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DNB GROUP

Fourth quarter report 2014
(Preliminary and unaudited)

Financial highlights

Income statement *Amounts in NOK million*	4th quarter 2014	4th quarter 2013	Full year 2014	Full year 2013
				DNB Group
Net interest income	8 700	7 940	32 487	30 192
Net commissions and fees	*2 313*	*2 147*	*8 969*	*8 537*
Net gains on financial instruments at fair value	*279*	*1 342*	*5 317*	*5 032*
Net financial and risk result, DNB Livsforsikring	*185*	*365*	*609*	*1 021*
Net insurance result, DNB Skadeforsikring	*129*	*122*	*491*	*418*
Other operating income	*446*	*343*	*1 490*	*1 420*
Net other operating income, total	3 352	4 318	16 877	16 427
Total income	12 052	12 258	49 363	46 619
Operating expenses	5 045	5 163	20 452	20 186
Restructuring costs and non-recurring effects	42	(212)	223	682
Expenses relating to debt-financed structured products	0	0	0	450
Impairment losses for goodwill and intangible assets	0	557	0	557
Pre-tax operating profit before impairment	6 964	6 750	28 689	24 744
Net gains on fixed and intangible assets	42	153	52	151
Impairment of loans and guarantees	821	36	1 639	2 185
Pre-tax operating profit	6 184	6 868	27 102	22 709
Tax expense	1 236	1 177	6 463	5 202
Profit from operations held for sale, after taxes	16	9	(22)	4
Profit for the period	**4 965**	**5 700**	**20 617**	**17 511**

Balance sheet *Amounts in NOK million*	31 Dec. 2014	31 Dec. 2013
Total assets	2 649 341	2 405 507
Loans to customers	1 438 839	1 340 831
Deposits from customers	941 534	867 904
Total equity	158 723	141 944
Average total assets	2 711 624	2 542 535
Total combined assets	2 936 331	2 656 012

Key figures	4th quarter 2014	4th quarter 2013	Full year 2014	Full year 2013
Return on equity, annualised (per cent)	12.6	16.3	13.8	13.1
Earnings per share (NOK)	3.05	3.50	12.67	10.75
Combined weighted total average spread for lending and deposits (per cent)	1.27	1.30	1.26	1.27
Cost/income ratio (per cent)	42.2	40.4	41.9	45.7
Impairment relative to average net loans to customers, annualised (per cent)	0.23	0.01	0.12	0.17
Common equity Tier 1 capital ratio, transitional rules, at end of period (per cent)	12.7	11.8	12.7	11.8
Tier 1 capital ratio, transitional rules, at end of period (per cent)	13.0	12.1	13.0	12.1
Capital ratio, transitional rules, at end of period (per cent)	15.2	14.0	15.2	14.0
Share price at end of period (NOK)	110.70	108.50	110.70	108.50
Price/book value	1.14	1.25	1.14	1.25
Proposed dividend per share (NOK)	-	-	3.80	2.70

Due to changes in principles, some comparative figures have been restated. See further details in note 1 Accounting principles.

There has been no full or partial external audit of the quarterly directors' report and accounts, though the report has been reviewed by the Audit Committee.

Fourth quarter report 2014

Directors' report

Fourth quarter 2014

DNB recorded profits of NOK 4 965 million in the fourth quarter of 2014, down NOK 735 million from the fourth quarter of 2013. Higher lending and deposit volumes helped raise profits for the quarter by NOK 761 million compared with the fourth quarter of 2013. There was an increase in net commissions and fees, reflecting income from capital-light asset management products, real estate broking and investment banking services. Strict cost control helped ensure strong profits from underlying operations. Income from financial instruments and an increase in impairment losses on loans contributed to the decline in profits.

The common equity Tier 1 capital ratio, calculated according to the transitional rules, rose from 11.8 per cent at end-December 2013 to 12.7 per cent. DNB's target is to achieve a common equity Tier 1 capital ratio of minimum 14.0 per cent by year-end 2016.

There was a 5.7 per cent average increase in the healthy loan portfolio from the fourth quarter of 2013, parallel to a significant increase in average deposit volumes of 12.1 per cent. The strong volume growth was partly due to exchange rate movements. Lending spreads narrowed slightly by 0.1 percentage points, while deposit spreads widened by 0.15 percentage points. In order to face the market competition, DNB implemented interest rate reductions for existing loans and deposits in the second and third quarter of 2014, effective on 16 June and 30 September, respectively. The most recent interest rate reductions had effect on existing loans from early December 2014.

Adjusted for the effect of basis swaps, net other operating income was down NOK 2 294 million compared with the fourth quarter of 2013. In the fourth quarter of 2013, a rise in value of DNB's shareholding in Nets of NOK 705 million had a positive impact on income. Profits for the fourth quarter of 2014 were negatively affected by value changes resulting from developments in credit spreads, minor adjustments in valuation models and lower income from the Group's market making and proprietary trading due to extensive volatility in the equity, interest rate and foreign exchange markets. In addition, there was a lower financial and risk result from DNB Livsforsikring. Net commissions and fees grew by NOK 166 million compared with the fourth quarter of 2013.

Total operating expenses were reduced by NOK 420 million from the fourth quarter of 2013. Ordinary operating expenses, excluding restructuring costs and other non-recurring effects, declined by NOK 117 million during the corresponding period.

Impairment losses on loans and guarantees totalled NOK 821 million for the quarter, up NOK 786 million from the fourth quarter of 2013. The increase mainly took place in the corporate customer segments. Moreover, the level of impairment in the fourth quarter of 2013 was positively affected by reversals on both individual and collective impairment losses.

At end-October 2014, DNB passed the European Banking Authority's stress test, which substantially underpins the Group's financial strength.

On the Group's annual Capital Markets Day in November, the Group communicated three new financial ambitions for the period up to 2017. The ambitions are a return on equity above 12 per cent, a common equity Tier 1 capital ratio of minimum 14 per cent and a dividend payout ratio of more than 50 per cent once the Tier 1 capital target has been reached.

Early in November, DNB launched, together with Telenor and SpareBank 1 Gruppen, a contactless mobile phone payment solution. The solution is called Valyou and is being developed further by the company with the same name.

Income statement for the fourth quarter of 2014

Net interest income

Amounts in NOK million	4th quarter 2014	Change	4th quarter 2013
Net interest income	8 700	761	7 940
Lending and deposit volumes		263	
Exchange rate movements		219	
Interest rate instruments		127	
Long-term funding costs		112	
Equity and non-interest-bearing items		43	
Other net interest income		5	
Lending and deposit spreads		(8)	

Net interest income rose by NOK 761 million or 9.6 per cent from the fourth quarter of 2013. Higher lending and deposit volumes, partly due to exchange rate movements, were the main factor behind the rise in income, though interest rate instruments and lower long-term funding costs also had a positive impact. Average lending spreads contracted by 0.10 percentage points, while deposit spreads widened by 0.15 percentage points. Volume-weighted spreads narrowed by 0.03 percentage points. There was an average increase of NOK 75 billion or 5.7 per cent in the healthy loan portfolio compared with the fourth quarter of 2013. During the same period, deposits were up NOK 112.5 billion or 12.1 per cent.

Net other operating income

Amounts in NOK million	4th quarter 2014	Change	4th quarter 2013
Net other operating income	3 352	(967)	4 318
Basis swaps		1 327	
Net gains on investment property		168	
Net commissions and fees		166	
Other operating income		(58)	
Net financial and risk result from DNB Livsforsikring [1)]		(180)	
Investment in Nets		(705)	
Net gains on other financial instruments		(1 685)	

1) Guaranteed returns and allocations to policyholders deducted.

Net other operating income declined by NOK 967 million or 22.4 per cent from the fourth quarter of 2013. Adjusted for basis swaps, net other operating income was down NOK 2 294 million. Changes in fair values resulting from minor adjustments in valuation models, a negative development in credit spreads and lower income from the Group's market making and proprietary trading had a pronounced effect on profits. In the fourth quarter of 2013, a rise in value of DNB's investment in Nets of NOK 705 million had a positive impact on income.

