

DNB Bank

A company in the DNB Group

DNB

**FOURTH QUARTER
REPORT 2017**
(Preliminary and unaudited)

Financial highlights

Income statement

<i>Amounts in NOK million</i>	DNB Bank Group			
	4th quarter 2017	4th quarter 2016	Full year 2017	Full year 2016
Net interest income	8 989	8 498	35 914	34 517
<i>Net commissions and fees</i>	1 373	1 520	5 884	5 634
<i>Net gains on financial instruments at fair value</i>	1 689	1 703	4 513	6 506
<i>Other operating income</i>	563	324	2 029	3 176
Net other operating income, total	3 624	3 547	12 425	15 316
Total income	12 613	12 045	48 339	49 833
Operating expenses	(5 208)	(5 023)	(20 801)	(19 892)
Restructuring costs and non-recurring effects	(672)	16	(1 128)	(624)
Pre-tax operating profit before impairment	6 733	7 038	26 410	29 317
Net gains on fixed and intangible assets	(38)	(12)	735	(19)
Impairment of loans and guarantees	(402)	(1 753)	(2 428)	(7 424)
Pre-tax operating profit	6 293	5 273	24 718	21 874
Tax expense	(666)	(312)	(4 903)	(3 964)
Profit from operations held for sale, after taxes	(3)	26	(1)	4
Profit for the period	5 624	4 988	19 813	17 914

Balance sheet

<i>Amounts in NOK million</i>	31 Dec. 2017	31 Dec. 2016
Total assets	2 359 860	2 348 272
Loans to customers	1 531 345	1 492 268
Deposits from customers	980 374	945 694
Total equity	203 685	190 078
Average total assets	2 537 681	2 545 103

Key figures and alternative performance measures

	4th quarter 2017	4th quarter 2016	Full year 2017	Full year 2016
Return on equity, annualised (per cent) ¹⁾	11.6	11.1	10.5	10.3
Combined weighted total average spread for lending and deposits (per cent) ¹⁾	1.31	1.29	1.30	1.32
Average spread for ordinary lending to customers (per cent) ¹⁾	2.08	1.96	2.07	2.04
Average spread for deposits to customers (per cent) ¹⁾	0.13	0.25	0.17	0.21
Cost/income ratio (per cent) ¹⁾	46.6	41.6	45.4	41.2
Ratio of customer deposits to net loans to customers at end of period ¹⁾	64.0	63.4	64.0	63.4
Net non-performing and net doubtful loans and guarantees, per cent of net loans ¹⁾	0.99	1.50	0.99	1.50
Impairment relative to average net loans to customers, annualised (per cent) ¹⁾	(0.10)	(0.45)	(0.16)	(0.48)
Individual impairment relative to average net loans to customers, annualised (per cent) ¹⁾	(0.44)	(0.41)	(0.24)	(0.34)
Common equity Tier 1 capital ratio, transitional rules, at end of period (per cent)	16.2	15.7	16.2	15.7
Tier 1 capital ratio, transitional rules, at end of period (per cent)	17.7	17.4	17.7	17.4
Capital ratio, transitional rules, at end of period (per cent)	20.6	20.0	20.6	20.0
Leverage ratio, Basel III (per cent)	6.9	7.1	6.9	7.1
Number of full-time positions at end of period	8 544	10 366	8 544	10 366

¹⁾ Defined as alternative performance measure (APM). APMs are described on ir.dnb.no.

Fourth quarter report 2017

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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 Group¹⁾ delivered solid results in the fourth quarter of 2017, benefiting from positive developments in the Norwegian economy. Profits were NOK 5 624 million, an increase of NOK 637 million from the fourth quarter of 2016, driven by strong net interest income and net other operating income, and lower impairment losses on loans and guarantees.

The common equity Tier 1 capital ratio was 16.2 per cent at end-December 2017, an increase from 15.7 per cent a year earlier, and down from 16.3 per cent at end-September 2017.

The leverage ratio for the banking group was 6.9 per cent, down from 7.1 per cent a year earlier and unchanged from end-September 2017.

Return on equity was 11.6 per cent, compared with 11.1 per cent in the year-earlier period and in the third quarter of 2017.

Net interest income was up NOK 492 million from the fourth quarter of 2016, reflecting lower long-term funding costs, wider lending spreads and underlying lending growth, excluding the Baltic portfolio. There were rising volumes to personal customers and small and medium-sized enterprises, and a planned reduction in volumes to large corporates and international customers.

Net other operating income was NOK 3 624 million, up NOK 77 million from the fourth quarter of 2016.

Operating expenses were NOK 874 million higher than in the fourth quarter of 2016. The increase was mainly due to impairment of goodwill of NOK 502 million and higher costs related to digitalisation and IT projects.

Impairment losses on loans and guarantees totalled NOK 402 million for the quarter, down NOK 1 351 million from the corresponding quarter in 2016. The reduction was mainly related to a decrease in collective impairment losses, reflecting more favourable economic conditions and positive migration in some industries.

Deconsolidation of the Baltics portfolio and establishment of Luminor Group AB

DNB and Nordea combined their operations in Estonia, Latvia and Lithuania into the new company Luminor Group AB in the fourth quarter of 2017. DNB's ownership interest in Luminor Group AB is approximately 44 per cent.

In the financial statements for the fourth quarter of 2017, DNB's share in Luminor is presented under "investments accounted for by the equity method".

For comparison purposes, the effects of the deconsolidation of the Baltics portfolio in the banking group's income statement are shown on separate lines in the tables for the fourth quarter below.

For capital adequacy purposes, figures for the Luminor Group AB are consolidated on a pro rata basis from the fourth quarter of 2017.

Important events in the fourth quarter

During the fourth quarter, Vipps entered into cooperation agreements on distribution with players across the Norwegian market, and Vipps, BankAsept and BankID Norway signed a letter of intent to merge the three companies. The transaction is subject to approval by the Norwegian authorities, and the new company is expected to start operations during the second half of 2018.

In October, digital development and automation projects continued in line with DNB's strategy, and an option to apply digitally for new home mortgages, with a processing time of less than two minutes, was launched.

In December, DNB adjusted its operational structure to meet changes in the market, which also entailed changes to the group management team.

According to Prospera's annual customer satisfaction survey, DNB Markets was ranked best among Norwegian equity investors within domestic equity, execution and corporate access.

DNB climbed the rankings of the Norwegian ethical bank guide ("Etisk bankguide"), and increased its total score from 40 to 60 per cent for 2017. "Etisk bankguide" is an assessment of banks' and asset managers' published guidelines concerning corporate responsibility, ethics and environmental issues. DNB's improved score reflected a systematic review of the bank's framework for responsible investment and responsible credit in the course of 2017.

As the only Nordic financial institution, DNB achieved an A score from CDP (Carbon Disclosure Project) for its reporting in 2016. The UK-based CDP is the largest independent collection of environmental data from large companies, and one-fifth of the world's carbon emissions are reported through CDP. In order to obtain a high score, the company must document past reductions in its own greenhouse gas emissions and plans for future reductions. In addition, a clear climate strategy and climate reporting ensure a better score.

The Ministry of Finance increased the counter-cyclical capital buffer requirement for banks from 1.5 to 2 per cent with effect from 31 December 2017.

In December, it was announced that an agreement had been reached on the outstanding elements of the Basel III post-crisis regulatory reforms. The regulations aim to limit differences in capital requirements between countries, and thus enable comparisons of banks' capital adequacy. The regulations will be introduced in 2022 and phased in until 2027.

Fourth quarter income statement – main items

Net interest income

Amounts in NOK million	4th quarter		4th quarter
	2017	Change	2016
Net interest income	8 989	492	8 498
Long-term funding costs			203
Lending and deposit spreads, customer segments			189
Lending and deposit volumes, customer segments			112
Amortisation effects and fees			107
Other net interest income			88
Guarantee fund fee			60
Deconsolidation of Baltic operation			(267)

Net interest income increased by NOK 492 million from the fourth quarter of 2016. In the customer segments, wider lending spreads and higher underlying volumes, had a positive effect on net interest income in the fourth quarter of 2017, excluding the Baltic portfolio. Average lending spreads widened by 0.13 percentage points, while deposit spreads contracted by 0.12 percentage points. Volume-weighted spreads for the customer segments widened by 0.02 percentage points compared with the same period in 2016, and were unchanged compared with the third quarter of 2017. There was an average increase of NOK 21.9 billion or 1.5 per cent in the healthy loan portfolio compared with the fourth quarter of 2016. During the same period, deposits were up NOK 36.3 billion or 4.0 per cent. Adjusted for exchange rate movements, volume growth was virtually unchanged.

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.

Net other operating income

Amounts in NOK million	4th quarter		4th quarter
	2017	Change	2016
Net other operating income	3 624	77	3 547
Basis swaps		775	
Net gains on investment property		132	
Other operating income		60	
Deconsolidation of Baltic operation		(122)	
Net gains on other financial instruments		(304)	
Exchange rate effects additional Tier 1 capital		(464)	

Net other operating income increased by NOK 77 million or 2.2 per cent from the fourth quarter of 2016. There was a positive contribution from net gains on investment property and other operating income. Net gains on other financial instruments and exchange rate effects on additional Tier 1 capital gave negative contributions of NOK 304 million and NOK 464 million, respectively.

Operating expenses

Amounts in NOK million	4th quarter		4th quarter
	2017	Change	2016
Operating expenses	(5 880)	(874)	(5 007)
Deconsolidation of Baltic operation		241	
Marketing		15	
Pension expenses		(73)	
Other costs		(87)	
Salaries and other personnel exp. (excl. restructuring costs)		(113)	
IT expenses		(170)	
Restructuring costs ¹⁾		123	
Other non-recurring effects		(811)	

1) Non-recurring effects.

Operating expenses increased by NOK 874 million compared with the fourth quarter of 2016. The increase was mainly due to impairment of goodwill of NOK 502 million related to the external distribution of credit cards under the Cresco brand and higher costs related to digitalisation and IT projects. Underlying operating expenses, excluding non-recurring effects, were NOK 186 million higher than in the year-earlier period.

The cost/income ratio was 46.6 per cent in the fourth quarter of 2017.

Impairment of loans and guarantees

Impairment losses on loans and guarantees totalled NOK 402 million in the fourth quarter.

Individual impairment losses were on a level with the corresponding quarter in 2016.

There were reversals on collective impairment losses, reflecting somewhat more favourable economic conditions and positive migration within shipping and oil and offshore-related industries.

Net non-performing and doubtful loans and guarantees decreased by NOK 8.4 billion from end-December 2016, totalling NOK 17.3 billion at end-December 2017.

This represented 0.99 per cent of the loan portfolio, down from 1.50 per cent at end-December 2016. The reduction mainly stemmed from shipping and oil and offshore-related industries. 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 2017 is estimated at NOK 666 million, or 10.6 per cent of pre-tax operating profits, mainly due to equity sales under the tax exemption model 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

Income statement in NOK million	4th quarter		Change	
	2017	2016	NOK mill	%
Net interest income	3 511	3 106	405	13.0
Net other operating income	811	805	6	0.8
Total income	4 321	3 910	411	10.5
Operating expenses	(1 853)	(1 849)	(4)	(0.2)
Pre-tax operating profit before impairment	2 468	2 061	407	19.7
Impairment of loans and guarantees	(137)	107	(244)	(227.5)
Pre-tax operating profit	2 331	2 168	163	7.5
Tax expense	(583)	(542)	(41)	(7.5)
Profit for the period	1 749	1 626	122	7.5

Average balance sheet items in NOK billion

Net loans to customers	743.6	705.9	37.7	5.3
Deposits from customers	404.0	399.4	4.6	1.2

Key figures in per cent

Lending spread ¹⁾	1.87	1.60		
Deposit spread ¹⁾	0.13	0.43		
Return on allocated capital	18.4	17.3		
Cost/income ratio	42.9	47.3		
Ratio of deposits to loans	54.3	56.6		

1) Calculated relative to the 3-month money market rate. See ir.dnb.no for additional information about alternative performance measures (APMs).

The increase in pre-tax operating profit from the fourth quarter of 2016 was mainly attributable to higher net interest income.

Deposit volumes rose by 1.2 per cent, though there was an increase of 2.7 per cent after adjusting for an internal transfer of deposits from associations and clubs to the small and medium-sized enterprises segment in December 2016. There was a rise in average performing loans of 5.3 per cent from the fourth quarter of 2016. Higher loan volumes contributed to a rise in net interest income compared with both the fourth quarter of 2016 and the third quarter of 2017.

DNB Meglerservice AS merged with DNB Eiendom AS in November 2017. The merger resulted in reductions in income and expenses in the fourth quarter of NOK 48 million and NOK 38 million, respectively.

Net other operating income was on a level with the fourth quarter of 2016. An increase in income from payment activities had a positive effect on net other operating income, while rising costs related to SAS Eurobonus agreements and discounts on card usage had a negative impact.

There was a stable level of operating expenses from the fourth quarter of 2016. A reduction in ordinary salaries due to restructuring was offset by costs attributable to the financial activities tax, increased IT development activity and real estate broking activities.

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 related to a portfolio of non-performing consumer loans which was sold during the quarter. Adjusted for the reversals, net impairment losses on loans remained stable at a low level.

The market share of credit to households stood at 24.7 per cent at end-November 2017, while the market share of home mortgages was 27.9 per cent. The market share of total household savings was 31.2 per cent. DNB Eiendom had an average market share of 19.0 per cent in the fourth quarter of 2017.

DNB is continuing to automate and digitise products and services to meet customer needs and expectations. In October, DNB revolutionised secured lending by launching a fully automated mortgage process whereby customers receive a binding offer within two minutes based on a full credit process. On 1 November 2017,

DNB launched the 'Spare' app, which gives customers an overview over their total savings in DNB, and the Share Savings Account, an account for trading securities and mutual funds with deferred taxation of capital gains, made 2017 a very good year for savings.

