interest income	8 498	8 594	8 623	8 803	9 150
Commission and fee income	2 300	2 103	2 224	2 001	2 092
Commission and fee expenses	(780)	(738)	(756)	(720)	(729)
Net gains on financial instruments at fair value	1 703	1 411	1 029	2 363	2 161
Profit from investments accounted for by the equity method	(45)	(0)	1 148	86	(28)
Net gains on investment properties	(7)	(5)	(18)	(5)	122
Other income	377	518	583	545	371
Net other operating income	3 547	3 288	4 210	4 270	3 989
Total income	12 045	11 882	12 833	13 073	13 139
Salaries and other personnel expenses	(2 672)	(2 711)	(2 736)	(3 087)	(1 005)
Other expenses	(1 842)	(1 671)	(1 950)	(1 743)	(1 893)
Depreciation and impairment of fixed and intangible assets	(493)	(462)	(494)	(655)	(567)
Total operating expenses	(5 007)	(4 844)	(5 180)	(5 485)	(3 464)
Pre-tax operating profit before impairment	7 038	7 038	7 653	7 588	9 675
Net gains on fixed and intangible assets	(12)	20	(20)	(6)	(9)
Impairment of loans and guarantees	(1 753)	(2 176)	(2 321)	(1 174)	(1 420)
Pre-tax operating profit	5 273	4 881	5 311	6 408	8 245
Tax expense	(312)	(1 074)	(1 081)	(1 498)	(1 851)
Profit from operations held for sale, after taxes	26	1	(10)	(13)	28
Profit for the period	4 988	3 808	4 221	4 897	6 422
Portion attributable to shareholders of DNB Bank ASA	4 750	3 680	4 106	4 782	6 297
Portion attributable to additional Tier 1 capital holders	238	128	115	115	126
Profit for the period	4 988	3 808	4 221	4 897	6 422

Comprehensive income statement

Amounts in NOK million	DNB Bank Group				
	4th quarter 2016	3rd quarter 2016	2nd quarter 2016	1st quarter 2016	4th quarter 2015
Profit for the period	4 988	3 808	4 221	4 897	6 422
Actuarial gains and losses	(35)	(106)		(39)	15
Items that will not be reclassified to the income statement	(35)	(106)		(39)	15
Currency translation of foreign operations ¹⁾	3 561	(4 320)	(1 341)	(4 377)	2 371
Currency translation reserve reclassified to the income statement			(43)		
Hedging of net investment ²⁾	(2 415)	2 950	843	2 968	(1 578)
Investments according to the equity method ³⁾	4	4		(33)	889
Investments according to the equity method, reclassified to profit and loss ³⁾			(855)		
Items that may subsequently be reclassified to the income statement	1 150	(1 366)	(1 396)	(1 442)	1 682
Other comprehensive income for the period (net of tax)	1 115	(1 472)	(1 396)	(1 481)	1 697
Comprehensive income for the period	6 103	2 337	2 825	3 417	8 120

1) Currency translation effects related to the Baltics came to NOK 103 million in the fourth quarter of 2016.

2) Hedging of net investments in the Baltics represented a loss of NOK 61 million in the fourth quarter of 2016, net of tax.

3) DNB had indirect ownership interests in Visa Europe through its membership in Visa Norge. In connection with the valuation of the holdings in Visa Europe as at 31 March 2016 an accumulated gain of NOK 855 million was recognised in other comprehensive income. Upon the completion of the acquisition of Visa Europe by Visa Inc in the second quarter of 2016, this amount was reclassified to profit and a total gain of NOK 1 128 million was recognised as "Profit from investments accounted for by the equity method" in the income statement.

Profit and balance sheet trends (continued)

Balance sheet

	DNB Bank Group				
<i>Amounts in NOK million</i>	31 Dec. 2016	30 Sept. 2016	30 June 2016	31 March 2016	31 Dec. 2015
Assets					
Cash and deposits with central banks	208 263	175 212	154 438	166 587	19 317
Due from credit institutions	174 908	191 656	212 327	177 526	297 457
Loans to customers	1 492 268	1 479 529	1 536 288	1 523 768	1 531 932
Commercial paper and bonds at fair value	217 887	212 494	219 220	203 515	207 063
Shareholdings	6 200	5 211	5 377	7 435	8 794
Financial derivatives	157 957	186 840	198 929	215 673	203 273
Commercial paper and bonds, held to maturity	12 760	13 185	15 479	16 728	19 162
Investment properties	1 175	1 193	2 016	2 122	2 333
Investments accounted for by the equity method	3 570	3 596	3 590	4 222	4 091
Intangible assets	3 981	3 918	4 052	4 100	4 176
Deferred tax assets	1 392	943	1 061	1 087	1 138
Fixed assets	7 117	7 094	7 766	7 916	8 059
Assets held for sale	52 541	52 482	180	204	200
Other assets	8 255	16 408	12 769	12 295	8 608
Total assets	2 348 272	2 349 761	2 373 492	2 343 177	2 315 603
Liabilities and equity					
Due to credit institutions	211 606	192 264	199 896	160 134	161 267
Deposits from customers	945 694	929 756	966 294	937 464	957 322
Financial derivatives	130 990	156 188	156 526	173 545	154 878
Debt securities issued	767 750	786 823	813 371	831 902	806 810
Payable taxes	8 847	5 642	3 680	4 630	2 493
Deferred taxes	2 382	6 405	6 488	6 468	6 461
Other liabilities	15 781	22 564	17 858	18 764	18 409
Liabilities held for sale	41 243	39 547	59	56	71
Provisions	2 038	1 713	1 674	1 514	1 225
Pension commitments	2 516	2 725	2 508	2 435	2 301
Subordinated loan capital	29 347	28 202	29 498	29 826	30 953
Total liabilities	2 158 194	2 171 831	2 197 852	2 166 737	2 142 191
Share capital	18 314	18 314	18 314	18 314	18 314
Share premium	20 611	20 611	20 611	20 611	20 611
Additional Tier 1 capital	15 952	9 641	9 559	8 067	8 353
Other equity	135 200	129 364	127 155	129 447	126 133
Total equity	190 078	177 931	175 640	176 440	173 412
Total liabilities and equity	2 348 272	2 349 761	2 373 492	2 343 177	2 315 603

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Jarle Bergo, vice-chairman
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Financial calendar

Q1 2017	28 April 2017
Q2 2017	12 July 2017
Q3 2017	26 October 2017
Capital markets day 2017	21 November 2017

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.

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DNB

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