Operating expenses

Amounts in NOK million	4th quarter 2014	Change	4th quarter 2013
Operating expenses excluding non-recurring effects	5 045	(117)	5 163
Income-related costs			
Ordinary depreciation on operational leasing		19	
Expenses related to operations			
IT expenses		86	
Performance-based pay		(102)	
Properties/premises		(81)	
Marketing expenses		(33)	
Other costs		(6)	
Non-recurring effects	42	(303)	345
Restructuring costs – employees		45	
Other restructuring costs and non-recurring effects		57	
Impairment losses for goodwill and capitalised systems development		(557)	
Reversal of provisions		83	
IT restructuring		70	
Operating expenses	5 088	(420)	5 508

Operating expenses were down NOK 420 million from the fourth quarter of 2013. Adjusted for non-recurring effects, there was a reduction of NOK 117 million, which mainly reflected lower costs for performance-based pay, properties and premises. On the other hand, there was a rise in IT expenses due to extensive changes in DNB's IT operations and development activities in 2014 and 2015.

Impairment of loans and guarantees

Impairment losses on loans and guarantees totalled NOK 821 million, up from NOK 36 million in the fourth quarter of 2013 and NOK 183 million in the third quarter of 2014. The most pronounced increase compared with the fourth quarter of 2013 stemmed from the large corporates and international customers segment, while there were reversals in the personal customer segment. The impairment losses for the quarter largely refer to individual commitments within acquisition finance in various industry sectors. In addition, there was a rise in collective impairment due to lower reversals.

The rise in impairment from the third quarter of 2014 was partly due to a rise in individual impairment in the large corporates and international customers segment and the small and medium-sized enterprises segment, parallel to lower reversals on collective impairment losses. The fourth quarter of 2014 saw reversals on collective impairment losses of NOK 58 million, compared with NOK 84 million in the third quarter. Impairment losses in the fourth quarter of 2014 were roughly at a normalised long-term level.

Non-performing and doubtful loans and guarantees were reduced by NOK 3.5 billion from end-December 2013, totalling NOK 17.3 billion at year-end 2014. This represented 0.96 per cent of the loan portfolio, down from 1.38 per cent at end-December 2013.

Taxes

The DNB Group's tax expense for the fourth quarter of 2014 was NOK 1 236 million, or 20 per cent of pre-tax operating profits. The tax rate was lower than the long-term expectation of 25.5 per cent, partly due to tax-exempt income from shareholdings.

Segments

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

Personal customers

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

Pre-tax operating profits totalled NOK 2 560 million in the fourth quarter of 2014, down NOK 29 million from the fourth quarter of 2013. Strong growth in net interest income due to higher lending volumes combined with strict cost control and low impairment losses contributed to the strong profits.

Personal customers	4th quarter		Change	
Income statement in NOK million	2014	2013	NOK mill	%
Net interest income	3 471	3 416	54	1.6
Net other operating income	1 167	1 208	(41)	(3.4)
Total income	4 638	4 625	13	0.3
Operating expenses	2 154	2 090	64	3.1
Pre-tax operating profit before impairment	2 485	2 535	(50)	(2.0)
Net gains on fixed and intangible assets	1	155	(154)	
Impairment of loans and guarantees	(74)	114	(188)	(165.2)
Profit from repossessed operations	0	13	(13)	
Pre-tax operating profit	2 560	2 589	(29)	(1.1)
Tax expense	691	725	(34)	(4.7)
Profit for the period	1 868	1 864	4	0.2
Average balance sheet items in NOK billion				
Net loans to customers	684.0	655.8	28.2	4.3
Deposits from customers	363.8	345.2	18.6	5.4
Key figures in per cent				
Lending spread [1]	2.32	2.50		
Deposit spread [1]	(0.34)	(0.57)		
Return on allocated capital [2]	24.7	43.0		
Cost/income ratio	46.4	45.2		
Ratio of deposits to loans	53.2	52.6		

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

After a period of weak lending growth at the start of the year, the rate of growth in both the third and fourth quarter corresponded to an annual growth rate of more than 6 per cent. Average net loans increased by 4.3 per cent from the fourth quarter of 2013. Deposits were up 5.4 per cent during the corresponding period, while the ratio of deposits to net loans was 53.2 per cent.

Net interest income rose by 1.6 per cent from the fourth quarter of 2013. The volume-weighted interest rate spread contracted by 0.04 percentage points from the fourth quarter of 2013, but widened by 0.02 percentage points from the third quarter of 2014.

Other operating income remained fairly stable from quarter to quarter in 2014, but was somewhat lower in the fourth quarter of 2014 than in both the fourth quarter of 2013 and the third quarter of 2014. Operating expenses increased somewhat from the fourth quarter of 2013, but remained stable compared with the third quarter of 2014.

A large share of loans to personal customers represents wellsecured home mortgages entailing low risk. In the fourth quarter of 2014, reversals on previous impairment losses exceeded new impairment losses. Thus, a total of NOK 74 million was recorded as income, corresponding to net reversals of 0.04 per cent of average loans. In the fourth quarter of 2013, net impairment came to 0.07 per cent.

The market share of credit to households stood at 26.1 per cent at end-November 2014, while the market share of total household savings was 32.4 per cent. DNB Eiendom had a market share of 19.1 per cent in the fourth quarter of 2014.

As a result of a higher self-service ratio, ten branch offices were closed while 64 were made cashless during 2014. Cashless branches no longer offer manual cash-handling services.

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

This segment includes the Group's total sales of products and services to small and medium-sized corporate customers.

Pre-tax operating profits came to NOK 893 million in the fourth quarter of 2014, an increase of NOK 71 million from the fourth quarter of 2013. The increase in profits reflected a strong rise in both net interest income and net other operating income.

Small and medium-sized enterprises	4th quarter		Change	
Income statement in NOK million	2014	2013	NOK mill	%
Net interest income	1 797	1 578	219	13.9
Net other operating income	497	391	106	27.1
Total income	2 294	1 968	325	16.5
Operating expenses	990	978	13	1.3
Pre-tax operating profit before impairment	1 303	991	313	31.6
Net gains on fixed and intangible assets	43	0	43	0.0
Impairment of loans and guarantees	469	160	310	194.2
Profit from repossessed operations	16	(9)	25	
Pre-tax operating profit	893	822	71	8.6
Tax expense	241	230	11	4.7
Profit for the period	652	592	60	10.1
Average balance sheet items in NOK billion				
Net loans to customers	218.8	209.1	9.6	4.6
Deposits from customers	169.3	149.4	19.9	13.3
Key figures in per cent				
Lending spread 1)	2.68	2.79		
Deposit spread 1)	0.05	(0.15)		
Return on allocated capital 2)	12.3	11.5		
Cost/income ratio	43.2	49.7		
Ratio of deposits to loans	77.4	71.4		

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

There was a sound increase in loans to small and medium-sized enterprises in the fourth quarter of 2014. Average net loans to customers rose by 4.6 per cent from the fourth quarter of 2013. During the same period, there was a significant increase in deposits of 13.3 per cent. The ratio of deposits to net loans averaged 77.4 per cent for the quarter.

Net interest income increased from the fourth quarter of 2013 due to volume growth and wider deposit spreads. Net other operating income showed strong growth during the corresponding period, reflecting a rise in income from foreign exchange, pension and insurance products. Higher volumes from product sales gave a slight increase in costs from the fourth quarter of 2013.

Net impairment of loans totalled NOK 469 million in the fourth quarter of 2014. On an annual basis, this represented 0.85 per cent of net loans, compared with 0.30 per cent in the fourth quarter of 2013. Impairment losses were recorded on loans to a number of industries, and 60 per cent of the impairment losses in the fourth quarter of 2014 stemmed from three commitments. The quality of the rest of the loan portfolio is considered to be satisfactory. The close follow-up of customers and preventive measures are vital to ensuring satisfactory quality.

DNB is committed to supporting customers who want to start their own business and is working on measures that will help newly established companies streamline their business activities. Moderate credit growth is anticipated in the market, and DNB expects lending growth in this segment on a level with the banking market in general.

Large corporates and international customers

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

Pre-tax operating profits came to NOK 2 825 million in the fourth quarter of 2014, a reduction of NOK 64 million from the year-earlier period. In spite of a healthy rise in income, profits were negatively affected by increasing impairment losses on loans.