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	
	2017	2016	NOK mill	%
Net interest income	2 281	2 120	161	7.6
Net other operating income	406	410	(3)	(0.8)
Total income	2 688	2 529	158	6.2
Operating expenses	(1 044)	(1 026)	(18)	(1.7)
Pre-tax operating profit before impairment	1 644	1 503	140	9.3
Net gains on fixed and intangible assets	(1)	(0)	(0)	(296.2)
Impairment of loans and guarantees	(150)	(281)	132	46.8
Profit from repossessed operations	11	40	(28)	(71.9)
Pre-tax operating profit	1 505	1 261	243	19.3
Tax expense	(376)	(315)	(61)	(19.3)
Profit for the period	1 128	946	183	19.3

Average balance sheet items in NOK billion

Net loans to customers	286.4	263.9	22.5	8.5
Deposits from customers	210.5	185.7	24.8	13.4

Key figures in per cent

Lending spread ¹⁾	2.58	2.56		
Deposit spread ¹⁾	0.30	0.44		
Return on allocated capital	17.4	14.3		
Cost/income ratio	38.8	40.6		
Ratio of deposits to loans	73.5	70.3		

1) Calculated relative to the 3-month money market rate. See ir.dnb.no for additional information about alternative performance measures (APMs).

Higher net interest income, combined with a reduction in impairment losses on loans and guarantees, contributed to a solid increase in profit compared with the fourth quarter of 2016.

There was a rise in average loans of 8.5 per cent from the fourth quarter of 2016, while average deposit volumes were up 13.4 per cent during the same period. The significant rise in both loan and deposit volumes together with widening lending spreads ensured a strong increase in net interest income compared with the fourth quarter of 2016.

There was a positive trend in activity levels for all product areas.

The increase in operating expenses from the fourth quarter of 2016 primarily reflected a higher level of activity within IT development and the financial activities tax introduced in 2017.

On an annual basis, impairment losses on loans and guarantees represented 0.21 per cent of average loans in the fourth quarter of 2017, a reduction from 0.42 per cent in the year-earlier period. The quality of DNB's portfolio of loans to small and medium-sized corporate customers remains stable. Developments are closely monitored, and preventive measures are continually considered and implemented to retain the strong portfolio 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	
	2017	2016	NOK mill	%
Net interest income	3 042	3 297	(255)	(7.7)
Net other operating income	1 005	1 306	(301)	(23.0)
Total income	4 047	4 603	(556)	(12.1)
Operating expenses	(1 604)	(1 722)	118	6.9
Pre-tax operating profit before impairment	2 443	2 880	(437)	(15.2)
Net gains on fixed and intangible assets	0	(4)	4	104.5
Impairment of loans and guarantees	(99)	(1 572)	1 473	93.7
Profit from repossessed operations	(13)	7	(20)	(281.4)
Pre-tax operating profit	2 331	1 312	1 019	77.7
Tax expense	(653)	(354)	(298)	(84.3)
Profit for the period	1 678	957	721	75.3

Average balance sheet items in NOK billion

Net loans to customers	422.7	511.3	(88.6)	(17.3)
Deposits from customers	337.8	367.0	(29.2)	(8.0)

Key figures in per cent

Lending spread ¹⁾	2.11	2.15		
Deposit spread ¹⁾	0.04	(0.05)		
Return on allocated capital	9.1	4.5		
Cost/income ratio	39.6	37.4		
Ratio of deposits to loans	79.9	71.8		

1) Calculated relative to the 3-month money market rate. See ir.dnb.no for additional information about alternative performance measures (APMs).

DNB's Baltic operation became part of a joint venture with Nordea from 1 October 2017. The Baltic operation was part of the large corporates and international customers segment up until this date, and is thus reflected in the figures for previous quarters.

Lower impairment losses on loans and guarantees were the main contributor to the increase in pre-tax operating profit compared with the fourth quarter of 2016. The reduction in impairment reflected both improved market conditions and continued restructuring of selected large exposures.

After adjusting for the deconsolidation of the Baltic operation in the fourth quarter of 2016, average loan volumes were down 9.2 per cent. The reduction in shipping and oil-related exposure continued in the fourth quarter. The rebalancing between industries will proceed, and certain shipping, offshore and oil-related exposures have been transferred to a dedicated unit. This will give room for expanding business in profitable segments. Customer deposits were up 2.1 per cent adjusted for the Baltic operation in the fourth quarter of 2016.

The positive effect of widening deposit spreads was offset by lower deposit volumes, lower loan volumes and narrower lending spreads. Consequently, there was a reduction in net interest income. Adjusted for the deconsolidation of the Baltic operation, net interest income was in line with the fourth quarter of 2016. There was a positive effect from interest payments on non-performing loans compared with the year-earlier period.

The decline in other operating income from the fourth quarter of 2016 was mainly due to the fact that the Baltic operation is no longer included in the segment, though seasonal variations and costs related to the sale of loans also had a negative effect. Income from investment banking products increased compared with the fourth quarter of 2016. There was a higher level of activity towards the end of the quarter, especially in the debt capital markets.

After adjusting for expenses in the Baltic operation in the fourth quarter of 2016, operating expenses were up 10.3 per cent. Higher expenses related to the work on compliance and anti-money laundering and several ongoing digitalisation initiatives contributed to the increase. There was also a rise in personnel expenses due to restructuring and the financial activities tax. The number of full-time positions was reduced by 1 828 from end-December 2016, of which the deconsolidation of the Baltic operation accounted for 1 777. The remaining reduction of 51 positions related both to Norwegian and international operations.

Impairment losses on loans and guarantees were down from the fourth quarter of 2016 due to reversals on collective impairment losses based on market developments, and restructuring of the portfolio. On an annual basis, net impairment represented 0.09 per cent of average loans, compared with 1.22 per cent in the year-earlier period. Individual impairment increased from 1.04 per cent in the fourth quarter of 2016, to 1.38 per cent. Net non-performing and doubtful loans and guarantees amounted to NOK 11.9 billion at end-December 2017, down from NOK 20.0 billion a year earlier.

Due to increasing capital requirements over the past few years, more efficient use of capital is necessary. This is achieved by reducing exposure to capital-intensive and cyclical industries to ensure a more balanced portfolio. Increased portfolio turnover, a reduction in final hold and more active use of capital markets are additional measures to generate higher non-lending income and reduce capital usage. Overall, this will contribute to raising the return on equity.

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	
	2017	2016	NOK mill	%
Net interest income	(81)	1	(82)	
Net other operating income	564	817	(253)	(31.0)
Total income	483	818	(335)	(40.9)
Operating expenses	(158)	(159)	1	0.8
Pre-tax operating profit	325	659	(334)	(50.6)
Tax expense	(75)	(165)	90	54.6
Profit for the period	250	494	(244)	(49.3)
Key figures in per cent				
Return on allocated capital	16.3	27.2		

Total income declined from a very high level in the year-earlier period due to lower volatility and stable credit spreads in the financial markets. Income from NOK interest rate trading remained at a high level.

Full year 2017

The banking group delivered a strong performance in 2017. Profits were NOK 19 813 million, an increase of NOK 1 890 million from 2016, driven by strong net interest income and lower impairment losses on loans and guarantees.

The common equity Tier 1 capital ratio was 16.2 per cent at end-December 2017, an increase from 15.7 per cent a year earlier.

The leverage ratio for the banking group was 6.9 per cent, down from 7.1 per cent a year earlier.

Return on equity was 10.5 per cent, compared with 10.3 per cent in 2016.

Net interest income increased by NOK 1 396 million from 2016, reflecting lower long-term funding costs, higher volumes and wider lending spreads, excluding the Baltic portfolio. There were rising volumes in the personal customers and small and medium-sized enterprises segments, and a planned reduction in volumes to large corporates and international customers.

Net other operating income was NOK 12 425 million, down NOK 2 891 million compared with 2016. In 2016, income was positively affected by the sale of Visa Norge's holdings in Visa Europe, providing a gain of NOK 1 128 million. Excluding this non-recurring item, net operating income decreased by NOK 1 763 million, mainly due to a negative contribution from exchange rate effects on additional Tier 1 capital and net gains on other financial instruments due to reduced volatility in the financial markets.

Operating expenses were up NOK 1 412 million compared with 2016. The increase was mainly due to provisions for financial activities tax, a higher level of digitalisation, IT projects and non-recurring effects. Non-recurring items represented goodwill impairment, changes in pension schemes and value added tax on an IT system.

Impairment losses on loans and guarantees decreased by NOK 4 996 million during the year due to lower individual and collective impairment in the shipping and oil and offshore segments. The reduction in collective impairment reflected more favourable economic conditions and positive migration in some industries. Excluding the sale of non-performing portfolios during 2016, impairment losses decreased by NOK 5 664 million.

Following the establishment of Vipps AS as a separate company, DNB recorded a gain which gave a NOK 754 million rise in profits in the third quarter of 2017.

Income statement for 2017

Net interest income

Amounts in NOK million	2017	Change	2016
Net interest income	35 914	1 396	34 517
Other net interest income		547	
Long-term funding costs		485	
Lending and deposit volumes, customer segments		386	
Interest income on doubtful loans		174	
Guarantee fund fee		103	
Lending and deposit spreads, customer segments		57	
Amortisation effects and fees		49	
Exchange rate movements		(96)	
Deconsolidation of Baltic operation		(309)	

Net interest income was up NOK 1 396 million from 2016. The increase was mainly attributable to lower long-term funding costs and higher volumes, excluding the Baltic portfolio. Average lending spreads widened by 0.03 percentage points from 2016, while deposit spreads contracted by 0.05 percentage points. There was an average increase of NOK 13.5 billion in the performing loan portfolio, while average deposits rose by NOK 37.1 billion compared with 2016.

Net other operating income

Amounts in NOK million	2017	Change	2016
Net other operating income	12 425	(2 891)	15 316
Net commissions and fees		249	
Other operating income		23	
Profit from associated companies		(172)	
Exchange rate effects additional Tier 1 capital		(811)	
Net gains on other financial instruments		(1 052)	
Sale of holdings in Visa		(1 128)	

Net other operating income decreased by NOK 2 891 million from 2016. There was a strong increase in commissions and fees. Profits from the sale of Visa Norway's holding in Visa Europe gave a NOK 1 128 million rise in income in 2016. Net gains on other financial instruments had a negative effect of NOK 1 052 million compared with the same period in 2016, due to volatility in the currency, commodity and fixed-income markets.

Operating expenses

Amounts in NOK million	2017	Change	2016
Operating expenses	(21 928)	(1 412)	(20 516)
Deconsolidation of Baltic operation		270	
Travel expenses		(47)	
Pension expenses		(97)	
Other costs		(157)	
Provisions for financial activities tax		(226)	
Salaries and other personnel exp. (excl. restructuring costs)		(246)	
IT expenses		(406)	
Restructuring costs ¹⁾		496	
Other non-recurring effects		(999)	

1) Non-recurring effects.

Total operating expenses were up 6.9 per cent from 2016. Excluding non-recurring effects, there was a 4.6 per cent increase in expenses. The increase was mainly due to the introduction of financial activities tax in 2017, a higher level of digitalisation, and other IT projects. Non-recurring items represented impairment of goodwill related to the external distribution of credit cards under the Cresco brand, changes in pension schemes and value added tax on an IT system.

Impairment of loans and guarantees

Impairment losses on loans and guarantees totalled NOK 2 428 million in 2017, down NOK 4 996 million from 2016 and down NOK 5 664 million excluding the sale of non-performing portfolios in 2016.

Total impairment losses for 2017 were mainly related to shipping, offshore and energy in the large corporate and international customers segment.

The reduction in collective impairment primarily reflected positive migration in some industries and more favourable economic conditions in the shipping, offshore and energy 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 17.3 billion at end-December 2017, down from NOK 25.7 billion at year-end 2016. This represented 0.98 per cent of the loan portfolio, a reduction of 0.51 percentage points from end-December 2016. The decrease in non-performing and doubtful loans and guarantees reflects more favorable conditions within shipping, offshore and energy in the large corporate and international customers segment.

Taxes

The DNB Bank Group's tax expense for 2017 was NOK 4 903 million, representing 20 per cent of pre-tax operating profits. The tax rate was lower than the anticipated rate of 22 per cent, mainly due to equity sales under the tax exemption model and Norwegian taxation rules for the allocation of interest expenses between Norway and the US.

Funding, liquidity and balance sheet

The short-term funding markets were generally sound throughout the year. New regulatory reforms for US money market funds were introduced, and the short-term funding market normalised during 2017 compared with 2016. Due to an increase in short-term interest rates, prices rose somewhat during the year, which resulted in slightly higher short-term funding costs for banks. As the markets stabilised, investors regarded an increasing number of banks as attractive. DNB had ample access to short-term funding throughout 2017.

The markets for long-term funding proved to be better than many assumed at the start of 2017. The first quarter of the year showed the highest level of activity in the market, as most issuers wanted to enter the market before the political elections in Europe. However, the long-term funding market generally functioned well

throughout 2017. The market for covered bonds was still dominated by the European Central Bank's, ECB, asset purchase programme. In November, the ECB announced a gradual reduction in its asset purchases, which was well received in the market, as many had feared a more aggressive de-escalation plan beforehand. Total issue volumes of covered and senior bonds were somewhat lower in 2017 than in 2016. In particular the latter have largely been replaced by so-called non-preferred senior bonds in order to adapt to the coming MREL regulations (minimum requirement of own funds and eligible liabilities). There was a considerably higher level of activity in the market for subordinated loans than in 2016, partly due to regulatory requirements and partly due to favourable prices for the issuers. DNB had good access to long-term funding in 2017, and funding costs on covered bonds and ordinary senior debt were further reduced during the year.

The nominal value of long-term debt securities issued by the banking group was NOK 598 billion at end-December 2017, compared with NOK 581 billion a year earlier. The average remaining term to maturity for these debt securities was 4.0 years at year-end 2017, up from 3.9 years at end-December 2016.

The short-term liquidity requirement, Liquidity Coverage Ratio, LCR, remained stable at above 100 per cent throughout the year. At end-December 2017, the total LCR was 117 per cent.

Total assets in the banking group's balance sheet were NOK 2 360 billion at year-end 2017 and NOK 2 349 billion a year earlier.

In the DNB Bank Group, loans to customers increased by NOK 39.1 billion or 2.6 per cent from end-December 2016. Customer deposits were up NOK 34.7 billion or 3.7 per cent during the same period. For the banking group, the ratio of customer deposits to net loans to customers was up from 63.4 per cent at end-December 2016 to 64.0 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. During the fourth quarter, changes were implemented in the model for measuring economic capital, which gave a reduction in economic capital of approximately 20 per cent. Figures for previous periods have been updated based on the new model. Net economic capital was down NOK 1.6 billion from year-end 2016, to NOK 52.3 billion at year-end 2017.