Large corporates and international customers	4th quarter		Change	
Income statement in NOK million	2014	2013	NOK mill	%
Net interest income	3 412	2 985	427	14.3
Net other operating income	1 529	1 450	80	5.5
Total income	4 942	4 434	507	11.4
Operating expenses	1 660	1 659	1	0.1
Pre-tax operating profit before impairment	3 282	2 775	506	18.2
Net gains on fixed and intangible assets	9	(9)	19	
Impairment of loans and guarantees	452	(222)	674	0.0
Profit from repossessed operations	(14)	(99)	85	
Pre-tax operating profit	2 825	2 889	(64)	(2.2)
Tax expense	876	867	9	1.1
Profit from operations held for sale	2	(5)	7	
Profit for the period	1 951	2 017	(66)	(3.3)
Average balance sheet items in NOK billion				
Net loans to customers	502.3	473.4	29.0	6.1
Deposits from customers	385.7	362.1	23.6	6.5
Key figures in per cent				
Lending spread 1)	2.17	2.16		
Deposit spread 1)	(0.11)	(0.17)		
Return on allocated capital 2)	13.8	14.6		
Cost/income ratio	33.6	36.1		
Ratio of deposits to loans	76.8	76.5		

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

The weakened Norwegian krone towards the end of 2014 strongly affected lending growth, and net loans to customers were up 6.1 per cent from the fourth quarter of 2013. Adjusted for exchange rate movements, there was an underlying increase in the portfolio of 1 per cent, reflecting strategic portfolio adjustments and higher lending volumes in selected industries. Compared with the third quarter of 2014, lending volumes were up 5 per cent, primarily due to exchange rate movements. This was also the main factor behind the 6.5 per cent rise in deposits from the fourth quarter of 2013.

Due to rising volumes combined with a widening of both lending and deposit spreads relative to the 3-month money market rate, net interest income increased by 14.3 per cent from the fourth quarter of 2013 and by 8.9 per cent from the third quarter of 2014. Average lending spreads were up 0.01 percentage points from the fourth quarter of 2013, to 2.17 per cent. Deposit spreads were still negative at 0.11 per cent in the fourth quarter of 2014, but widened by 0.06 percentage points compared with the fourth quarter of 2013.

The increase in net other operating income from the fourth quarter of 2013 reflected a significant rise in income from investment banking services. In addition, the low Norwegian interest rate level resulted in strong demand for interest rate hedging products.

Operating expenses were unchanged from the fourth quarter of 2013. In spite of a strong rise in income, there was a reduction in costs related to product sales. The number of full-time positions in Large Corporates and International declined by 331 in the course of 2014. The reduction took place in international operations.

Net impairment losses increased by NOK 674 million from the fourth quarter of 2013. On an annual basis, net impairment represented 0.36 per cent of average loans, while individual impairment came to 0.40 per cent. The fourth quarter of 2013 was characterised by total reversals on net impairment losses of 0.19 per cent. Reversals on individual impairment losses represented 0.03 per cent of net loans.

Targeted efforts are being made to retain the level of quality in the portfolio through close follow-up of customers and preventive measures. Developments in industries that are sensitive to oil price changes are closely monitored. DNB's lending practices are based on a scenario with relatively low oil prices, and DNB has a robust portfolio within both oil, gas and offshore. Net non-performing and doubtful loans and guarantees amounted to NOK 11.6 billion at end-December 2014, a reduction of NOK 3.2 billion from a year earlier.

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

Trading

This segment comprises market making and proprietary trading in foreign exchange, fixed income, equity and commodity products, including the hedging of market risk inherent in customer transactions. Trading activities support the Group's customer activities.

In the fourth quarter of 2014, there was a pre-tax operating loss of NOK 105 million, representing a reduction in profits of NOK 709 million from the year-earlier period.

Trading	4th quarter		Change	
Income statement in NOK million	2014	2013	NOK mill	%
Net interest income	128	122	6	5.2
Net other operating income	(102)	566	(668)	(118.0)
Total income	26	688	(662)	(96.2)
Operating expenses	132	84	47	55.9
Pre-tax operating profit	(105)	604	(709)	(117.4)
Tax expense	(28)	175	(203)	(116.2)
Profit for the period	(77)	429	(505)	(117.9)
Key figures in per cent				
Return on allocated capital 1)	(4.9)	21.8		

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

Lower oil prices and greater uncertainty regarding the Norwegian economy resulted in a depreciation of the Norwegian krone, reduced prices on Norwegian Treasury bills and widening credit spreads towards the end of 2014. Consequently, income declined to NOK 26 million in the fourth quarter of 2014, from NOK 688 million in the year-earlier period.

Traditional pension products

This segment comprises the portfolio of traditional defined-benefit pension products in DNB Livsforsikring. DNB no longer offers such products to new customers.

Pre-tax operating profits totalled NOK 312 million, a reduction of NOK 89 million from the fourth quarter of 2013.

Traditional pension products	4th quarter		Change	
Income statement in NOK million	2014	2013	NOK mill	%
Upfront pricing of risk and guaranteed rate of return	173	172	2	0.9
Owner's share of administration result	48	15	33	216.0
Owner's share of risk result	121	41	80	194.7
Owner's share of interest result	(121)	38	(159)	(419.6)
Return on corporate portfolio	91	135	(44)	(32.7)
Pre-tax operating profit	312	401	(89)	(22.1)
Tax expense	(123)	32	(156)	(480.0)
Profit for the period	436	369	67	18.2
Key figures in per cent				
Cost/income ratio	34.6	35.5		
Return on allocated capital 1)	10.0	9.1		

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

The prolonged low interest rate level and increased reserves to reflect higher life expectancy will put pressure on life insurance companies' earnings. DNB Livsforsikring is thus adapting its operations to the new regulatory framework by taking a conservative approach in its asset management operations and winding up the company's public sector operations as well as the sale of defined-benefit pensions and paid-up policies. At year-end 2014, the public sector portfolio totalled NOK 17.5 billion. Agreements have been entered into with all remaining municipalities to terminate their customer relationship in DNB Livsforsikring. This process is expected to be completed in the course of 2015.

Each quarter, DNB Livsforsikring carries out an adequacy test to assess whether the company has adequate premium reserves. The test showed positive margins at year-end 2014.

In consequence of the upward adjustment of life expectancy assumptions, it will be necessary to strengthen the premium reserve for group pensions over the next few years. At end-December 2014, the total required increase in reserves for DNB Livsforsikring's portfolio was estimated at NOK 12.3 billion for the period up to 2020, of which NOK 7.0 billion had been set aside as at 31 December 2014. The shareholder contribution will be affected by the average return achieved during the 2014-2020 period. Provided that the expected return is achieved, DNB will have to cover approximately 25 per cent of the total required increase in reserves. A shareholder contribution of NOK 852 million was charged to the accounts for 2014.

The EU's new solvency regulations for insurance companies, Solvency II, will be introduced as from 1 January 2016. In April 2014, a number of changes in the regulations were approved, including the introduction of permanent measures and transitional schemes to ease the implementation of new capital requirements. In December, the Norwegian Ministry of Finance circulated for public comment regulations for the introduction of Solvency II for Norwegian insurance companies. It has been proposed to implement major parts of the transitional rules in Norway. A particularly important aspect is that the valuation of technical insurance provisions based on Solvency II methodology can be phased in over a 16-year period. In a low interest rate environment, this will help ensure lower and more predictable capital adequacy requirements.

Full year 2014

DNB recorded profits of NOK 20 617 million in 2014, an increase of NOK 3 105 million from 2013. Adjusted for the effect of basis swaps, there was a rise in profits of NOK 1 836 million.

The improved profit performance reflected an increase in net interest income, reduced costs and lower impairment losses on loans.

DNB's common equity Tier 1 capital was increased by NOK 14.0 billion from end-December 2013 to year-end 2014. Calculated according to the transitional rules, the common equity Tier 1 capital ratio rose from 11.8 per cent to 12.7 per cent. Return on equity increased from 13.1 per cent to 13.8 per cent during the corresponding period. Adjusted for the effect of basis swaps, return on equity declined from 13.9 to 13.6 per cent. DNB is well capitalised, but will build additional capital organically in order to meet the authorities' requirements.

Higher deposit and lending volumes and wider spreads had a positive effect on net interest income in 2014. Lending spreads widened by 0.01 percentage points and deposit spreads by 0.06 percentage points compared with 2013. Net interest income increased by 7.6 per cent from 2013, while average volume-weighted spreads contracted by 0.01 percentage points during this period.

Other operating income was NOK 450 million higher than in 2013. Net commissions and fees increased by approximately 6 per cent in 2014, reflecting income from capital-light asset management products, real estate broking and investment banking services. Adjusted for the effect of basis swaps, other operating income declined by NOK 1 308 million. The reduction in income mainly reflected significant fluctuations in the Norwegian krone rate and Norwegian interest rates towards the end of 2014 and a negative risk result from DNB Livsforsikring.

Operating expenses were reduced by NOK 1 201 million from 2013. Adjusted for non-recurring effects, there was an increase of NOK 266 million or 1.3 per cent. Ordinary wage costs were slightly down compared with 2013, and downsizing measures thus more than compensated for wage increases during this period.

Impairment losses on loans and guarantees declined by NOK 546 million compared with 2013. The reduction referred primarily to the personal customer and shipping segments, the Baltics and Poland. In addition, reversals on collective impairment losses in 2014 exceeded the 2013 figure.

DNB is still the only Nordic bank that qualifies for inclusion in the Dow Jones Sustainability Index, DJSI. The DJSI is a global index that measures financial, environmental and social performance and comprises the top 10 per cent companies within each industry sector.

Along with Nordea Bank Norge and Kommunalbanken, DNB was defined as a systemically important financial institution, SIFI, in the second quarter of 2014 and will thus be subject to a separate capital buffer requirement of up to 1 per cent as of 1 July 2015, to be increased to maximum 2 per cent as of 1 July 2016.

At end-June 2014, the relocation of all office functions in Oslo, Bergen and Trondheim had been completed, providing the basis for both lower costs and improved environmental efficiency.

In May, DNB launched "Kortlappen", a training programme for the bank's youngest card users aged ten years and above. The purpose is to teach children how to use a bank card before they receive their own debit card.

In the second quarter of 2014, Finanstilsynet (the Financial Supervisory Authority of Norway) established rules for how life insurance companies should finance increased pension payments resulting from higher life expectancy. The reserves must be strengthened over a period of seven years, with a shareholder contribution of minimum 20 per cent of the required increase. These rules entered into force on 1 January 2015.

The sale of the subsidiary JSC DNB Bank was completed in July, whereby DNB wound up its business operations in Russia. The sale of Nets was carried out during the same month.

DNB presented new long-term financial ambitions on the Group's Capital Markets Day in London in November for the period up to 2017. DNB thus aspires to achieve a return on equity above 12 per cent, a common equity Tier 1 capital ratio of minimum 14 per cent and a dividend payout ratio of more than 50 per cent, subject to a satisfactory capital adequacy level.

DNB passed the European Banking Authority's stress test for European banks. The purpose of the stress test is to identify the vulnerabilities of the banking sector to hypothetical negative development trends. This substantially underpins the Group's financial strength.

In the fourth quarter, DNB launched, together with Telenor and SpareBank 1 Gruppen, Valyou, a contactless mobile phone payment solution. The company Valyou is owned by DNB (42.5 per cent), Telenor (42.5 per cent) and SpareBank 1 Gruppen (15 per cent).

In order to improve the operational stability of the Group's IT systems, a process was started in 2014 to move seven data processing centres to a single, large centre. This process will be completed in the second half of 2015.

In the employee survey for 2014, the engagement index rose by 4 points from 2013, to 85 points. This paints a picture of a robust organisation that has coped well through extensive restructuring. Sickness absence in DNB's Norwegian operations was 4.5 per cent in 2014, a slight reduction from 4.6 per cent in 2013. The special follow-up of units with high sickness absence rates continued.

The Board of Directors has proposed a dividend for 2014 of NOK 3.80 per share. When considering the dividend proposal for 2014, the Board of Directors has taken the new regulatory capital adequacy requirements into account. The Group's long-term dividend policy remains unchanged.

The Board of Directors would like to thank all employees for their dedication and hard work in 2014.

Income statement for 2014

Net interest income

Amounts in NOK million	2014	Change	2013
Net interest income	32 487	2 295	30 192
Exchange rate movements		679	
Lending and deposit spreads		645	
Lending and deposit volumes		412	
Interest rate instruments		355	
Long-term funding costs		278	
Equity and non-interest-bearing items		135	
Amortisation effects, international bond portfolio		(87)	
Other net interest income		(121)	

Net interest income rose by NOK 2 295 million from 2013. The increase was mainly attributable to exchange rate movements, wider lending and deposit spreads and income from interest rate instruments. Average lending spreads widened by 0.01 percentage points from 2013 to 2014, while deposit spreads increased by 0.06 percentage points. There was an average increase of NOK 50.8 billion in the healthy loan portfolio, while average deposits rose by NOK 100.4 billion compared with 2013. This contributed to an increase in the ratio of deposits to net loans from 64.7 per cent at end-December 2013 to 65.4 per cent at year-end 2014.

Net other operating income

Amounts in NOK million	2014	Change	2013
Net other operating income	16 877	450	16 427
Basis swaps		1 758	
Net commissions and fees		432	
Net gains on investment property		168	
Other operating income		(24)	
Net financial and risk result from DNB Livsforsikring 1)		(412)	
Net gains on other financial instruments 2)		(1 472)	

1) Guaranteed returns and allocations to policyholders deducted.

Net other operating income increased by NOK 450 million from 2013. Adjusted for the effect of basis swaps, there was a NOK 1 308 million decline in income. Changes in fair values resulting from a negative development in credit spreads, minor adjustments in valuation models and lower income from the Group's market making and proprietary trading had a pronounced effect on profits. This was partly due to extensive volatility in the equity, interest rate and foreign exchange markets towards the end of 2014. The increase in net commissions and fees was mainly attributable to investment banking activity. Value adjustments of investment property also had a positive effect. A reduction in the financial and risk result had a negative impact on profits in DNB Livsforsikring.

Operating expenses

Amounts in NOK million	2014	Change	2013
Operating expenses excluding non-recurring effects	20 452	266	20 186
Income-related costs			
Ordinary depreciation on operational leasing		92	
Expenses related to operations			
IT expenses		200	
External distribution channels		88	
Other costs		(114)	
Non-recurring effects	223	(1 467)	1 690
Reversal of provisions		83	
IT restructuring		70	
Other restructuring costs and non-recurring effects		(253)	
Restructuring costs – employees		(359)	
Provisions for debt-financed structured products		(450)	
Impairment losses for goodwill and capitalised systems development		(557)	
Operating expenses	20 675	(1 201)	21 875

Total operating expenses were down 5.5 per cent from 2013. Sizeable non-recurring effects had a positive impact on costs, resulting in an overall cost reduction of NOK 1.5 billion. Adjusted for non-recurring effects, there was a 1.3 per cent rise in costs. The Group reached its target to keep ongoing operating expenses flat. This was attributable to a number of restructuring measures resulting in reductions in both the number of employees, the number of branch offices and the number of production units. The number of employees was reduced by 388 from 2013 to 2014.

Impairment of loans and guarantees

Impairment losses on loans and guarantees totalled NOK 1 639 million, down NOK 546 million from 2013. NOK 337 million of the reduction represented individual impairment. There was an increase in impairment losses for small and medium-sized enterprises and Nordic corporates, while the level of impairment was reduced in the personal customer and shipping segments and in the Baltics and Poland. Reversals on collective impairment losses totalled NOK 341 million in 2014, compared with NOK 133 million in 2013. Impairment was reduced from 0.17 per cent of net loans in 2013 to 0.12 per cent in 2014.

Net non-performing and doubtful loans and guarantees amounted to NOK 17.3 billion at end-December 2014, down from NOK 20.7 billion at year-end 2013. Net non-performing and doubtful loans and guarantees represented 0.96 per cent of the loan portfolio, a reduction of 0.14 percentage points from end-December 2013.

Taxes

The DNB Group's tax expense for 2014 was NOK 6 463 million, representing 23.9 per cent of pre-tax operating profits. The tax rate increased by 0.9 per cent from 2013. The tax rate was lower than the anticipated long-term rate, primarily due to tax-exempt income from shareholdings.

Funding, liquidity and balance sheet

The short-term funding markets normalised in the course of 2014, and an increasing number of banks were regarded as financially strong. DNB had ample access to short-term funding throughout the year.

In the long-term funding markets, there was also a healthy supply of capital in 2014, and there was a significant reduction in prices during the year. In September, the European Central Bank, ECB, presented a new measure to stimulate European economic activity in the form of a programme to purchase corporate and covered bonds. The first purchases took place in October. Subsequent to this, costs relating to new covered bond issues showed a particularly favourable trend.

Debt securities issued by the Group totalled NOK 812 billion at end-December 2014 and NOK 712 billion a year earlier. The average remaining term to maturity for the bond debt portfolio was 4.25 years at end-December 2014, virtually unchanged from a year earlier.

In order to keep the Group's liquidity risk at a low level, short-term and long-term liquidity risk limits have been established. These are consistent with the Basel III calculation methods. Among other things, this implies that customer loans are generally financed through customer deposits, long-term securities and primary capital. The Group stayed well within the liquidity limits during 2014. A gradual adaptation to the liquidity requirements within the time limits stipulated by the Basel Committee and the Norwegian authorities is being planned.