Economic capital for the banking group

Amounts in NOK billion	31 Dec. 2017	30 Sept. 2017	30 June 2017	31 Dec. 2016
Credit risk	40.2	42.4	44.8	43.7
Market risk	7.6	4.8	4.7	5.7
Operational risk	6.6	6.8	6.8	6.7
Business risk	5.6	5.8	5.8	5.2
Gross economic capital	60.0	59.7	62.0	61.4
Diversification effect ¹⁾	(7.7)	(7.4)	(7.4)	(7.5)
Net economic capital	52.3	52.3	54.6	53.9
Diversification effect in per cent of gross economic capital ¹⁾	12.8	12.4	11.9	12.2

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 risk declined by NOK 3.5 billion through 2017, reflecting a reduction in credit volumes in the large corporate portfolio of approximately NOK 107 billion in terms of exposure at default, EAD. The large corporate portfolio was actively rebalanced throughout the year. Just under half of the reduction in EAD can be attributed to the deconsolidation of the DNB Bank Group's Baltic operation. The subsidiaries in the Baltics were previously included in credit risk, operational risk and business risk, while the ownership interest in Luminor is modelled as market risk.

The quality of DNB's credit portfolio is generally good and was stable throughout the year. There are still some challenges in the offshore portfolio, but customers within this segment are closely followed up.

Housing prices declined by 2.1 per cent in the course of the year. Home mortgages represent approximately half of the banking group's loan portfolio. This portfolio is of high quality, with very low losses over several years, even in periods with strong lending growth. There was a 5.7 per cent increase in DNB's home mortgage portfolio during the year.

In June, Finanstilsynet (the Financial Supervisory Authority of Norway) published new guidelines for responsible lending practices for consumer loans. DNB has initiated the necessary measures to ensure that the bank complies with the guidelines. The bank's portfolio of unsecured consumer loans totalled NOK 1 billion at the end of 2017, while the credit card portfolio represented just below NOK 19 billion in terms of the total amount drawn.

Economic capital for market risk rose by NOK 1.9 billion in the course of the year. The ownership interest in Luminor is the main factor behind the increase. The transition from a defined-benefit to a defined-contribution scheme for the bank's employees has given a reduction in economic capital. DNB has chosen to establish a compensation scheme for the employees whose pensions have been transferred to a defined-contribution scheme. Consequently, there is still risk associated with the banking group's pension commitments.

The operational risk situation in 2017 was satisfactory. There was a stable, low level of losses which was well below the limit in the risk appetite framework. In the banking industry, there is high risk of data fraud, whereby confidential information goes astray or the bank is exposed to digital attacks and data vandalism. Measures to strengthen information security in DNB have been identified in order to meet an ever-more serious threat scenario.

Within compliance, DNB's main focus areas were anti-money laundering, privacy protection, international tax reporting and corruption. In the course of 2017, training programmes for all employees were implemented or planned in key compliance areas, such as anti-money laundering (AML), the General Data Protection Regulation (GDPR), and anti-corruption. Clearly defined roles, a high level of expertise and a strong compliance culture are key elements in DNB's compliance work.

Calculated according to transitional rules, risk-weighted assets were NOK 1 015 billion, down from NOK 1 041 billion at end-December 2016. The common equity Tier 1 capital ratio was 16.2 per cent, while the capital adequacy ratio was 20.6 per cent.

New regulatory framework

International agreement on changes in banks' capital adequacy standards

In December 2017, the Basel Committee adopted changes in several parts of the Basel III standards for capital adequacy assessments, aiming, among other things, to ensure greater consistency between banks' reported capital adequacy figures and capital requirements. The changes include adjustments to the standardised approach and the IRB approach, and the introduction of a new capital floor. The new capital floor requirement will reduce differences in risk weights and result in more harmonised capital requirements across national borders. However, the changes to Basel III are not planned to take effect until 1 January 2022, with a five-year phase-in period. The EU is expected to adopt the recommendations by amending its legislation. This legislation will also be applicable in Norway through the EEA agreement.

Basel I floor to be replaced by new floor requirement

Norwegian legislation does not fully reflect the requirements in the EU's capital requirements regulations, CRR and CRD IV. The Norwegian Ministry of Finance has therefore given Finanstilsynet (the Financial Supervisory Authority of Norway) a mandate to propose how the remaining regulations should be implemented in Norway. As part of this process, Finanstilsynet will also consider a new capital floor based on the Basel Committee's proposed new standardised approach. The new floor requirement will probably replace the so-called Basel I floor, but it is unclear how it will be designed and coordinated with the EU regulations. Finanstilsynet has been given a deadline in mid-April 2018 to present its recommendations.

Home mortgage lending regulation to be reviewed

On 1 January 2017, the Ministry of Finance adopted a new home mortgage lending regulation. The regulation will remain in force until 30 June 2018. It caps borrowers' loan-to-value and loan-to-income ratios, and presents requirements for instalment payment and debt-servicing capacity in the event of interest rate increases. The Ministry of Finance has given Finanstilsynet a mandate to review the regulation, including whether it should be discontinued, or be maintained in its current form or adjusted. Finanstilsynet must present its assessment within 1 March 2018.

MiFID II and MiFIR to be implemented in Norway from 2018

The EU's new regulations on securities markets (MiFID II and MiFIR) entered into force in the EU on 3 January 2018, but had not yet been incorporated in the EEA agreement at year-end 2017. The new regulations aim to strengthen investor protection, reduce risks, increase efficiency, and ensure more transparent financial markets. Through the EEA agreement, the Norwegian securities markets are part of the single market and closely integrated with the European market. In order to have a well-functioning securities market, it is important that Norwegian rules conform to EU rules. In December 2017, Finanstilsynet therefore adopted regulations that place Norwegian investment firms under the same requirements as their counterparts in the EU. The regulations entered into force on 1 January 2018.

Macroeconomic developments

Global GDP growth is expected to be 3.5 per cent in 2017, up from 3.0 per cent in 2016, reflecting higher growth in both industrialised countries and emerging economies. Persistent strong growth in demand from China and widespread optimism have contributed to a synchronous boost in growth across countries and sectors. Global growth is expected to increase further in 2018 due to a higher level of growth in emerging economies. In China, however, growth is expected to slow down somewhat as a result of retrenchment measures implemented by the authorities. Economic growth in industrialised countries is expected to remain at around 2 per cent. This is higher than the normal growth rate and will contribute to a further decline in unemployment. Parallel to this, wage growth is restrained by national and global factors in a number of countries. This puts a damper on inflation and limits the rise in interest rates.

The upturn in the US economy has lasted for nine years, and there are still no clear signs of a slowdown. GDP growth is assumed to be 2.3 per cent in 2017 and 2.4 per cent in 2018. The US tax reform is expected to have a limited effect on consumption, as it primarily affects high-income groups. Although it will probably contribute to a certain rise in corporate investment, the effect is expected to be moderate. The unemployment rate dropped to 4.1 per cent and is expected to decline further in 2018. As a consequence, the Federal Reserve is likely to raise interest rates an additional three times in 2018, in spite of the fact that inflation is somewhat lower than the 2 per cent target. In addition, the Federal Reserve will probably start to scale down its balance sheet by

reducing reinvestments in Treasury bills and mortgage-backed securities (MBS).

In the eurozone, GDP growth is estimated at 2.3 per cent in 2017 and is expected to remain at 2.3 per cent in 2018. The recovery is broad-based across countries and sectors, with strong growth in large member countries such as Germany and Spain. Confidence indexes for households and businesses indicate a further recovery in the eurozone, but the cool-down in China is expected to dampen the upturn from the second half of 2018. Growth will nevertheless be higher than normal, which is expected to lead to lower unemployment. Wage and price growth is also assumed to increase somewhat, reflecting less slack in the economy. In consequence of this, the European Central Bank will begin to gradually depart from its expansionary policy by finalising its asset purchases by the end of the year and gradually increasing interest rates from the second quarter of 2019.

The British 'No' to further EU membership had fewer negative consequences than expected in the short term. Growth slowed down, however, from 1.8 per cent in 2016 to an estimated 1.5 per cent in 2017, and is expected to decline to 1.1 per cent in 2018, reflecting a reduction in consumption and investment due to the uncertainty surrounding Brexit. A significant weakening of the British pound has caused a temporary increase in inflation, which made the Bank of England raise its key policy rate to 0.5 per cent in November 2017. Inflation is expected to decline due to weaker growth and higher unemployment, and the key policy rate is therefore expected to remain at 0.5 per cent over the coming years. Uncertainty regarding the process around Brexit and the results thereof makes future prospects more unpredictable than normal.

GDP for Mainland Norway was up by an estimated 1.8 per cent in 2017, after increasing by only 1.0 per cent in 2016. The rise was due to a less negative effect of oil investments, higher consumption and a marked increase in housing investment. Growth is anticipated to rise further to 2 per cent in 2018, driven by corporate and petroleum investment. Over the next few years, the upswing in the Norwegian economy will probably be curbed by lower housing investment and a more neutral contribution from fiscal policy. Higher manufacturing growth has also been reflected in lower unemployment. The unemployment rate has declined gradually since the summer of 2016, mainly due to a lower labour force participation rate. Throughout 2017, employment growth also picked up and contributed to a further drop in the unemployment rate. A slight rise in employment is expected in the period ahead, resulting in a certain reduction in the unemployment rate.

The seasonally adjusted housing price index fell after reaching a peak in March, and annual growth rates in December 2017 were negative at -1.1 per cent for Norway and -10.5 per cent for Oslo.

Low interest rates and a more positive situation in the Norwegian economy, with falling unemployment and rising income growth, will limit the downward trend in housing prices, which are expected to show modest growth from 2019.

Inflation, in terms of annual growth in the consumer price index, declined more than expected in 2017. The core inflation rate ended at 1.4 per cent, while total inflation was 1.8 per cent. In 2018, core inflation is expected to be 1.5 per cent, which is well below Norges Bank's inflation target. In light of continued low inflation and a weak housing market, Norges Bank is not expected to raise its key policy rate until September 2019. In its monetary policy report from December 2017, the central bank indicated that the policy rate hike may be implemented in December 2018.

Future prospects

DNB presented updated financial ambitions towards year-end 2019 at its Capital Markets Day in November 2017. The Group's overriding financial target is a return on equity above 12 per cent towards the end of 2019. Several factors will contribute to reaching the return on equity target, including strong growth in capital-light products, increasing lending volumes, greater cost efficiency through the automation of internal processes, and optimal use of capital.

The Group has set a target for its common equity Tier 1 capital ratio of 16.1 per cent, and the common equity Tier 1 capital ratio achieved at year-end 2017 was 16.4 per cent. DNB is well-positioned for new regulatory requirements resulting from the implementation of IFRS 9 and the revised Basel regulations. The latter is expected to have minimal effects for DNB. The implementation effect of IFRS 9 is estimated at NOK 3 billion and is expected to reduce the common equity Tier 1 capital ratio by approximately 25 basis points.

DNB's ambition is to have a cost/income ratio below 40 per cent towards 2019. Volume-weighted spreads are expected to be stable, while the annual increase in lending volumes is anticipated to be 3 to 4 per cent in 2018 and 2019. During this period, higher growth in lending volumes is expected for personal customers and small and medium-sized enterprises, while the Group will continue to actively reduce its lending volumes to large corporates and international customers in cyclical industries.


For the full year 2018, impairment losses are expected to represent approximately 17 basis points of exposure at default, or around NOK 3 billion.

Oslo, 31 January 2018
The Board of Directors of DNB Bank ASA


Anne Carine Tanum
(chairman)


Gro Bakstad
(vice-chairman)


Lillian Hattrem


Kim Wahl


Rune Bjerke
(group chief executive)

Income statement

<i>Amounts in NOK million</i>	Note	DNB Bank ASA			
		4th quarter 2017	4th quarter 2016	Full year 2017	Full year 2016
Total interest income	5	9 336	9 171	37 126	35 163
Total interest expenses	5	(3 155)	(3 288)	(12 709)	(11 555)
Net interest income	5	6 180	5 883	24 416	23 608
Commission and fee income	6	1 913	1 849	7 340	6 739
Commission and expenses	6	(869)	(765)	(3 296)	(2 924)
Net gains on financial instruments at fair value	7	1 747	2 692	5 942	8 834
Other income		3 575	2 394	6 325	5 837
Net other operating income		6 366	6 170	16 312	18 486
Total income		12 547	12 053	40 728	42 094
Salaries and other personnel expenses	8	(2 469)	(2 182)	(9 639)	(9 248)
Other expenses	8	(1 850)	(1 615)	(6 904)	(6 118)
Depreciation and impairment of fixed and intangible assets	8	(967)	(621)	(2 318)	(2 050)
Total operating expenses	8	(5 286)	(4 418)	(18 860)	(17 417)
Pre-tax operating profit before impairment		7 261	7 635	21 867	24 677
Net gains on fixed and intangible assets		1 278	6	2 047	14
Impairment of loans and guarantees	10	(874)	(1 044)	(1 937)	(4 679)
Pre-tax operating profit		7 665	6 598	21 978	20 012
Tax expense	9	224	(2 192)	(3 068)	(5 223)
Profit for the period		7 889	4 406	18 910	14 789
Portion attributable to shareholders of DNB Bank ASA		7 646	4 169	17 972	14 193
Portion attributable to additional Tier 1 capital holders		243	238	938	595
Profit for the period		7 889	4 406	18 910	14 789

Comprehensive income statement

<i>Amounts in NOK million</i>	DNB Bank ASA			
	4th quarter 2017	4th quarter 2016	Full year 2017	Full year 2016
Profit for the period	7 889	4 406	18 910	14 789
Actuarial gains and losses	(120)	(22)	(120)	(166)
Items that will not be reclassified to the income statement	(120)	(22)	(120)	(166)
Currency translation of foreign operations	42	19	53	(135)
Items that may subsequently be reclassified to the income statement	42	19	53	(135)
Other comprehensive income for the period (net of tax)	(77)	(3)	(67)	(301)
Comprehensive income for the period	7 811	4 403	18 843	14 487

Balance sheet

DNB Bank ASA

<i>Amounts in NOK million</i>	Note	31 Dec. 2017	31 Dec. 2016
Assets			
Cash and deposits with central banks		151 147	207 934
Due from credit institutions	13, 14	580 973	549 093
Loans to customers	11, 12, 13, 14	730 782	690 060
Commercial paper and bonds at fair value	14, 15	261 994	223 360
Shareholdings	14	6 310	5 178
Financial derivatives	14	146 953	170 317
Commercial paper and bonds, held to maturity	13, 15	9 613	12 760
Investments in associated companies		9 007	995
Investments in subsidiaries		115 142	118 233
Intangible assets		3 515	3 598
Deferred tax assets		8 415	1 882
Fixed assets		7 842	7 034
Other assets		22 092	13 462
Total assets		2 053 787	2 003 906
Liabilities and equity			
Due to credit institutions	13, 14	332 798	338 731
Deposits from customers	13, 14	956 525	920 664
Financial derivatives	14	179 534	181 794
Debt securities issued	13, 14, 16	326 171	336 941
Payable taxes		3 765	4
Deferred taxes		74	56
Other liabilities		51 103	23 893
Provisions		1 652	1 916
Pension commitments		2 906	2 454
Subordinated loan capital	13, 14, 16	29 538	29 347
Total liabilities		1 884 067	1 835 802
Share capital		18 256	18 314
Share premium		19 895	19 895
Additional Tier 1 capital		16 159	15 952
Other equity		115 411	113 942
Total equity		169 720	168 104
Total liabilities and equity		2 053 787	2 003 906

Income statement

<i>Amounts in NOK million</i>		DNB Bank Group			
		4th quarter 2017	4th quarter 2016	Full year 2017	Full year 2016
Total interest income	5	13 420	13 409	54 399	52 887
Total interest expenses	5	(4 430)	(4 911)	(18 485)	(18 369)
Net interest income	5	8 989	8 498	35 914	34 517
Commission and fee income	6	2 226	2 300	9 228	8 628
Commission and fee expenses	6	(853)	(780)	(3 344)	(2 994)
Net gains on financial instruments at fair value	7	1 689	1 703	4 513	6 506
Profit from investments accounted for by the equity method		(74)	(45)	(112)	1 189
Net gains on investment properties		146	(7)	143	(35)
Other income		490	377	1 997	2 023
Net other operating income		3 624	3 547	12 425	15 316
Total income		12 613	12 045	48 339	49 833
Salaries and other personnel expenses	8	(2 869)	(2 672)	(11 561)	(11 206)
Other expenses	8	(2 005)	(1 842)	(7 899)	(7 207)
Depreciation and impairment of fixed and intangible assets	8	(1 007)	(493)	(2 469)	(2 103)
Total operating expenses	8	(5 880)	(5 007)	(21 928)	(20 516)
Pre-tax operating profit before impairment		6 733	7 038	26 410	29 317
Net gains on fixed and intangible assets		(38)	(12)	735	(19)
Impairment of loans and guarantees	10	(402)	(1 753)	(2 428)	(7 424)
Pre-tax operating profit		6 293	5 273	24 718	21 874
Tax expense	9	(666)	(312)	(4 903)	(3 964)
Profit from operations held for sale, after taxes		(3)	26	(1)	4
Profit for the period		5 624	4 988	19 813	17 914
Portion attributable to shareholders of DNB Bank ASA		5 382	4 750	18 876	17 319
Portion attributable to additional Tier 1 capital holders		243	238	938	595
Profit for the period		5 624	4 988	19 813	17 914

Comprehensive income statement

<i>Amounts in NOK million</i>		DNB Bank Group			
		4th quarter 2017	4th quarter 2016	Full year 2017	Full year 2016
Profit for the period		5 624	4 988	19 813	17 914
Actuarial gains and losses		(107)	(35)	(107)	(179)
Items that will not be reclassified to the income statement		(107)	(35)	(107)	(179)
Currency translation of foreign operations		2 734	3 561	1 182	(6 478)
Currency translation reserve reclassified to the income statement ¹⁾		(1 303)		(1 303)	(43)
Hedging of net investment		(1 640)	(2 415)	(515)	4 346
Hedging reserve reclassified to the income statement ¹⁾		886		886	
Investments according to the equity method ²⁾		41	4	160	(25)
Investments according to the equity method, reclassified to the income statement ²⁾					(855)
Items that may subsequently be reclassified to the income statement		718	1 150	410	(3 054)
Other comprehensive income for the period (net of tax)		611	1 115	303	(3 233)
Comprehensive income for the period		6 235	6 103	20 117	14 680

1) In the fourth quarter of 2017, currency translation reserves (accumulated gains) of NOK 1 307 million and hedging reserves (accumulated losses) of NOK 1 224 million relating to the Baltics were reclassified to the income statement and recognised in "Net gains on fixed and intangible assets". Tax relating to the Baltics hedging reserve amounted to NOK 338 million, which was reclassified to the income statement and recognised in "Tax expense".

2) 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. 2017	31 Dec. 2016
<i>Amounts in NOK million</i>	Note		
Assets			
Cash and deposits with central banks		151 595	208 263
Due from credit institutions	13, 14	237 849	174 908
Loans to customers	11, 12, 13, 14	1 531 345	1 492 268
Commercial paper and bonds at fair value	14, 15	257 029	217 887
Shareholdings	14	7 303	6 200
Financial derivatives	14	132 649	157 957
Commercial paper and bonds, held to maturity	13, 15	9 613	12 760
Investment properties		990	1 175
Investments accounted for by the equity method		11 176	3 570
Intangible assets		3 756	3 981
Deferred tax assets		757	1 392
Fixed assets		7 911	7 117
Assets held for sale			52 541
Other assets		7 888	8 255
Total assets		2 359 860	2 348 272
Liabilities and equity			
Due to credit institutions	13, 14	222 501	211 606
Deposits from customers	13, 14	980 374	945 694
Financial derivatives	14	112 020	130 990
Debt securities issued	13, 14, 16	782 127	767 750
Payable taxes		4 702	8 847
Deferred taxes		847	2 382
Other liabilities		19 304	15 781
Liabilities held for sale			41 243
Provisions		1 766	2 038
Pension commitments		2 995	2 516
Subordinated loan capital	13, 14, 16	29 538	29 347
Total liabilities		2 156 175	2 158 194
Share capital		18 256	18 314
Share premium		20 611	20 611
Additional Tier 1 capital		16 159	15 952
Other equity		148 660	135 200
Total equity		203 685	190 078
Total liabilities and equity		2 359 860	2 348 272

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. 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 (net of tax)				(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	
Defined-benefit pension scheme discontinued				6		(6)	
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
Profit for the period			938			17 972	18 910
Other comprehensive income (net of tax)				(120)	53		(67)
Comprehensive income for the period			938	(120)	53	17 972	18 843
Demerger Vipps AS	(59)					(641)	(700)
Interest payments additional Tier 1 capital			(724)				(724)
Currency movements taken to income			(7)			7	
Transfer of lending portfolio to subsidiary (continuity)						2	2
Dividends and group contribution for 2017 to DNB ASA						(15 804)	(15 804)
Balance sheet as at 31 Dec. 2017	18 256	19 895	16 159	(739)	570	115 580	169 720

Statement of changes in equity (continued)

DNB Bank Group

<i>Amounts in NOK million</i>	Share capital	Share premium	Additional Tier 1 capital	Actuarial gains and losses	Currency translation reserve ¹⁾	Net investment hedge reserve ¹⁾	Other equity	Total equity ¹⁾
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 (net of tax)				(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 scheme discontinued				16			(16)	
AGDL provisions in Luxembourg reclassified to equity							13	13
Group contribution to DNB ASA							(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
Profit for the period			938				18 876	19 813
Other comprehensive income (net of tax)				(107)	(121)	371	160	303
Comprehensive income for the period			938	(107)	(121)	371	19 036	20 117
Demerger Vipps AS	(59)						(641)	(700)
Interest payments additional Tier 1 capital			(724)					(724)
Currency movements taken to income			(7)				7	
Group contribution to DNB ASA							(5 084)	(5 084)
Balance sheet as at 31 Dec. 2017	18 256	20 611	16 159	(748)	11 647	(7 131)	144 892	203 685
1) <i>Of which OCI related to the Baltics:</i>								
<i>Balance sheet as at 31 December 2016</i>					1 015	(712)		304
<i>Other comprehensive income for the three first quarters of 2017</i>					291	(174)		117
<i>Other comprehensive income reclassified to the income statement</i>					(1 307)	886		(421)
<i>Balance sheet as at 31 December 2017</i>					0	0		0

Cash flow statement

DNB Bank ASA

<i>Amounts in NOK million</i>	Full year 2017	Full year 2016
Operating activities		
Net payments on loans to customers	(39 831)	(1 193)
Interest received from customers	27 604	26 974
Net receipts on deposits from customers	36 940	37 498
Interest paid to customers	(5 346)	(5 219)
Net payments on loans to credit institutions	(28 516)	144 571
Interest received from credit institutions	5 074	3 774
Interest paid to credit institutions	(3 058)	(1 975)
Net payments on the sale of financial assets for investment or trading	(21 783)	(8 655)
Interest received on bonds and commercial paper	4 521	4 327
Net receipts on commissions and fees	3 920	3 998
Payments to operations	(16 322)	(15 995)
Taxes paid	(1 897)	(1 268)
Other net receipts	5 289	8 563
Net cash flow from operating activities	(33 406)	195 401
Investing activities		
Net payments on the acquisition of fixed assets	(1 010)	(1 627)
Receipts on the sale of long-term investments in shares	1 210	861
Payments on the acquisition of long-term investments in shares	(3 728)	(3 700)
Dividends received on long-term investments in shares	347	57
Net cash flow from investment activities	(3 181)	(4 408)
Financing activities		
Receipts on issued bonds and commercial paper	1 788 376	8 943 961
Payments on redeemed bonds and commercial paper	(1 804 568)	(8 935 044)
Interest payments on issued bonds and commercial paper	(5 926)	(6 238)
Receipts on the raising of subordinated loan capital	10 106	738
Redemptions of subordinated loan capital	(10 544)	(3)
Interest payments on subordinated loan capital	(780)	(920)
Receipts on issued additional Tier 1 capital	-	7 520
Interest payments on additional Tier 1 capital	(724)	(516)
Group contribution payments	(4 018)	(6 942)
Net cash flow from funding activities	(28 080)	2 555
Effects of exchange rate changes on cash and cash equivalents	6 082	(1 663)
Net cash flow	(58 584)	191 884
Cash as at 1 January	211 768	19 884
Net receipts/payments of cash	(58 584)	191 884
Cash at end of period ¹⁾	153 184	211 768
<i>*) Of which: Cash and deposits with central banks</i>	<i>151 147</i>	<i>207 934</i>
<i>Deposits with credit institutions with no agreed period of notice ¹⁾</i>	<i>2 036</i>	<i>3 835</i>

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

Cash flow statement (continued)

	DNB Bank Group	
	Full year 2017	Full year 2016
<i>Amounts in NOK million</i>		
Operating activities		
Net payments on loans to customers	(36 193)	(35 187)
Interest received from customers	47 789	47 420
Net receipts on deposits from customers	34 723	40 724
Interest paid to customers	(4 425)	(3 711)
Net receipts/payments on loans to credit institutions	(40 214)	163 235
Interest received from credit institutions	2 449	1 261
Interest paid to credit institutions	(2 428)	(1 661)
Net receipts/payments on the sale of financial assets for investment or trading	(20 381)	4 076
Interest received on bonds and commercial paper	4 394	4 271
Net receipts on commissions and fees	6 035	5 757
Payments to operations	(19 505)	(19 014)
Taxes paid	(10 004)	(1 455)
Other net receipts	6 282	8 327
Net cash flow from operating activities	(31 478)	214 042
Investing activities		
Net payments on the acquisition of fixed assets	(2 274)	(1 529)
Net receipts/payments, investment properties	382	(605)
Receipts on the sale of long-term investments in shares	90	861
Acquisition of long-term investments in shares	(675)	
Dividends received on long-term investments in shares	7	66
Net cash flow from investment activities	(2 470)	(1 206)
Financing activities		
Receipts on issued bonds and commercial paper	1 849 030	8 995 908
Payments on redeemed bonds and commercial paper	(1 856 373)	(9 000 786)
Interest payments on issued bonds and commercial paper	(13 853)	(16 016)
Receipts on the raising of subordinated loan capital	10 106	738
Redemptions of subordinated loan capital	(10 544)	(3)
Interest payments on subordinated loan capital	(784)	(923)
Receipts on issued additional Tier 1 capital		7 520
Interest payments on additional Tier 1 capital	(724)	(516)
Group contributions payments	(5 318)	(6 849)
Net cash flow from funding activities	(28 459)	(20 928)
Effects of exchange rate changes on cash and cash equivalents	5 436	(312)
Net cash flow	(56 971)	191 596
Cash as at 1 January	214 790	23 194
Amount of cash in subsidiaries which control is lost	(3 768)	
Net receipts/payments of cash	(56 971)	191 596
Cash at end of period ¹⁾	154 051	214 790
<i>*) Of which: Cash and deposits with central banks</i>	<i>151 595</i>	<i>211 908</i>
<i>Deposits with credit institutions with no agreed period of notice ¹⁾</i>	<i>2 456</i>	<i>2 881</i>

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, can be found in note 1 Accounting principles in the annual report for 2016.

The customer segments were redefined in the first quarter of 2017. See note 2 Segments for further information. The change only affects the allocation between the segments and has no impact on the DNB Bank Group's financial statements. Figures for comparable periods have been restated.

Approved standards and interpretations that have not yet entered into force

IFRS 9 Financial Instruments

The new rules are applicable from 1 January 2018. See chapter 17 in note 1 Accounting principles in the annual report for 2016 for a more detailed description.

Impact for DNB Bank Group

Classification and measurement

The banking group has completed the analysis related to classification and measurement. It has been concluded that the "hold to collect" business model will be used for financial assets within the three main customer segments, which implies that amortised cost is the measurement method to be applied. This is the same as in the current IAS 39 rules. In DNB Markets a more distinct border has been determined between the business model in the trading book and the banking book. Hence, some portfolios measured at fair value today will be measured at amortised cost from 2018 onwards. There are some reclassifications caused by reduced use of the fair value option. The reclassifications will have no material impact on the DNB Bank Group's financial statements.