At end-December 2014, total combined assets in the DNB Group were NOK 2 936 billion, an increase from NOK 2 656 billion at end-December 2013. Total assets in the Group's balance sheet were NOK 2 649 billion as at 31 December 2014 and NOK 2 406 billion a year earlier. Of this, total assets in DNB Livsforsikring came to NOK 287 billion at year-end 2014 and NOK 289 billion a year earlier.

Net average loans to customers increased by NOK 50.8 billion or 3.9 per cent from end-December 2013. Average customer deposits were up NOK 100.4 billion or 11.1 per cent during the corresponding period. The ratio of customer deposits to net loans to customers rose from 64.7 per cent at year-end 2013 to 65.4 per cent a year later. This is in line with the Group's ambition is to have ratio of customer deposits to net loans of minimum 60 per cent.

Risk and capital adequacy

DNB's risk situation showed a favourable trend during most of 2014. However, developments during the fourth quarter resulted in far greater uncertainty. The halving of the oil price had the most pronounced effect for Norway, though increased geopolitical tensions also had an impact. International interest rates continued to fall, and Norges Bank cut its key policy rate to stimulate the Norwegian economy in a situation where falling oil investments could result in negative growth impulses. The Norwegian krone rate has depreciated significantly, which could make the restructuring of the Norwegian economy easier.

The global economy grew by 3.2 per cent in 2014 in spite of the conflicts and crises dominating the news. There was an acceptable rate of growth in the US and UK economies following a period with record-low interest rates. For most eurozone countries, it will take several years to return to pre-financial crisis levels. Overall, economic growth in emerging countries has lost momentum, and growth has come to a complete halt in Brazil and Russia. Growth in India and China is still triple the rate of Western industrialised countries.

The DNB Group quantifies risk by measuring risk-adjusted capital requirements. The capital requirement increased by NOK 8.8 billion from year-end 2013, to NOK 89.5 billion.

Developments in the risk-adjusted capital requirement

Amounts in NOK billion	31 Dec. 2014	30 Sept. 2014	30 June 2014	31 Dec. 2013
Credit risk	58.8	55.1	55.6	60.0
Market risk	8.2	7.9	10.7	10.0
Market risk in life insurance	21.3	12.1	11.0	8.1
Insurance risk	2.0	2.0	1.9	1.9
Operational risk	10.7	10.7	10.7	10.7
Business risk	6.8	6.8	6.8	4.8
Gross risk-adjusted capital requirement	107.7	94.6	96.6	95.5
Diversification effect [1)]	(18.2)	(16.5)	(17.1)	(14.8)
Net risk-adjusted capital requirement	89.5	78.1	79.5	80.7
Diversification effect in per cent of gross risk-adjusted capital requirement [1)]	16.9	17.5	17.7	15.5

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

The risk-adjusted capital requirement for credit declined by NOK 1.2 billion in 2014. There was sound and stable credit quality in all portfolios throughout the year.

At year-end 2014, the situation remained challenging in some shipping segments, which, however, showed divergent trends. While there was a generally positive trend in the tanker segment, the dry bulk and container segments were sluggish, and this is expected to prevail in 2015.

Oil prices could remain relatively low due to high production, an unwillingness to implement coordinated production cuts and a modest increase in demand. Oil companies' reduced investment capabilities and a greater focus on costs will put the entire supplier industry under pressure.

The quality of DNB's Norwegian commercial property portfolio is sound, though the financing of commercial property entails increasing risk. There was a rise in the number of vacant office buildings in 2014. In Oslo, Asker and Bærum, the vacancy rate was approximately 9 per cent at the end of the year, up 1 percentage point since end-December 2013, reflecting the brisk construction activity over the past few years. Due to the tougher competitive climate, lessors are willing to reduce prices to retain their lessees.

The twelve-month growth in credit to Norwegian households was stable and represented just over 6 per cent towards the end of the year. Housing prices were up 8.1 per cent on a national basis, though there were significant regional differences. According to forecasts for 2015 and 2016, housing prices will level off.

The risk-adjusted capital requirement for market risk in DNB Livsforsikring increased by NOK 13.2 billion. Long-term interest rates declined during 2014, which heightens the risk that the return on the life insurance company's investment funds will not be adequate to cover guaranteed commitments. By building buffer capital and provisions for higher life expectancy, the company strengthened its solvency capital by NOK 6 billion in 2014. Nevertheless, the company's underlying risk and capital requirements increased during 2014 in consequence of the declining interest rate level. Solvency II opens up for a 16-year transitional period for valuing liabilities at market value. DNB Livsforsikring will need to apply the transitional rules as of 1 January 2016, whereby the company will meet the Solvency II capital requirement with a solid margin.

DNB's market risk exposure in operations other than life insurance generally remained stable throughout 2014. The equity exposure was somewhat reduced, reflecting the sale of shareholdings. As a result of the strengthening of the Norwegian liquidity portfolio, there was a slight increase in the credit spread exposure. No increase in market risk exposure is planned for 2015. Market risk limits have been adjusted, as property risk has been classified as a separate risk category in the limit structure for market risk.

Throughout 2014, operations, governance and control were of high quality in all of the Group's units. The number of reported events entailing operational risk was somewhat higher than in the previous year. Losses were low and at the same level as in 2013. At times, the operational stability of the Group's IT systems was challenging. Extensive measures were initiated, including the outsourcing of services and change of system operator, to mitigate the risk. The Group is implementing a comprehensive and complex moving process from seven data processing centres to a single, large centre, including emergency preparedness routines, during 2015. Once the move is completed in the autumn of 2015, the Group's IT operations security is expected to improve significantly. Data security requirements are gradually becoming stricter, not least due to improved IT expertise among criminals. High priority is therefore given to securing data and confidential information.

Risk-weighted volume increased by NOK 32 billion from end-December 2013, to NOK 1 121 billion. The common equity Tier 1 capital ratio was 12.7 per cent, while the capital adequacy ratio was 15.2 per cent.

New regulatory framework

New capital requirements

The new EU capital requirements regulations, called the CRR/CRD IV regulations, entered into force on 1 January 2014. The CRR/CRD IV regulations entail significantly higher own funds requirements and new requirements for long-term funding and liquidity reserves. The regulations are intended to apply to all banks and investment firms within the EEA and will be implemented gradually up to 2019. The new regulations present significant challenges for banks, requiring them to increase earnings to build equity. Parallel to this, the requirements for increases in long-term funding and liquidity reserves will result in higher funding costs.

Due to a stipulation in the Norwegian Constitution on limited access to yield sovereignty, it has not been possible to incorporate the EU regulations establishing the European Supervisory Authorities, CRR/CRD IV and a number of other EU legislative acts in the area of financial services into the EEA agreement. In the autumn of 2014, Norway and the EU agreed on a solution. The Norwegian government will probably present a proposition about this matter during the first half of 2015. Not until this proposition has been approved can CRR/CRD IV be incorporated in the EEA agreement and Norwegian legislation. Nevertheless, Norway introduced new capital requirements as of 1 July 2013 as the first step in the adaptation to CRR/CRD IV that imply a gradual increase in capital requirements up till 1 July 2016.

Just like the EU, the Norwegian authorities have chosen to retain the so-called Basel I floor. In the capital adequacy regulations, the Ministry of Finance has specified that the Basel I floor in Norway is a floor for calculating risk-weighted assets. In the EU regulation, however, the Basel I floor is unambiguously defined as a minimum level of capital, which is also reflected in the European Commission's common reporting standard for banks in the EU/EEA. This supervisory practice implies that Norwegian banks appear more weakly capitalised than if the EU's version of the Basel I floor definition had been used.

For systemic risk reasons, the Norwegian authorities have increased capital requirements for home mortgages when these are calculated according to internal models. With effect from the first quarter of 2014, the minimum requirement for the model parameter "loss given default", LGD, was increased from 10 to 20 per cent in the capital adequacy regulations. The minimum requirement applies to the average home mortgage portfolio. On 1 July 2014, Finanstilsynet announced additional calibration requirements for the home mortgage models of IRB banks. Among other things, the minimum requirement for banks' probability of default, PD, estimates for individual loans will be raised to 0.2 per cent. In addition, the average long-term PD level will be increased. The banks completed the recalibration in the second half of 2014 and report capital adequacy figures according to the recalibrated model as from the first quarter of 2015.