Impairment

IFRS 9 changes the measurement of the provision for credit losses for financial assets. At initial recognition, as well as if the credit risk has not increased significantly since initial recognition, the provision should equal 12-month expected credit losses ("stage 1"). If the credit risk has increased significantly, the provision should equal lifetime expected credit losses ("stage 2"). This dual approach replaces today's collective impairment model. For individual impairment there are no significant changes in the rules compared with the current IAS 39 rules. Individual impairment is from now on referred to as the third stage ("stage 3").

In DNB Bank Group, the assessment of what is considered to be a significant change in credit risk is based on a combination of quantitative and qualitative indicators and backstops. The most important driver of significant change in credit risk in the banking group is the quantitative indicator determined by comparing the remaining lifetime PD at the reporting date with the remaining lifetime PD at the reporting date expected at initial recognition. Using this as a measurement, a change of 2.5 times lifetime PD from initial recognition is assessed as a significant change in credit risk. Further, the change in PD must be a minimum of 0.6 percentage points for the deterioration in credit risk to be considered to be significant. In the high end of the risk scale a change of 7.5 percentage points or more is considered to be a significant deterioration in credit risk even if this is less than a change of 2.5 times lifetime PD. These limits reflect the high sensitivity to change in the low end of the risk scale and the low sensitivity to change in the high end of the scale.

DNB Bank Group will calculate the loss provision for financial assets in "stage 1" and "stage 2" under the new rules as the present value of exposure at default (EAD) multiplied by the probability of default (PD) multiplied by loss given default (LGD). The work to establish the methodology and loss provision model has been completed. This includes converting PD, LGD and EAD to be point in time and more forward looking as the modelling is built on the IRB framework. The measurement of loss provisions will incorporate the effect of DNB's forward-looking view (macro scenarios). The banking group has grouped instruments with similar credit risk characteristics into 22 portfolios. Based on an historical analysis, key risk drivers (macro factors) impacting the PD are identified for the different portfolios. The number of macro factors identified per portfolio varies from one to four. The forecast for the different macro factors will be updated quarterly and provided internally. The forecast period varies between three and four years. After this period, the drivers are assumed to be mean reverting.

The implementation impact calculated on 1 January 2018 is an increase of NOK 3 billion before taxes. This includes the impact from Investments accounted for by the equity method. The effect will be recognised as an increase in collective impairment provisions and as a reduction in the Investments accounted for by the equity method in the balance sheet with the offsetting entry recognised directly in equity, hence there will be no impact on the income statement. DNB don't intend to use the transition rules introduced for capital adequacy purposes. A separate disclosure with transition information will be included in the annual report for 2017.

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 DNB Bank Group's resources. Special product areas are responsible for production and development for parts of the product range and for ensuring that DNB 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. DNB's Baltic operation became part of a joint venture with Nordea from 1 October 2017. The Baltic operation was part of the Large corporates and international customers segment up until this date, and is thus reflected in the figures for previous quarters. Following the reorganisation announced in September 2016, the DNB Bank Group has changed its distribution of the profit from DNB Finans' operations between the three customer segments. As of 1 January 2017, profit from DNB Finans' operations in Sweden are divided between the personal customer segment, the small and medium-sized enterprises segment and the large corporates and international customers segment. Profit from DNB Finans' operations in Denmark are divided between the small and medium-sized enterprises segment and the large corporates and international customers segment. Previously, profits from these operations were included in the large corporates and international customers segment. The distribution of profit from DNB Finans' operations in Norway on the various segments has also been changed. Figures for 2016 have been adjusted correspondingly.

- | | |
|--|--|
| 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 outlets). Credit cards and consumer financing in Sweden are also included in this business area. |
| 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). Factoring, leasing and asset financing for small and medium-sized enterprises in Sweden and Denmark are also included in this business area. |
| Large corporates and international customers | - includes large Norwegian and international corporate customers. 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 DNB bank 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 DNB bank 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	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
<i>Amounts in NOK million</i>												
Net interest income	3 511	3 106	2 281	2 120	3 042	3 297	(81)	1	236	(26)	8 989	8 498
Net other operating income	811	805	406	410	1 005	1 306	564	817	838	210	3 624	3 547
Total income	4 321	3 910	2 688	2 529	4 047	4 603	483	818	1 074	185	12 613	12 045
Operating expenses	(1 853)	(1 849)	(1 044)	(1 026)	(1 604)	(1 722)	(158)	(159)	(1 221)	(250)	(5 880)	(5 007)
Pre-tax operating profit before impairment	2 468	2 061	1 644	1 503	2 443	2 880	325	659	(147)	(65)	6 733	7 038
Net gains on fixed and intangible assets	(0)		(1)	(0)	0	(4)			(38)	(8)	(38)	(12)
Impairment of loans and guarantees ²⁾	(137)	107	(150)	(281)	(99)	(1 572)			(16)	(6)	(402)	(1 753)
Profit from repossessed operations			11	40	(13)	7			2	(47)		
Pre-tax operating profit	2 331	2 168	1 505	1 261	2 331	1 312	325	659	(199)	(126)	6 293	5 273
Tax expense	(583)	(542)	(376)	(315)	(653)	(354)	(75)	(165)	1 021	1 064	(666)	(312)
Profit from operations held for sale, after taxes		0				(0)			(3)	26	(3)	26
Profit for the period	1 749	1 626	1 128	946	1 678	957	250	494	819	964	5 624	4 988

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

2) See note 9 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	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
<i>Amounts in NOK billion</i>												
Loans to customers ^{1) 2)}	743.6	705.9	286.4	263.9	422.7	511.3	33.7	24.4	45.2	(10.9)	1 531.7	1 494.7
Deposits from customers ^{1) 2)}	404.0	399.4	210.5	185.7	337.8	367.0	104.9	54.5	1.8	(33.9)	1 059.0	972.7
Allocated capital ³⁾	37.7	37.5	25.8	26.4	73.3	84.4	6.1	7.2				

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	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
<i>Per cent</i>												
Cost/income ratio ⁴⁾	42.9	47.3	38.8	40.6	39.6	37.4	32.7	19.5			46.6	41.6
Ratio of deposits to loans ^{2) 5)}	54.3	56.6	73.5	70.3	79.9	71.8					69.1	65.1
Return on allocated capital, annualised ³⁾	18.4	17.3	17.4	14.3	9.1	4.5	16.3	27.2			11.6	11.1

1) DNB's Baltic operation became part of a joint venture with Nordea from 1 October 2017. The Baltic operation was part of the Large corporates and international customers segment up until this date, and is thus reflected in the figures for previous quarters. 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. In the fourth quarter of 2016 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.

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 2017 corresponds to a common equity Tier 1 capital ratio of 18.0 per cent compared to 17.2 per cent in 2016. 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 Bank Group		
	Full year		Full year		Full year		Full year		Full year		Full year		
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	
<i>Amounts in NOK million</i>													
Net interest income	13 336	12 758	8 578	7 941	12 682	13 182	(76)	28	1 394	609	35 914	34 517	
Net other operating income	3 716	3 631	1 549	1 480	4 897	5 255	2 453	2 976	(190)	1 974	12 425	15 316	
Total income	17 051	16 389	10 127	9 421	17 579	18 437	2 377	3 004	1 204	2 582	48 339	49 833	
Operating expenses	(7 731)	(7 980)	(4 106)	(3 876)	(7 086)	(6 828)	(502)	(548)	(2 503)	(1 283)	(21 928)	(20 516)	
Pre-tax operating profit before impairment	9 320	8 409	6 021	5 545	10 493	11 609	1 876	2 455	(1 299)	1 300	26 410	29 317	
Net gains on fixed and intangible assets	(0)	0	(1)	2	20	23				716	(44)	735	(19)
Impairment of loans and guarantees	(207)	379	(413)	(1 088)	(1 800)	(6 715)				(8)	(0)	(2 428)	(7 424)
Profit from repossessed operations			14	6	(19)	8				4	(14)		
Pre-tax operating profit	9 113	8 788	5 621	4 465	8 694	4 925	1 876	2 455	(587)	1 241	24 718	21 874	
Taxes	(2 278)	(2 197)	(1 405)	(1 116)	(2 434)	(1 330)	(431)	(614)	1 646	1 293	(4 903)	(3 964)	
Profit from operations held for sale, after taxes		(1)			(0)	3			(1)	2	(1)	4	
Profit for the period	6 835	6 590	4 216	3 348	6 260	3 599	1 444	1 841	1 059	2 536	19 813	17 914	

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	
	31 December		31 December		31 December		31 December		31 December		31 December	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
<i>Amounts in NOK billion</i>												
Loans to customers	747,2	706,0	291,1	265,8	409,6	499,7	38,7	29,9	44,6	(9,1)	1 531,3	1 492,3
Deposits from customers	403,4	397,5	206,5	189,6	325,5	379,4	44,5	13,7	0,4	(34,4)	980,4	945,7

Other operations/eliminations

Other operations/eliminations include IT, People and Operations, Group Finance including Group Treasury, Risk Management, Media & Marketing, Compliance, New Business, the partially owned company Eksportfinans and 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 2017	4th quarter 2016
<i>Amounts in NOK million</i>		
Unallocated interest income	110	(161)
Income from equity investments	32	91
Gains on fixed and intangible assets	(38)	(8)
Mark-to-market adjustments on financial instruments	300	681
Basis swaps	62	(713)
Profit from associated companies	(74)	(45)
Net gains on investment properties	160	15
Profit from repossessed operations	2	(47)
Unallocated personnel expenses	(147)	50
Unallocated IT and Operations expenses	1	63
Impairment losses for goodwill relating to external distribution of credit card under the Cresco brand	(502)	
Other	(105)	(52)
Pre-tax operating profit	(199)	(126)

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. 2016	31 Dec. 2017	<i>Amounts in NOK million</i>	31 Dec. 2017	31 Dec. 2016
168 104	169 720	Total equity	203 685	190 078
		Effect from regulatory consolidation	183	(181)
(15 574)	(15 574)	Additional Tier 1 capital instruments included in total equity	(15 574)	(15 574)
(284)	(439)	Net accrued interest on additional Tier 1 capital instruments	(439)	(284)
152 246	153 708	Common equity Tier 1 capital instruments	187 856	174 039
		Deductions		
		Pension funds above pension commitments		
(2 900)	(2 404)	Goodwill	(2 559)	(2 951)
(224)	(584)	Deferred tax assets that are not due to temporary differences	(454)	(482)
(699)	(1 110)	Other intangible assets	(1 984)	(946)
		Group contribution, payable	(15 804)	(5 084)
(6)	(951)	Expected losses exceeding actual losses, IRB portfolios	(1 915)	(153)
(479)	(449)	Value adjustment due to the requirements for prudent valuation (AVA)	(720)	(786)
107	123	Adjustments for unrealised losses/(gains) on debt recorded at fair value	123	(90)
(580)	(481)	Adjustments for unrealised losses/(gains) arising from the institution's own credit risk related to derivative liabilities (DVA)	(113)	(159)
147 467	147 851	Common equity Tier 1 capital	164 431	163 389
17 471	15 574	Additional Tier 1 capital instruments	15 574	17 471
164 938	163 425	Tier 1 capital	180 005	180 860
5 602	5 361	Perpetual subordinated loan capital	5 361	5 602
21 249	23 897	Term subordinated loan capital	23 897	21 249
26 851	29 258	Tier 2 capital	29 258	26 851
191 789	192 683	Total eligible capital	209 263	207 711
773 244	825 200	Risk-weighted volume, transitional rules	1 014 683	1 040 888
61 860	66 016	Minimum capital requirement, transitional rules	81 175	83 271
19.1	17.9	Common equity Tier 1 capital ratio, transitional rules (%)	16.2	15.7
21.3	19.8	Tier 1 capital ratio, transitional rules (%)	17.7	17.4
24.8	23.3	Capital ratio, transitional rules (%)	20.6	20.0

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.

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. 2017	31 Dec. 2017	31 Dec. 2017	31 Dec. 2017	31 Dec. 2017	31 Dec. 2016
<i>Amounts in NOK million</i>						
IRB approach						
Corporate	716 183	581 120	54.9	319 273	25 542	23 407
Specialised lending (SL)	10 551	9 615	51.5	4 948	396	311
Retail - mortgages	100 735	100 735	24.5	24 677	1 974	1 593
Retail - other exposures	99 660	85 663	25.5	21 812	1 745	1 901
Securitisation	9 613	9 613	81.4	7 827	626	937
Total credit risk, IRB approach	936 742	786 746	48.1	378 536	30 283	28 149
Standardised approach						
Central government	84 822	53 137	0.1	74	6	6
Institutions	596 082	412 768	20.3	83 843	6 707	6 194
Corporate	102 578	81 346	93.1	75 735	6 059	6 009
Retail - mortgages	8 187	7 661	39.2	3 004	240	210
Retail - other exposures	102 158	35 316	74.5	26 300	2 104	2 018
Equity positions	124 991	124 991	100.2	125 224	10 018	9 639
Other assets	16 076	16 076	147.6	23 725	1 898	820
Total credit risk, standardised approach	1 034 894	731 294	46.2	337 906	27 032	24 896
Total credit risk	1 971 636	1 518 040	47.2	716 441	57 315	53 045
Market risk						
Position risk, debt instruments				20 253	1 620	1 855
Position risk, equity instruments				262	21	25
Currency risk						
Commodity risk				23	2	6
Credit value adjustment risk (CVA)				11 098	888	974
Total market risk				31 637	2 531	2 860
Operational risk				77 122	6 170	5 955
Total risk-weighted volume and capital requirements before transitional rules				825 200	66 016	61 860
Additional capital requirements according to transitional rules						
Total risk-weighted volume and capital requirements				825 200	66 016	61 860

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. 2017	31 Dec. 2017	in per cent 31 Dec. 2017	31 Dec. 2017	31 Dec. 2017	31 Dec. 2016
<i>Amounts in NOK million</i>						
IRB approach						
Corporate	964 724	790 118	55.7	439 960	35 197	32 619
Specialised Lending (SL)	11 582	10 645	53.3	5 676	454	356
Retail - mortgages	748 668	748 668	22.1	165 245	13 220	12 465
Retail - other exposures	99 660	85 663	25.5	21 812	1 745	1 901
Securitisation	9 613	9 613	81.4	7 827	626	937
Total credit risk, IRB approach	1 834 246	1 644 706	38.9	640 519	51 241	48 279
Standardised approach						
Central government	107 116	76 481	0.1	74	6	7
Institutions	286 838	142 630	29.0	41 400	3 312	2 243
Corporate	174 572	141 048	87.0	122 703	9 816	8 799
Retail - mortgages	58 925	56 340	49.0	27 588	2 207	1 805
Retail - other exposures	117 871	47 773	77.0	36 765	2 941	2 939
Equity positions	8 049	8 048	102.9	8 281	662	703
Securitisation						41
Other assets	10 880	10 880	58.9	6 410	513	859
Total credit risk, standardised approach	764 251	483 198	50.3	243 221	19 458	17 395
Total credit risk	2 598 497	2 127 905	41.5	883 739	70 699	65 674
Market risk						
Position risk, debt instruments				13 997	1 120	1 169
Position risk, equity instruments				262	21	25
Currency risk						
Commodity risk				23	2	6
Credit value adjustment risk (CVA)				5 867	469	493
Total market risk				20 150	1 612	1 692
Operational risk				89 591	7 167	6 675
Total risk-weighted volume and capital requirements before transitional rules				993 480	79 478	74 042
Additional capital requirements according to transitional rules ²⁾				21 204	1 696	9 229
Total risk-weighted volume and capital requirements				1 014 683	81 175	83 271

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 volume of short-term 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 deposits-to-loans ratio is a key figure in liquidity risk management, and in order to avoid an increasing strain on funding from capital markets over time, the overall ambition is to retain a minimum deposits-to-loans ratio of 60 per cent. The banking group's ratio of deposits to net loans was 64.0 per cent at end-December 2017, up from 63.4 per cent a year earlier. The ratio of deposits to net loans in DNB Bank ASA was 130.9 per cent at end-December 2017.

The short-term funding markets were generally sound for banks in the fourth quarter of 2017. An expected interest rate hike by the Federal Reserve and imbalances between USD and euro, caused somewhat higher pricing in the short-term funding market throughout the quarter. However, DNB had good access to short-term funding during this period.

There was a higher level of activity in the long-term funding markets in the fourth quarter than what is usual that time of year. The market was well-functioning, and prices were favourable, so issuers used the opportunity to refinance coming redemptions and prefund the coming year's funding needs. The European Central Bank, ECB, is still a dominating player in the covered bonds market, but the announced reduction in its targeted longer-term financing operations programme in October was positively received by investors. The TLTRO programme is supposed to last until September 2018. The margins for all types of long-term funding, including subordinated loans, decreased further during the fourth quarter.

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 117 per cent, with an LCR of 191 per cent for EUR, 137 per cent for USD and 93 per cent for NOK.

The average remaining term to maturity for the portfolio of senior bond debt and covered bonds was 4.0 years at end-December 2017, up from 3.9 years 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 2017	4th quarter 2016	Full year 2017	Full year 2016
Interest on amounts due from credit institutions	1 416	1 167	5 311	3 879
Interest on loans to customers	5 965	5 861	23 724	23 387
Interest on impaired loans and guarantees	224	192	844	622
Interest on commercial paper and bonds	970	1 191	4 281	4 630
Front-end fees etc.	67	65	282	260
Other interest income	694	695	2 683	2 385
Total interest income	9 336	9 171	37 126	35 163
Interest on amounts due to credit institutions	(879)	(894)	(3 102)	(2 138)
Interest on deposits from customers	(1 860)	(1 597)	(7 187)	(6 373)
Interest on debt securities issued	(1 008)	(915)	(3 792)	(3 683)
Interest on subordinated loan capital	(106)	(130)	(449)	(529)
Guarantee fund levy	(112)	(161)	(548)	(638)
Other interest expenses ¹⁾	811	410	2 369	1 804
Total interest expenses	(3 155)	(3 288)	(12 709)	(11 555)
Net interest income	6 180	5 883	24 416	23 608

<i>Amounts in NOK million</i>	DNB Bank Group			
	4th quarter 2017	4th quarter 2016	Full year 2017	Full year 2016
Interest on amounts due from credit institutions	768	431	2 712	1 339
Interest on loans to customers	11 068	11 129	45 025	44 735
Interest on impaired loans and guarantees	285	317	1 172	911
Interest on commercial paper and bonds	936	1 173	4 156	4 578
Front-end fees etc.	66	81	300	294
Other interest income	296	277	1 033	1 029
Total interest income	13 420	13 409	54 399	52 887
Interest on amounts due to credit institutions	(711)	(762)	(2 465)	(1 705)
Interest on deposits from customers	(1 945)	(1 679)	(7 571)	(6 703)
Interest on debt securities issued	(2 794)	(2 933)	(11 139)	(12 385)
Interest on subordinated loan capital	(107)	(131)	(452)	(532)
Guarantee fund levy	(113)	(200)	(637)	(768)
Other interest expenses ¹⁾	1 240	795	3 779	3 722
Total interest expenses	(4 430)	(4 911)	(18 485)	(18 369)
Net interest income	8 989	8 498	35 914	34 517

1) 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 2017	4th quarter 2016	Full year 2017	Full year 2016
Money transfers	935	795	3 728	3 451
Asset management services	105	96	376	342
Custodial services	89	78	357	319
Securities broking	170	187	689	573
Corporate finance	205	277	612	575
Interbank fees	4	5	19	23
Credit broking	111	142	438	494
Sale of insurance products	99	93	396	372
Other commissions and fees	194	175	727	589
Total commission and fee income	1 913	1 849	7 340	6 739
Money transfers	(517)	(445)	(2 079)	(1 754)
Asset management services	(3)	(15)	(12)	(15)
Custodial services	(54)	(40)	(180)	(170)
Securities broking	(41)	(40)	(148)	(173)
Corporate finance	(46)	(19)	(135)	(73)
Interbank fees	(12)	(14)	(49)	(57)
Credit broking	(20)	(22)	(71)	(87)
Sale of insurance products	(30)	(27)	(116)	(114)
Other commissions and fees	(145)	(144)	(506)	(481)
Total commission and fee expenses	(869)	(765)	(3 296)	(2 924)
Net commission and fee income	1 044	1 084	4 044	3 815

<i>Amounts in NOK million</i>	DNB Bank Group			
	4th quarter 2017	4th quarter 2016	Full year 2017	Full year 2016
Money transfers	937	870	3 960	3 731
Asset management services	106	119	421	406
Custodial services	95	86	378	344
Securities broking	187	200	789	616
Corporate finance	248	338	820	767
Interbank fees	4	5	19	23
Credit broking	125	108	453	491
Sales of insurance products	99	100	416	397
Real estate broking	251	260	1 150	1 121
Other commissions and fees	174	214	822	732
Total commission and fee income	2 226	2 300	9 228	8 628
Money transfers	(517)	(455)	(2 109)	(1 795)
Asset management services	(3)	(15)	(12)	(15)
Custodial services	(55)	(40)	(183)	(172)
Securities broking	(41)	(40)	(150)	(176)
Corporate finance	(46)	(19)	(135)	(73)
Interbank fees	(12)	(14)	(49)	(57)
Credit broking	(2)	(2)	(13)	(26)
Sale of insurance products	(30)	(27)	(116)	(114)
Other commissions and fees	(147)	(167)	(577)	(567)
Total commission and fee expenses	(853)	(780)	(3 344)	(2 994)
Net commission and fee income	1 373	1 520	5 884	5 634

Note 7 Net gains on financial instruments at fair value

<i>Amounts in NOK million</i>	DNB Bank ASA			
	4th quarter 2017	4th quarter 2016	Full year 2017	Full year 2016
Dividends	(2)	31	74	124
Net gains on commercial paper and bonds	(576)	(1 965)	(651)	(1 680)
Net gains on shareholdings and equity-related derivatives	25	85	57	1 201
Net unrealised gains on basis swaps	96	513	517	649
Net gains on other financial instruments	2 204	4 028	5 946	8 541
Net gains on financial instruments at fair value	1 747	2 692	5 942	8 834

<i>Amounts in NOK million</i>	DNB Bank Group			
	4th quarter 2017	4th quarter 2016	Full year 2017	Full year 2016
Dividends	(1)	31	78	133
Net gains on commercial paper and bonds	(554)	(1 956)	(642)	(1 815)
Net gains on shareholdings and equity-related derivatives	26	84	118	361
Net unrealised gains on basis swaps	62	(713)	(672)	(542)
Net gains on other financial instruments	2 155	4 256	5 631	8 368
Net gains on financial instruments at fair value	1 689	1 703	4 513	6 506

Note 8 Operating expenses

<i>Amounts in NOK million</i>	DNB Bank ASA			
	4th quarter 2017	4th quarter 2016	Full year 2017	Full year 2016
Salaries	(1 585)	(1 493)	(6 289)	(6 138)
Employer's national insurance contributions	(316)	(281)	(1 219)	(968)
Pension expenses	(379)	(68)	(1 205)	(872)
Restructuring expenses	(54)	(180)	(315)	(656)
Other personnel expenses	(135)	(159)	(612)	(614)
Total salaries and other personnel expenses	(2 469)	(2 182)	(9 639)	(9 248)
Fees ¹⁾	(605)	(487)	(1 921)	(1 474)
IT expenses ¹⁾	(441)	(392)	(1 969)	(1 886)
Postage and telecommunications	(43)	(47)	(158)	(179)
Office supplies	(8)	(7)	(27)	(25)
Marketing and public relations	(155)	(168)	(564)	(567)
Travel expenses	(88)	(65)	(212)	(173)
Reimbursement to Norway Post for transactions executed	(57)	(48)	(204)	(198)
Training expenses	(14)	(19)	(52)	(49)
Operating expenses on properties and premises	(271)	(265)	(1 097)	(1 112)
Operating expenses on machinery, vehicles and office equipment	(15)	(17)	(61)	(63)
Other operating expenses	(153)	(101)	(638)	(391)
Total other expenses	(1 850)	(1 615)	(6 904)	(6 118)
Depreciation and impairment of fixed and intangible assets ²⁾	(967)	(621)	(2 318)	(2 050)
Total depreciation and impairment of fixed and intangible assets	(967)	(621)	(2 318)	(2 050)
Total operating expenses	(5 286)	(4 418)	(18 860)	(17 417)

<i>Amounts in NOK million</i>	DNB Bank Group			
	4th quarter 2017	4th quarter 2016	Full year 2017	Full year 2016
Salaries	(1 884)	(1 864)	(7 772)	(7 622)
Employer's national insurance contributions	(352)	(338)	(1 428)	(1 190)
Pension expenses	(403)	(84)	(1 310)	(968)
Restructuring expenses	(69)	(191)	(335)	(693)
Other personnel expenses	(161)	(195)	(715)	(733)
Total salaries and other personnel expenses	(2 869)	(2 672)	(11 561)	(11 206)
Fees ¹⁾	(624)	(506)	(2 011)	(1 575)
IT expenses ¹⁾	(454)	(435)	(2 119)	(2 087)
Postage and telecommunications	(46)	(55)	(193)	(222)
Office supplies	(9)	(20)	(60)	(74)
Marketing and public relations	(187)	(212)	(798)	(804)
Travel expenses	(108)	(81)	(272)	(225)
Reimbursement to Norway Post for transactions executed	(57)	(48)	(204)	(198)
Training expenses	(15)	(22)	(63)	(61)
Operating expenses on properties and premises	(301)	(315)	(1 261)	(1 285)
Operating expenses on machinery, vehicles and office equipment	(17)	(23)	(81)	(92)
Other operating expenses	(188)	(126)	(837)	(585)
Total other expenses	(2 005)	(1 842)	(7 899)	(7 207)
Depreciation and impairment of fixed and intangible assets ²⁾	(1 007)	(493)	(2 469)	(2 103)
Total depreciation and impairment of fixed and intangible assets	(1 007)	(493)	(2 469)	(2 103)
Total operating expenses	(5 880)	(5 007)	(21 928)	(20 516)

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

2) Impairment losses for goodwill of NOK 502 million relating to Cresco were recorded in the fourth quarter of 2017.

Note 9 Taxes

DNB Bank ASA		Balancing tax charges against pre-tax operating profit	DNB Bank Group	
Full year 2016	Full year 2017		Full year 2017	Full year 2016
		<i>Amounts in NOK million</i>		
20 012	21 978	Pre-tax operating profit	24 718	21 874
(5 003)	(5 275)	Estimated tax expense - nominal tax rate 24 per cent (25 per cent in 2016)	(5 932)	(5 469)
	(121)	Tax effect of financial tax	(142)	
		Tax effect of different tax rates in other countries	(165)	10
357	749	Tax effect of debt interest distribution with international branches	749	357
(572)	1 609	Tax effect of tax-exempt income and non-deductible expenses	776	861
		Tax effect of tax losses carried forward not recognised in the balance sheet ¹⁾	(23)	123
	(6)	Tax effect of changed tax rate for deferred taxes recognised in the balance sheet	(94)	18
(5)	(24)	Excess tax provision previous year	(72)	136
(5 223)	(3 068)	Total tax expense	(4 903)	(3 964)
26%	14%	Effective tax rate	20%	18%

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

<i>Amounts in NOK million</i>	DNB Bank ASA			
	4th quarter 2017	4th quarter 2016	Full year 2017	Full year 2016
Write-offs	(752)	(358)	(1 312)	(873)
New/increased individual impairment	(816)	(958)	(3 182)	(4 260)
Total new/increased individual impairment	(1 569)	(1 315)	(4 494)	(5 133)
Reassessed individual impairment previous years	204	87	1 727	614
Recoveries on loans and guarantees previously written off	47	196	155	957
Net individual impairment	(1 318)	(1 032)	(2 612)	(3 562)
Change in collective impairment of loans	444	(12)	675	(1 117)
Impairment of loans and guarantees ¹⁾	(874)	(1 044)	(1 937)	(4 679)
Write-offs covered by individual impairment made in previous years	942	252	2 425	1 278
1) <i>Of which individual impairment of guarantees</i>	37	(105)	(6)	(346)