As an element in the European banking union, the EU introduced regulations for the winding-up and restructuring of banks on 1 January 2015, called the Bank Recovery and Resolution Directive, BRRD. The directive also applies to Norway through the EEA agreement. The purpose of BRRD is to facilitate the winding-up of even the largest banks without an injection of government funds. It should be possible to ensure the continuity of systemically important functions through the recapitalisation of the entire or parts of a bank by writing down or converting into share capital the bank's subordinated loans and unsecured senior debt. The authorities have been given extensive powers to restructure banks which are considered to be "non-viable".

The directive calls for the creation of a fund which can finance crisis solutions and which has received the necessary funds beforehand. In Norway, it is probable that the existing Norwegian Banks' Guarantee Fund can be used as a starting point, and the directive opens up for integrating the crisis management fund and the existing deposit guarantee fund. In Norway, the deposit guarantee covers amounts up to NOK 2 million. In 2014, the EU also approved a revised directive that included new, harmonised rules on deposit guarantee schemes. The directive implies that Norway will have to lower its guaranteed amount to the harmonised level of EUR 100 000. There is a transitional period up until year-end 2018 for countries with a higher guaranteed coverage level.

The implementation of the BRRD and the revised deposit guarantee directive will require extensive changes in the Norwegian crisis solution system, including the rules on public administration and the role of the Norwegian Banks' Guarantee Fund. The Banking Law Commission is considering how the directives can be implemented in Norwegian law.

Solvency II

Solvency II for Norwegian insurance companies will enter into effect as of 1 January 2016. Solvency II will be implemented in Norwegian law in the form of a new Act on financial undertakings and special regulations. The regulations were circulated for public comment on 19 December 2014, with a deadline for response of 20 March 2015. A major part of the regulations represents transitional rules endorsed by national supervisory authorities. Based on the proposal prepared by Finanstilsynet, there will be a 16-year linear phase-in of technical insurance provisions based on Solvency II methodology as of 1 January 2016. In a low interest rate environment, this will contribute to significantly lower capital requirements and greater predictability for portfolios with long-term guaranteed rates of return.

Paid–up policies with investment choice

As from September 2014, an option was introduced to convert paid-up policies to investment choice with no return guarantee, giving the policyholder the choice of allocation. Investment choice will help ensure better management of pension funds parallel to a reduction in life insurance companies' interest rate risk. Thus far, few DNB customers have chosen to convert paid-up policies with guaranteed returns to investment choice.

Disability pension

During 2015, the Norwegian Parliament will consider and approve new regulations for disability pensions offered by insurance companies as a supplement to occupational pension schemes. The rules are largely harmonised with the National Insurance Scheme's new disability pension rules, whose aim is to make it easier for disabled people to return to work, part or full-time. DNB expects the Act to enter into force on 1 January 2016 and to include flexible transitional rules to enable the business community to make the necessary adjustments.

Macroeconomic developments

Overall economic growth for Norway's trading partners slowed in 2014. However, there were significant differences between the various countries. In the US and the United Kingdom, growth held up well. The eurozone countries, on the other hand, experienced a virtual stagnation. In Japan, GDP declined in the second quarter in consequence of the VAT increase in April. There was a mixed picture among emerging economies, with brisk growth in China and India and a near economic standstill in Russia and Brazil.

In the OECD area, private sector investment trends have been sluggish since the financial crisis in 2008. In the eurozone, investments remain at the same level as in 2009, when they had dropped by 20 per cent compared with 2007. This must be seen in connection with a generally very weak trend in the real economy. A significant upswing in the euro economy will require a material increase in investments. In light of high unemployment and weak growth prospects, this could take a long time.

The US and the United Kingdom have conducted a highly expansionary monetary policy involving quantitative easing in order to push down long-term interest rates. In these countries, investments have shown a far more positive trend than in most European countries.

2014 was the most challenging year for the Baltic economies since the financial crisis. The region was affected by both the Ukrainian crisis and a slowdown in the domestic economies. Stagnating markets in the eurozone and an economic downturn in Russia had a negative impact on Baltic exports. Consequently, domestic demand will be the main growth impetus in the period ahead. Reduced energy prices, low inflation and a continued acceptable level of wage growth will lift consumption. The level of investment will also pick up, partly due to new grants from EU funds.

During the second half of 2014, oil prices, expressed in US dollars, were more than halved. This has had different consequences. The fall in oil prices has resulted in a transfer of income from oil producers to oil consumers and will contribute to slightly higher global economic growth. Other effects include cheaper energy prices and lower inflation. Consumer prices were down in the eurozone in 2014. In other countries, there was virtually no inflation. Due to spare capacity, low wage inflation and margin pressure, the threat of self-reinforcing deflation is higher than normal. The fall in oil prices could thus enforce an even more expansionary monetary policy.

The Norwegian mainland economy grew by approximately 2.5 per cent in 2014. Most macroeconomic indicators point to a slowdown in the growth rate. This trend could be reinforced by falling oil prices and reduced oil investments. Reduced oil prices are reflected in a lower level of activity on the Norwegian Continental Shelf, with spillover effects on the mainland economy. During the autumn of 2014, companies adjusted their oil investment estimates for 2015 downwards, and lower oil prices give reason to expect further investment cuts in both 2016 and 2017. As an isolated factor, this will result in lower employment levels, higher unemployment rates and reduced real wages in Norway. The fall in oil prices has already caused a depreciation of the Norwegian krone relative to other currencies. This reduces household purchasing power, but strengthens the competitive power of exporters and Norwegian producers in the home market. Norwegian exporters will also benefit from a brighter international economic outlook in consequence of the declining oil prices. This will offset some of the negative effects of lower activity in the oil sector.

Housing prices continued to rise in the autumn of 2014 and were 8 per cent higher at end-December 2014 than a year earlier. The strong trend reflected high population growth, a stable unemployment rate, high construction costs, lower interest rates and a housing shortage in some areas.

Future prospects

Economic forecasts for 2015 indicate global economic growth, especially in emerging economies. This is also the case for Norway, in spite of the sharp fall in oil prices and the depreciation of the Norwegian krone. The pace of growth in the Norwegian economy will probably subside in 2015 as a result of declining oil investments and their spillover effects on the mainland economy. The reduced level of activity on the Norwegian Continental Shelf, exacerbated by the steep fall in oil prices, will put a damper on investment in many mainland companies, make households more cautious and contribute to moderate wage settlements. Unemployment is expected to rise. On the positive side, higher international growth and the weak Norwegian krone will lift growth in traditional exports.

DNB presented its updated financial ambitions on the Group's Capital Markets Day in November. The principal target is still to achieve a return on equity above 12 per cent. Several factors make DNB believe that its targets are within reach. Continued growth in the Norwegian economy, some adjustments in the portfolio to improve quality, strict cost control and an increased focus on capital-light products will form the basis for a positive profit trend. DNB still needs to build capital to meet the new capital requirements that will be gradually introduced

Volume-weighted spreads are expected to be stable in 2015. Lending volumes are expected to increase at an annual rate of 3 to 4 per cent. At year-end 2014, the growth rate was 3.9 per cent. DNB's volume growth projections remain unchanged based on a slightly higher increase in lending to personal customers and small and medium-sized enterprises and more subdued lending growth in the large corporate segment. Impairment losses on loans in 2015 are expected to stay below normalised levels. The long-term tax rate is still estimated to be 25.5 per cent. DNB is well capitalised, but will build additional capital organically in accordance with the authorities' requirements.

Oslo, 4 February 2015
The Board of Directors of DNB ASA

Anne Carine Tanum
(chairman)

Tore Olaf Rimmereid
(vice-chairman)

Jarle Bergo

Sverre Finstad

Carl A. Løvvik

Vigdis Mathisen

Jaan Ivar Semlitsch

Berit Svendsen

Rune Bjerke
(group chief executive)

Income statement

Amounts in NOK million	Note	4th quarter 2014	4th quarter 2013	Full year 2014	Full year 2013
					DNB Group
Total interest income	5	15 533	15 417	61 445	60 404
Total interest expenses	5	6 833	7 477	28 959	30 212
Net interest income	5	**8 700**	**7 940**	**32 487**	**30 192**
Commission and fee income etc.	6	3 008	2 780	11 565	10 916
Commission and fee expenses etc.	6	694	634	2 597	2 379
Net gains on financial instruments at fair value	7	279	1 342	5 317	5 032
Net financial result, DNB Livsforsikring		(115)	149	(79)	554
Net risk result, DNB Livsforsikring		300	216	688	467
Net insurance result, DNB Skadeforsikring		129	122	491	418
Profit from investments accounted for by the equity method	8	44	118	226	362
Net gains on investment property	18	89	(79)	82	(86)
Other income	9	313	304	1 182	1 144
Net other operating income		**3 352**	**4 318**	**16 877**	**16 427**
Total income		**12 052**	**12 258**	**49 363**	**46 619**
Salaries and other personnel expenses	10, 11	2 620	2 677	10 872	11 307
Other expenses	10	1 896	1 743	7 645	7 850
Depreciation and impairment of fixed and intangible assets	10	571	1 088	2 158	2 719
Total operating expenses	10	**5 088**	**5 508**	**20 675**	**21 875**
Pre-tax operating profit before impairment		**6 964**	**6 750**	**28 689**	**24 744**
Net gains on fixed and intangible assets		42	153	52	151
Impairment of loans and guarantees	15	821	36	1 639	2 185
Pre-tax operating profit		**6 184**	**6 868**	**27 102**	**22 709**
Tax expense	12	1 236	1 177	6 463	5 202
Profit from operations held for sale, after taxes		16	9	(22)	4
Profit for the period		**4 965**	**5 700**	**20 617**	**17 511**
Earnings/diluted earnings per share (NOK)		3.05	3.50	12.67	10.75
Earnings per share excluding operations held for sale (NOK)		3.04	3.49	12.68	10.75

Comprehensive income statement

Amounts in NOK million	4th quarter 2014	4th quarter 2013	Full year 2014	Full year 2013
				DNB Group
Profit for the period	**4 965**	**5 700**	**20 617**	**17 511**
Actuarial gains and losses, net of tax 1)	(1 072)	(481)	(2 101)	(469)
Property revaluation	108	96	191	124
Elements of other comprehensive income allocated to customers (life insurance)	(108)	(96)	(191)	(124)
Other comprehensive income that will not be reclassified to profit or loss, net of tax	(1 072)	(481)	(2 101)	(469)
Currency translation of foreign operations	6 294	986	7 149	3 478
Hedging of net investment, net of tax	(3 926)	(327)	(4 526)	(2 425)
Other comprehensive income that may subsequently be reclassified to profit or loss, net of tax	2 368	659	2 623	1 053
Other comprehensive income for the period	**1 296**	**178**	**522**	**584**
Comprehensive income for the period	**6 261**	**5 877**	**21 138**	**18 096**

1) *Pension commitments and pension funds in the defined-benefit schemes have been recalculated. Calculations for the fourth quarter have been updated with new calculation assumptions in accordance with guidance notes from the Norwegian Accounting Standards Board 31 December 2014.*

Balance sheet

Amounts in NOK million	Note	DNB Group 31 Dec. 2014	DNB Group 31 Dec. 2013
Assets			
Cash and deposits with central banks		58 505	167 171
Due from credit institutions	13, 14	373 409	180 882
Loans to customers	13, 15, 16, 17	1 438 839	1 340 831
Commercial paper and bonds at fair value	14, 18	268 302	277 764
Shareholdings	14	26 870	29 826
Financial assets, customers bearing the risk	14	42 866	35 512
Financial derivatives	14	235 736	130 939
Commercial paper and bonds, held to maturity	13, 18	118 667	152 883
Investment property	19	30 404	32 753
Investments accounted for by the equity method		5 866	5 802
Intangible assets	20	6 286	6 511
Deferred tax assets		1 213	1 104
Fixed assets		13 830	12 498
Assets held for sale		692	225
Other assets		27 855	30 806
Total assets		**2 649 341**	**2 405 507**
Liabilities and equity			
Due to credit institutions	13, 14	214 214	234 219
Deposits from customers	13, 14	941 534	867 904
Financial derivatives	14	184 971	111 310
Debt securities issued	13, 14, 21	812 025	711 555
Insurance liabilities, customers bearing the risk		42 866	35 512
Liabilities to life insurance policyholders in DNB Livsforsikring		216 799	230 906
Insurance liabilities, DNB Skadeforsikring		1 964	1 958
Payable taxes		1 723	3 277
Deferred taxes		6 018	3 205
Other liabilities		31 908	31 934
Liabilities held for sale		100	53
Provisions		1 172	1 454
Pension commitments		6 006	4 001
Subordinated loan capital	13, 14, 21	29 319	26 276
Total liabilities		**2 490 619**	**2 263 564**
Share capital		16 273	16 278
Share premium reserve		22 609	22 609
Other equity		119 841	103 057
Total equity		**158 723**	**141 944**
Total liabilities and equity		**2 649 341**	**2 405 507**
Off-balance sheet transactions, contingencies and post-balance sheet events	25		

Due to changes in principles, some comparative figures have been restated. See further details in note 1 Accounting principles.

Statement of changes in equity

DNB Group

Amounts in NOK million	Share capital [1]	Share premium reserve	Actuarial gains and losses	Property revaluation reserve	Currency translation reserve	Net invest-ment hedge reserve	Other equity [1]	Total equity [1]
Balance sheet as at 31 December 2012	**16 269**	**22 609**	**(678)**	**0**	**(2 079)**	**1 306**	**90 066**	**127 492**
Changes in deferred taxes, property companies [2]							(269)	(269)
Balance sheet as at 1 January 2013	**16 269**	**22 609**	**(678)**	**0**	**(2 079)**	**1 306**	**89 797**	**127 223**
Profit for the period							17 511	17 511
Other comprehensive income			(469)	124	3 478	(2 425)		708
OCI allocated to customers (life insurance)				(124)				(124)
Comprehensive income for the period	0	0	(469)	0	3 478	(2 425)	17 511	18 096
Currency translation reserve taken to income					(1)			(1)
Change of reporting currency DNB Invest Denmark					7		(7)	0
Dividends paid for 2012 (NOK 2.10 per share)							(3 420)	(3 420)
Net purchase of treasury shares	10						37	47
Balance sheet as at 31 December 2013, restated	**16 278**	**22 609**	**(1 147)**	**0**	**1 404**	**(1 119)**	**103 918**	**141 944**

Amounts in NOK million	Share capital [1]	Share premium reserve	Actuarial gains and losses	Property revaluation reserve	Currency translation reserve	Net invest-ment hedge reserve	Other equity [1]	Total equity [1]
Balance sheet as at 31 December 2013	**16 278**	**22 609**	**(1 147)**	**0**	**1 404**	**(1 119)**	**104 201**	**142 227**
Changes in deferred taxes, property companies [2]							(283)	(283)
Balance sheet as at 31 December 2013, restated	**16 278**	**22 609**	**(1 147)**	**0**	**1 404**	**(1 119)**	**103 918**	**141 944**
Profit for the period							20 617	20 617
Other comprehensive income			(2 101)	191	7 149	(4 526)		713
OCI allocated to customers (life insurance)				(191)				(191)
Comprehensive income for the period	0	0	(2 101)	0	7 149	(4 526)	20 617	21 138
Currency translation reserve taken to income					118		(29)	89
Dividends paid for 2013 (NOK 2.70 per share)							(4 398)	(4 398)
Net purchase of treasury shares	(5)						(45)	(50)
Balance sheet as at 31 December 2014	**16 273**	**22 609**	**(3 247)**	**0**	**8 671**	**(5 645)**	**120 063**	**158 723**

1) *Of which treasury shares, held by DNB Markets for trading purposes:*

	Share capital	Other equity	Total equity
Balance sheet as at 31 December 2013	*(10)*	*(97)*	*(107)*
Net purchase of treasury shares	*(5)*	*(45)*	*(50)*
Reversal of fair value adjustments through profit and loss		*0*	*0*
Balance sheet as at 31 December 2014	*(15)*	*(142)*	*(157)*