<i>Amounts in NOK million</i>	DNB Bank Group			
	4th quarter 2017	4th quarter 2016	Full year 2017	Full year 2016
Write-offs	(790)	(455)	(1 662)	(1 359)
New/increased individual impairment	(1 201)	(1 519)	(4 445)	(5 910)
Total new/increased individual impairment	(1 991)	(1 974)	(6 106)	(7 269)
Reassessed individual impairment previous years	249	177	2 162	990
Recoveries on loans and guarantees previously written off	48	217	249	999
Net individual impairment	(1 693)	(1 580)	(3 696)	(5 280)
Change in collective impairment of loans	1 292	(172)	1 268	(2 144)
Impairment of loans and guarantees ¹⁾	(402)	(1 753)	(2 428)	(7 424)
Write-offs covered by individual impairment made in previous years	816	849	3 286	2 803
1) <i>Of which individual impairment of guarantees</i>	37	(105)	(6)	(344)

Note 11 Loans to customers

DNB Bank ASA			DNB Bank Group	
31 Dec. 2016	31 Dec. 2017		31 Dec. 2017	31 Dec. 2016
		<i>Amounts in NOK million</i>		
Loans at amortised cost				
639 628	670 118	Loans to customers, nominal amount	1 430 442	1 391 602
(6 646)	(6 151)	Individual impairment	(8 234)	(8 566)
632 982	663 967	Loans to customers, after individual impairment	1 422 208	1 383 036
1 214	1 156	Accrued interest and amortisation	1 562	1 791
(374)	(406)	Individual impairment of accrued interest and amortisation	(480)	(494)
(2 787)	(2 096)	Collective impairment	(3 157)	(4 481)
631 034	662 622	Loans to customers, at amortised cost	1 420 133	1 379 852
Loans at fair value				
58 937	68 057	Loans to customers, nominal amount	110 418	111 742
63	51	Accrued interest	117	151
26	52	Adjustment to fair value	676	523
59 026	68 161	Loans to customers, at fair value	111 212	112 416
690 060	730 782	Loans to customers ^{*)}	1 531 345	1 492 268
29 466	38 614	*) Of which repo trading volumes	38 614	29 466

Note 12 Net impaired loans and guarantees for principal customer groups

DNB Bank ASA			DNB Bank Group	
31 Dec. 2016	31 Dec. 2017		31 Dec. 2017	31 Dec. 2016
		<i>Amounts in NOK million</i>		
1 074	1 358	Private individuals	2 029	2 281
2 081	902	Transportation by sea and pipelines and vessel construction	1 381	2 748
1 223	688	Real estate	689	1 826
2 405	1 110	Manufacturing	1 780	3 986
771	467	Services	469	797
728	1 397	Trade	1 398	790
3 625	2 767	Oil and gas	2 767	3 625
2 138	1 612	Transportation and communication	1 943	3 905
691	552	Building and construction	556	749
10	730	Power and water supply	1 343	386
44	11	Seafood	11	44
27	24	Hotels and restaurants	24	61
22	37	Agriculture and forestry	38	107
0	0	Central and local government	0	0
4	1	Other sectors	1	19
14 843	11 657	Total customers	14 427	21 323
		Credit institutions		
14 843	11 657	Total net impaired loans and guarantees	14 427	21 323
1 953	1 920	Non-performing loans and guarantees not subject to impairment	2 840	4 320
16 796	13 576	Total net non-performing and doubtful loans and guarantees	17 267	25 644

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.

The DNB Bank Group figures for 2016 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 2016.

Note 13 Fair value of financial instruments at amortised cost

<i>Amounts in NOK million</i>	DNB Bank ASA			
	31 December 2017		31 December 2016	
	Carrying amount	Fair value	Carrying amount	Fair value
Cash and deposits with central banks	4 434	4 434	4 648	4 648
Due from credit institutions	227 522	227 522	203 450	203 450
Loans to customers	662 622	663 545	631 034	634 571
Commercial paper and bonds, held to maturity	9 613	9 581	12 760	12 406
Total financial assets	904 190	905 082	851 891	855 075
Due to credit institutions	42 324	42 324	38 104	38 104
Deposits from customers	900 744	900 744	865 855	865 855
Securities issued ¹⁾	157 727	160 827	170 531	173 788
Subordinated loan capital ¹⁾	26 666	26 378	28 093	28 065
Total financial liabilities	1 127 460	1 130 273	1 102 583	1 105 812

<i>Amounts in NOK million</i>	DNB Bank Group			
	31 December 2017		31 December 2016	
	Carrying amount	Fair value	Carrying amount	Fair value
Cash and deposits with central banks	4 881	4 881	4 977	4 977
Due from credit institutions	38 561	38 561	14 035	14 035
Loans to customers	1 420 133	1 421 464	1 379 852	1 383 679
Commercial paper and bonds, held to maturity	9 613	9 581	12 760	12 406
Total financial assets	1 473 188	1 474 487	1 411 623	1 415 097
Due to credit institutions	35 508	35 508	32 363	32 363
Deposits from customers	924 593	924 593	890 885	890 885
Securities issued ¹⁾	539 731	548 082	526 863	533 874
Subordinated loan capital ¹⁾	26 666	26 378	28 093	28 065
Total financial liabilities	1 526 497	1 534 561	1 478 205	1 485 187

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 2017				
Deposits with central banks		146 714		146 714
Due from credit institutions		353 451		353 451
Loans to customers		55 839	12 322	68 161
Commercial paper and bonds at fair value	46 440	215 226	328	261 994
Shareholdings	5 530	254	527	6 310
Financial derivatives	131	144 753	2 069	146 953
Liabilities as at 31 December 2017				
Due to credit institutions		290 474		290 474
Deposits from customers		55 782		55 782
Debt securities issued		168 444		168 444
Subordinated loan capital		2 873		2 873
Financial derivatives	150	177 635	1 749	179 534
Other financial liabilities ¹⁾	6 153	61		6 214

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

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 2017				
Deposits with central banks		146 714		146 714
Due from credit institutions		199 288		199 288
Loans to customers		55 839	55 373	111 212
Commercial paper and bonds at fair value	53 391	203 311	328	257 029
Shareholdings	6 421	260	621	7 303
Financial derivatives	131	130 450	2 069	132 649
Liabilities as at 31 December 2017				
Due to credit institutions		186 993		186 993
Deposits from customers		55 782		55 782
Debt securities issued		242 396		242 396
Subordinated loan capital		2 873		2 873
Financial derivatives	150	110 121	1 749	112 020
Other financial liabilities ¹⁾	6 153	61		6 214

<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

1) Short positions, trading activities.

For a further description of the instruments and valuation techniques, see the annual report for 2016.

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 2016	16 052	375	799	1 319	1 062
Net gains recognised in the income statement	13	(63)	22	(75)	(99)
Additions/purchases	2 039	331	55	1 422	1 349
Sales	(951)	(291)	(350)		
Settled	(4 831)			(592)	(578)
Transferred from level 1 or level 2		100			
Transferred to level 1 or level 2		(132)			
Other		8		(5)	15
Carrying amount as at 31 December 2017	12 322	328	527	2 069	1 749

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 2016	69 442	375	946	1 319	1 062
Net gains recognised in the income statement	119	(63)	73	(75)	(99)
Additions/purchases	5 041	331	61	1 422	1 349
Sales		(291)	(459)		
Settled	(19 228)			(592)	(578)
Transferred from level 1 or level 2		100			
Transferred to level 1 or level 2		(132)			
Other		8		(5)	15
Carrying amount as at 31 December 2017	55 373	328	621	2 069	1 749

Note 14 Financial instruments at fair value (continued)

DNB Bank ASA			Breakdown of fair value, level 3		DNB Bank Group		
31 Dec. 2017					31 Dec. 2017		
Share- holdings	Commercial paper and bonds	Loans to customers	<i>Amounts in NOK million</i>		Loans to customers	Commercial paper and bonds	Share- holdings
392	355	12 241	Principal amount/purchase price		54 602	355	415
135	(27)	50	Fair value adjustment ¹⁾		674	(27)	206
		31	Accrued interest		97		
527	328	12 322	Carrying amount		55 373	328	621

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			
527	12	212	303	Carrying amount as at 31 December 2017			397	212	12	621

DNB Bank ASA			Sensitivity analysis, level 3		DNB Bank Group	
Effect of reasonably possible alternative assumptions	Carrying amount 31 Dec. 2017		<i>Amounts in NOK million</i>	Carrying amount 31 Dec. 2017	Effect of reasonably possible alternative assumptions	
(24)	12 322		Loans to customers	55 373	(122)	
(1)	328		Commercial paper and bonds	328	(1)	
	527		Shareholdings	621		
	320		Financial derivatives, net	320		

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. 2016	31 Dec. 2017		31 Dec. 2017	31 Dec. 2016
<i>Amounts in NOK million</i>				
12 760	9 613	International bond portfolio	9 613	12 760
12 760	9 613	Commercial paper and bonds, held to maturity	9 613	12 760

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 2017 was NOK 0.04 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 8.7 billion at end-December 2017. The average term to maturity of the portfolio was 4.9 years, and the change in value resulting from a credit spread adjustment of one basis point was NOK 4.1 million at end-December 2017.

Effects on profits of the reclassification

<i>Amounts in NOK million</i>	DNB Bank Group			
	4th quarter 2017	4th quarter 2016	Full year 2017	Full year 2016
Recorded amortisation effect	12	19	98	84
Net gain, if valued at fair value	127	65	409	448
Effects of reclassification on profits	(115)	(46)	(311)	(364)

Effects on the balance sheet of the reclassification

<i>Amounts in NOK million</i>	DNB Bank Group	
	31 Dec. 2017	31 Dec. 2016
Recorded unrealised losses	220	318
Unrealised losses, if valued at fair value	256	665
Effects of reclassification on the balance sheet	36	347

Development in the portfolio after the reclassification

<i>Amounts in NOK million</i>	DNB Bank Group	
	31 Dec. 2017	31 Dec. 2016
Reclassified portfolio, carrying amount	8 668	10 414
Reclassified portfolio, if valued at fair value	8 631	10 067
Effects of reclassification on the balance sheet	36	347

Note 16 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. 2017					31 Dec. 2016
<i>Amounts in NOK million</i>						
Commercial paper issued, nominal amount	158 675	1 771 171	(1 767 362)	1 451		153 415
Bond debt, nominal amount	159 536	17 206	(37 206)	6 168		173 368
Adjustments	7 961				(2 197)	10 158
Total debt securities issued	326 171	1 788 376	(1 804 568)	7 619	(2 197)	336 941

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 Group					
	Balance sheet	Issued	Matured/ redeemed	Exchange rate movements	Other adjustments	Balance sheet
	31 Dec. 2017					31 Dec. 2016
<i>Amounts in NOK million</i>						
Commercial paper issued, nominal amount	158 675	1 771 171	(1 767 362)	1 451		153 415
Bond debt, nominal amount ¹⁾	598 202	77 859	(89 010)	27 906		581 447
Adjustments	25 250				(7 638)	32 888
Total debt securities issued	782 127	1 849 030	(1 856 373)	29 357	(7 638)	767 750

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	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

1) Minus own bonds. The total nominal amount of outstanding covered bonds in DNB Boligkreditt was NOK 450.4 billion as at 31 December 2017. The market value of the cover pool represented NOK 617.8 billion.

Note 16 Debt securities issued and subordinated loan capital (continued)

	DNB Bank ASA					
	Balance sheet		Matured/	Exchange	Other	Balance sheet
	31 Dec.	Issued	redeemed	rate	adjustments	31 Dec.
<i>Amounts in NOK million</i>	2017	2017	2017	2017	2017	2016
Term subordinated loan capital, nominal amount	23 897	10 106	(6 812)	1 189		19 415
Perpetual subordinated loan capital, nominal amount	5 361			(241)		5 602
Perpetual subordinated loan capital securities, nominal amount			(3 732)			3 732
Adjustments	280				(319)	599
Total subordinated loan capital and perpetual subordinated loan capital securities	29 538	10 106	(10 544)	948	(319)	29 347

	DNB Bank ASA					
	Balance sheet		Matured/	Exchange	Other	Balance sheet
	31 Dec.	Issued	redeemed	rate	adjustments	31 Dec.
<i>Amounts in NOK million</i>	2016	2016	2016	2016	2016	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	Other	Balance sheet
	31 Dec.	Issued	redeemed	rate	adjustments	31 Dec.
<i>Amounts in NOK million</i>	2017	2017	2017	2017	2017	2016
Term subordinated loan capital, nominal amount	23 897	10 106	(6 812)	1 189		19 415
Perpetual subordinated loan capital, nominal amount	5 361			(241)		5 602
Perpetual subordinated loan capital securities, nominal amount			(3 732)			3 732
Adjustments	280				(319)	599
Total subordinated loan capital and perpetual subordinated loan capital securities	29 538	10 106	(10 544)	948	(319)	29 347

	DNB Bank Group					
	Balance sheet		Matured/	Exchange	Other	Balance sheet
	31 Dec.	Issued	redeemed	rate	adjustments	31 Dec.
<i>Amounts in NOK million</i>	2016	2016	2016	2016	2016	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

Note 17 Information on related parties

DNB Boligkreditt AS

In 2017, loan portfolios representing NOK 12.0 billion were transferred from the bank to DNB Boligkreditt in accordance with the "Agreement relating to transfer of loan portfolio between DNB Bank ASA and DNB Boligkreditt AS".

At end-December 2017 the bank had invested NOK 12.1 billion in covered bonds issued by DNB Boligkreditt.

The management fee paid to the bank for purchased services amounted to NOK 1 158 million in 2017 (NOK 2 328 million in 2016).

In 2017 DNB Boligkreditt entered into reverse repurchasing agreements (reverse repos) with the bank as counterparty. The value of the repos amounted to NOK 26 billion at end-December 2017.

The company has a long-term overdraft facility in DNB Bank ASA with a limit of NOK 190 billion.

DNB Næringskreditt AS

In 2017, loan portfolios with a total value of NOK 1.9 billion had been transferred from the bank to DNB Næringskreditt in accordance with the "Agreement relating to transfer of loan portfolio between DNB Bank ASA and DNB Næringskreditt AS".

The management fee paid to the bank for purchased services amounted to NOK 88 million in 2017 (NOK 74 million in 2016).

In 2017 DNB Næringskreditt entered into reverse repurchase agreements (reverse repos) with the bank as counterparty. The value of the repos amounted to NOK 108 million at end-December 2017.

The company has a long-term overdraft facility in DNB Bank ASA with a limit of NOK 30 billion.

DNB Livsforsikring AS

At end-December 2017 DNB Livsforsikring's holding of DNB Boligkreditt bonds was valued at NOK 1.9 billion.

During 2017, home mortgages for a total of just over NOK 1.7 billion were sold from DNB Livsforsikring AS to DNB Bank ASA.

In the fourth quarter of 2017, portfolios of commercial mortgages amounting to approximately NOK 11.7 billion were sold from DNB Bank ASA to DNB Livsforsikring AS.

Luminor Group AB

DNB and Nordea combined their operations in Estonia, Latvia and Lithuania into the new company Luminor Group AB in the fourth quarter of 2017. DNB's ownership interest in Luminor Group AB is approximately 44 per cent. At end-December 2017 DNB Bank ASA's funding of Luminor Group AB totalled NOK 21.0 billion.

Note 18 Off-balance sheet transactions

DNB Bank ASA		Off-balance sheet transactions and additional information	DNB Bank Group	
31 Dec. 2016	31 Dec. 2017		31 Dec. 2017	31 Dec. 2016
		<i>Amounts in NOK million</i>		
29 930	27 798	Performance guarantees	28 558	30 900
32 547	29 874	Payment guarantees	31 852	34 472
17 979	17 525	Loan guarantees	17 525	17 898
6 535	6 254	Guarantees for taxes etc.	6 254	6 557
2 213	2 348	Other guarantee commitments	3 153	2 714
89 205	83 799	Total guarantee commitments	87 342	92 541
		Support agreements	10 735	6 106
89 205	83 799	Total guarantee commitments etc. *)	98 077	98 647
479 792	488 943	Unutilised credit lines and loan offers	589 623	606 122
3 861	4 103	Documentary credit commitments	4 170	3 948
		Other commitments		37
483 653	493 046	Total commitments	593 793	610 107
572 858	576 845	Total guarantee and off-balance commitments	691 871	708 754
9 322	12 778	Pledged securities		
		*) Of which counter-guaranteed by financial institutions	295	326

Profit and balance sheet trends

Income statement

	DNB Bank ASA				
<i>Amounts in NOK million</i>	4th quarter 2017	3rd quarter 2017	2nd quarter 2017	1st quarter 2017	4th quarter 2016
Total interest income	9 336	9 317	9 303	9 170	9 171
Total interest expenses	(3 155)	(3 270)	(3 089)	(3 194)	(3 288)
Net interest income	6 180	6 047	6 214	5 975	5 883
Commission and fee income	1 913	1 816	1 844	1 767	1 849
Commission and expenses	(869)	(826)	(797)	(804)	(765)
Net gains on financial instruments at fair value	1 747	1 152	1 283	1 760	2 692
Other income	3 575	949	1 201	600	2 394
Net other operating income	6 366	3 092	3 531	3 323	6 170
Total income	12 547	9 138	9 745	9 298	12 053
Salaries and other personnel expenses	(2 469)	(2 390)	(2 385)	(2 394)	(2 182)
Other expenses	(1 850)	(1 581)	(1 842)	(1 630)	(1 615)
Depreciation and impairment of fixed and intangible assets	(967)	(460)	(436)	(455)	(621)
Total operating expenses	(5 286)	(4 431)	(4 664)	(4 480)	(4 418)
Pre-tax operating profit before impairment	7 261	4 707	5 081	4 818	7 635
Net gains on fixed and intangible assets	1 278	753	16	0	6
Impairment of loans and guarantees	(874)	(704)	(368)	9	(1 044)
Pre-tax operating profit	7 665	4 756	4 729	4 828	6 598
Tax expense	224	(1 094)	(1 088)	(1 110)	(2 192)
Profit for the period	7 889	3 662	3 641	3 717	4 406
Portion attributable to shareholders of DNB Bank ASA	7 646	3 445	3 404	3 478	4 169
Portion attributable to additional Tier 1 capital holders	243	218	238	240	238
Profit for the period	7 889	3 662	3 641	3 717	4 406

Comprehensive income statement

	DNB Bank ASA				
<i>Amounts in NOK million</i>	4th quarter 2017	3rd quarter 2017	2nd quarter 2017	1st quarter 2017	4th quarter 2016
Profit for the period	7 889	3 662	3 641	3 717	4 406
Actuarial gains and losses	(120)				(22)
Items that will not be reclassified to the income statement	(120)				(22)
Currency translation of foreign operations	42	(14)	21	4	19
Items that may subsequently be reclassified to the income statement	42	(14)	21	4	19
Other comprehensive income for the period (net of tax)	(77)	(14)	21	4	(3)
Comprehensive income for the period	7 811	3 648	3 662	3 722	4 403

Profit and balance sheet trends (continued)

Balance sheet

	DNB Bank ASA				
<i>Amounts in NOK million</i>	31 Dec. 2017	30 Sept. 2017	30 June 2017	31 March 2017	31 Dec. 2016
Assets					
Cash and deposits with central banks	151 147	325 187	265 185	368 104	207 934
Due from credit institutions	580 973	518 673	524 843	558 072	549 093
Loans to customers	730 782	723 526	723 149	704 361	690 060
Commercial paper and bonds at fair value	261 994	193 845	196 952	227 668	223 360
Shareholdings	6 310	5 922	5 414	6 391	5 178
Financial derivatives	146 953	144 949	154 459	155 834	170 317
Commercial paper and bonds, held to maturity	9 613	9 738	10 518	11 940	12 760
Investments in associated companies	9 007	1 595	1 043	1 041	995
Investments in subsidiaries	115 142	119 775	122 258	121 570	118 233
Intangible assets	3 515	3 665	3 631	3 577	3 598
Deferred tax assets	8 415	1 873	1 893	1 875	1 882
Fixed assets	7 842	7 473	7 404	7 215	7 034
Other assets	22 092	16 274	13 057	18 060	13 462
Total assets	2 053 787	2 072 496	2 029 805	2 185 706	2 003 906
Liabilities and equity					
Due to credit institutions	332 798	342 824	320 580	407 776	338 731
Deposits from customers	956 525	994 667	993 185	1 000 337	920 664
Financial derivatives	179 534	163 563	176 415	165 769	181 794
Debt securities issued	326 171	332 165	311 202	376 523	336 941
Payable taxes	3 765	2 629	1 381	585	4
Deferred taxes	74	58	59	57	56
Other liabilities	51 103	25 806	18 104	30 347	23 893
Provisions	1 652	1 785	1 972	1 742	1 916
Pension commitments	2 906	2 687	2 627	2 540	2 454
Subordinated loan capital	29 538	28 554	29 426	28 795	29 347
Total liabilities	1 884 067	1 894 739	1 854 952	2 014 472	1 835 802
Share capital	18 256	18 256	18 314	18 314	18 314
Share premium	19 895	19 895	19 895	19 895	19 895
Additional Tier 1 capital	16 159	15 960	15 787	15 594	15 952
Other equity	115 411	123 646	120 857	117 430	113 942
Total equity	169 720	177 756	174 854	171 234	168 104
Total liabilities and equity	2 053 787	2 072 496	2 029 805	2 185 706	2 003 906

Profit and balance sheet trends (continued)

Income statement

	DNB Bank Group				
<i>Amounts in NOK million</i>	4th quarter 2017	3rd quarter 2017	2nd quarter 2017	1st quarter 2017	4th quarter 2016
Total interest income	13 420	13 783	13 837	13 359	13 409
Total interest expenses	(4 430)	(4 646)	(4 692)	(4 717)	(4 911)
Net interest income	8 989	9 137	9 146	8 642	8 498
Commission and fee income	2 226	2 357	2 358	2 286	2 300
Commission and fee expenses	(853)	(853)	(819)	(819)	(780)
Net gains on financial instruments at fair value	1 689	1 056	958	811	1 703
Profit from investments accounted for by the equity method	(74)	(17)	23	(45)	(45)
Net gains on investment properties	146	(3)	(14)	14	(7)
Other income	490	523	527	457	377
Net other operating income	3 624	3 062	3 034	2 705	3 547
Total income	12 613	12 199	12 179	11 347	12 045
Salaries and other personnel expenses	(2 869)	(2 901)	(2 902)	(2 889)	(2 672)
Other expenses	(2 005)	(1 925)	(2 107)	(1 862)	(1 842)
Depreciation and impairment of fixed and intangible assets	(1 007)	(500)	(466)	(496)	(493)
Total operating expenses	(5 880)	(5 325)	(5 476)	(5 247)	(5 007)
Pre-tax operating profit before impairment	6 733	6 873	6 704	6 100	7 038
Net gains on fixed and intangible assets	(38)	750	17	6	(12)
Impairment of loans and guarantees	(402)	(867)	(597)	(562)	(1 753)
Pre-tax operating profit	6 293	6 756	6 124	5 544	5 273
Tax expense	(666)	(1 554)	(1 409)	(1 275)	(312)
Profit from operations held for sale, after taxes	(3)	33	(14)	(17)	26
Profit for the period	5 624	5 235	4 702	4 252	4 988
Portion attributable to shareholders of DNB Bank ASA	5 382	5 018	4 464	4 012	4 750
Portion attributable to additional Tier 1 capital holders	243	218	238	240	238
Profit for the period	5 624	5 235	4 702	4 252	4 988

Comprehensive income statement

	DNB Bank Group				
<i>Amounts in NOK million</i>	4th quarter 2017	3rd quarter 2017	2nd quarter 2017	1st quarter 2017	4th quarter 2016
Profit for the period	5 624	5 235	4 702	4 252	4 988
Actuarial gains and losses	(107)				(35)
Items that will not be reclassified to the income statement	(107)				(35)
Currency translation of foreign operations	2 734	(2 974)	892	530	3 561
Currency translation reserve reclassified to the income statement ¹⁾	(1 303)				
Hedging of net investment	(1 640)	1 894	(516)	(252)	(2 415)
Hedging reserve reclassified to the income statement ¹⁾	886				
Investments according to the equity method ²⁾	41	20	12	87	4
Items that may subsequently be reclassified to the income statement	718	(1 061)	388	365	1 150
Other comprehensive income for the period (net of tax)	611	(1 061)	388	365	1 115
Comprehensive income for the period	6 235	4 174	5 090	4 617	6 103

1) In the fourth quarter of 2017, currency translation reserves (accumulated gains) of NOK 1 307 million and hedging reserves (accumulated losses) of NOK 1 224 million relating to the Baltics were reclassified to the income statement and recognised in "Net gains on fixed and intangible assets". Tax relating to the Baltics hedging reserve amounted to NOK 338 million, which was reclassified to the income statement and recognised in "Tax expense".

2) 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

<i>Amounts in NOK million</i>	DNB Bank Group				
	31 Dec. 2017	30 Sept. 2017	30 June 2017	31 March 2017	31 Dec. 2016
Assets					
Cash and deposits with central banks	151 595	325 842	265 552	368 518	208 263
Due from credit institutions	237 849	154 682	158 767	198 726	174 908
Loans to customers	1 531 345	1 524 855	1 539 225	1 514 680	1 492 268
Commercial paper and bonds at fair value	257 029	189 386	194 702	222 721	217 887
Shareholdings	7 303	6 867	6 075	7 161	6 200
Financial derivatives	132 649	130 345	139 737	141 411	157 957
Commercial paper and bonds, held to maturity	9 613	9 738	10 518	11 940	12 760
Investment properties	990	889	1 044	1 119	1 175
Investments accounted for by the equity method	11 176	4 250	3 695	3 658	3 570
Intangible assets	3 756	4 073	4 025	3 953	3 981
Deferred tax assets	757	1 168	1 379	1 394	1 392
Fixed assets	7 911	7 563	7 485	7 294	7 117
Assets held for sale		70 359	55 950	53 365	52 541
Other assets	7 888	17 246	14 119	12 984	8 255
Total assets	2 359 860	2 447 263	2 402 273	2 548 923	2 348 272
Liabilities and equity					
Due to credit institutions	222 501	246 056	215 730	272 274	211 606
Deposits from customers	980 374	1 019 896	1 019 295	1 027 609	945 694
Financial derivatives	112 020	108 143	111 927	112 100	130 990
Debt securities issued	782 127	758 003	760 248	834 425	767 750
Payable taxes	4 702	3 842	1 740	9 193	8 847
Deferred taxes	847	2 310	2 333	2 371	2 382
Other liabilities	19 304	27 319	19 627	21 928	15 781
Liabilities held for sale		51 001	43 106	41 671	41 243
Provisions	1 766	1 867	2 061	1 840	2 038
Pension commitments	2 995	2 779	2 715	2 613	2 516
Subordinated loan capital	29 538	28 554	29 426	28 795	29 347
Total liabilities	2 156 175	2 249 770	2 208 208	2 354 819	2 158 194
Share capital	18 256	18 256	18 314	18 314	18 314
Share premium	20 611	20 611	20 611	20 611	20 611
Additional Tier 1 capital	16 159	15 960	15 787	15 594	15 952
Other equity	148 660	142 667	139 352	139 583	135 200
Total equity	203 685	197 494	194 065	194 103	190 078
Total liabilities and equity	2 359 860	2 447 263	2 402 273	2 548 923	2 348 272

Information about the DNB Bank Group

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DNB Bank ASA

Organisation number Register of Business Enterprises NO 984 851 006 MVA

Board of Directors in DNB Bank ASA

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Gro Bakstad, vice-chairman
Lilliam Hattrem
Kim Wahl

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Financial calendar

2017

21 November Capital markets day

2018

1 February Q4 2017
8 March Annual report 2017
26 April Q1 2017
12 July Q2 2017
25 October Q3 2017
14 November Capital markets day

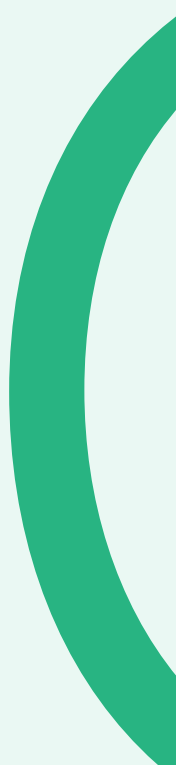
Other sources of information

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.

*The quarterly report has been produced by Group Financial Reporting in DNB.
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We are here.
So you can stay ahead.



DNB

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