2) *See note 1 Accounting principles.*

Cash flow statement

Amounts in NOK million	DNB Group Full year 2014	Full year 2013
Operating activities		
Net payments on loans to customers	(50 439)	(11 368)
Interest received from customers	54 878	53 483
Net receipts on deposits from customers	32 530	29 904
Interest paid to customers	(14 050)	(15 336)
Net receipts/payments on loans to credit institutions	(224 864)	(158 476)
Interest received from credit institutions	1 788	1 375
Interest paid to credit institutions	(2 120)	(2 368)
Net receipts/payments on the sale of financial assets for investment or trading	85 913	20 257
Interest received on bonds and commercial paper	5 654	4 998
Net receipts on commissions and fees	8 962	7 376
Payments to operations	(21 127)	(19 285)
Taxes paid	(3 117)	(7 648)
Receipts on premiums	21 291	21 098
Net payments on premium reserve transfers	(24 668)	(1 338)
Payments of insurance settlements	(14 601)	(14 523)
Other receipts/payments	(3 595)	(5 016)
Net cash flow from operating activities	**(147 566)**	**(96 866)**
Investment activities		
Net payments on the acquisition of fixed assets	(2 512)	(3 881)
Net receipts, investment property	566	1 061
Receipts on the sale of long-term investments in shares	463	642
Payments on the acquisition of long-term investments in shares	(50)	(16)
Dividends received on long-term investments in shares	172	319
Net cash flow from investment activities	**(1 360)**	**(1 875)**
Funding activities		
Receipts on issued bonds and commercial paper	1 463 719	996 386
Payments on redeemed bonds and commercial paper	(1 423 956)	(1 031 094)
Interest payments on issued bonds and commercial paper	(12 446)	(12 219)
Receipts on the raising of subordinated loan capital	0	7 528
Redemptions of subordinated loan capital	0	(3 709)
Interest payments on subordinated loan capital	(1 053)	(749)
Dividend payments	(4 398)	(3 420)
Net cash flow from funding activities	**21 867**	**(47 277)**
Effects of exchange rate changes on cash and cash equivalents	**19 269**	**13 934**
Net cash flow	**(107 791)**	**(132 085)**
Cash as at 1 January	172 162	304 247
Net receipts/payments of cash	(107 791)	(132 085)
Cash at end of period *)	64 371	172 162
**) Of which: Cash and deposits with central banks*	*58 505*	*167 171*
Deposits with credit institutions with no agreed period of notice [1)]	*5 866*	*4 991*

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

The cash flow statement shows receipts and payments of cash and cash equivalents during the period. The statement has been prepared in accordance with the direct method. Cash flows are classified as operating activities, investment activities or funding activities. Balance sheet items are adjusted for the effects of exchange rate movements. Cash is defined as cash and deposits with central banks, and deposits with credit institutions with no agreed period of notice.

Note 1 Accounting principles

The fourth quarter accounts 2014 have been prepared according to IAS 34 Interim Financial Reporting. A description of the accounting principles applied by the Group is found in the annual report for 2013. The annual and interim accounts for the Group are prepared according to IFRS principles as endorsed by the EU.

As from the first quarter of 2014, DNB Livsforsikring and DNB Skadeforsikring are presented on three lines in the consolidated income statement, as opposed to six lines in previous periods. The current three lines are Net financial result, DNB Livsforsikring; Net risk result, DNB Livsforsikring and Net insurance result, DNB Skadeforsikring. In addition, the presentation of income from DNB Eiendomsmegling has been changed. As from the first quarter of 2014, such income is presented as net commission and fee income, and is no longer presented as other income. As from the fourth quarter of 2014, the principle for the consolidation of deferred taxes relating to property companies has also been changed. In the consolidated accounts for previous periods, it was assumed that property values would be recovered through the sale of shares rather than from the sale of property. As from the fourth quarter, it is assumed that properties will be sold and that deferred taxes will be calculated based on this assumption in the consolidated accounts. The change of principle has had no material impact on the accounts.

In consequence of the changes in principles described above, comparable figures have been restated correspondingly.

New or amended accounting standards or interpretations that have entered into force in 2014 and are of significance to the Group, are described below. The new rules were implemented by the Group as of 1 January 2014.

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

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

The new standard requires increased judgment when assessing which entities are controlled by the company. Due to the new definition of control, certain mutual funds have been consolidated in the Group’s balance sheet. This primarily applies to funds owned by DNB Livsforsikring and managed by DNB Asset Management. The table below shows comparable figures for 2013 with implementation effect as of 1 January 2013.

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

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

In consequence of the implementation of the new standard, some minor ownership interests within real estate that were previously accounted for using proportionate consolidation, are now presented according to the equity method in the consolidated balance sheet. The table below shows comparable figures for 2013 with implementation effect as of 1 January 2013.

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

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

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

Note 1 Accounting principles (continued)

Balance sheet [1] — **DNB Group**

Amounts in NOK million	31 December 2013 Reported	31 December 2013 Effect IFRS 10/11	31 December 2013 Restated	1 January 2013 31 Dec. 2012 Reported	1 January 2013 Effect IFRS 10/11	1 January 2013 Restated
Investment property [2]	33 599	(846)	32 753	39 746	(889)	38 857
Shareholdings	47 252	(17 426)	29 826	48 288	(20 988)	27 300
Commercial paper and bonds at fair value	260 338	17 426	277 764	224 750	20 988	245 738
Profit from companies accounted for by the equity method	3 113	2 689	5 802	2 882	2 394	5 276
Other assets	16 847	13 959	30 806	14 200	7 369	21 569
Other liabilities	16 132	15 801	31 934	18 451	8 873	27 325

1) *The new rules have had no impact on the Group's income statement, equity or capital adequacy.*
2) *In addition, reported figures have been restated due to changes in the principle for the consolidation of deferred taxes relating to property companies, cf. above.*

Note 2 Important accounting estimates and discretionary assessments

When preparing the consolidated accounts, management makes estimates and discretionary assessments and prepares assumptions that influence the effect of the accounting principles applied and thus the carrying amounts of assets, liabilities, income and expenses. A more detailed description of important estimates and assumptions is presented in note 1 Important accounting estimates and discretionary assessments in the annual report for 2013.

Note 3 Changes in group structure

JSC DNB Bank
The Group's subsidiary JSC DNB Bank in Russia had eight branch offices and approximately 190 employees. At end-April 2014, an agreement on the sale of the company was signed. The sale was completed in July 2014. As a result of the sale, approximately NOK 205 million has been charged to "Net gains on fixed and intangible assets".

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

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

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

BRPH Top Holding AB
In connection with the restructuring of DNB's loan to Bastuban 1 AB in Sweden in the fourth quarter of 2014, the bank took over all shares in the subsidiary BRPH Top Holding AB on 18 December 2014 at the price of SEK 1. The BRPH Top Holding Group owns a commercial property in Mølndal in Sweden valued at SEK 427 million. The bank's strategy is to sell these operations as soon as possible within a 12-month period from the takeover date. The operations were classified as held for sale in the Group's accounts at end- December 2014.

Note 4 Segments

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

Personal customers	-	includes the Group's total products and activities to private customers in all channels, both digital and physical. DNB offers a wide range of products through Norway's largest distribution network, comprising branches, telephone banking (24/7), digital banking, real estate broking as well as external channels (post offices and in-store postal and banking outlets).
Small and medium-sized enterprises	-	is responsible for product sales and advisory services to small and medium-sized enterprises in Norway. DNB aspires to be a local bank for the whole of Norway, while offering the products and expertise of a large bank. Customers in this segment range from small businesses and start-up companies to relatively large corporate customers, and the product offerings are adapted to the customers' different needs. Small and medium-sized enterprises are served through the Group's large physical distribution network throughout Norway as well as digital and telephone banking (24/7).
Large corporates and international customers	-	includes large Norwegian and international corporate customers and all customers served by DNB's subsidiary banks in the Baltics and Poland. Operations are based on sound industry expertise and long-term customer relationships.
Trading	-	includes market making and other trading activities in fixed income, currencies and commodities (FICC) as well as equities, including risk management of the risk inherent in customer transactions. Markets' trading activities support the customer activities.
Traditional pension products	-	includes traditional defined-benefit pension products in DNB Livsforsikring. DNB no longer offers such products to new customers.

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

Capital allocated to the segments is calculated on the basis of the Group's common equity Tier 1 capital and long-term capitalisation ambition. There are special capital adequacy regulations for insurance operations, and in these companies, allocated capital corresponds to recorded equity. For other group operations, the allocation of capital to all units is based on the Group's adaptation to Basel II, full IRB, and the capital allocated in 2014 corresponds to a common equity Tier 1 capital ratio of 12.9 per cent. The allocation of credit risk is based on the 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.

Income statement, fourth quarter

DNB Group

	Personal customers		Small and medium-sized enterprises		Large corporates and international customers		Trading		Traditional pension products [1]		Other operations/ eliminations [2]		DNB Group	
	4th quarter		4th quarter		4th quarter		4th quarter		4th quarter		4th quarter		4th quarter	
Amounts in NOK million	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Net interest income - ordinary operations	3 357	3 343	1 717	1 492	3 198	2 762	103	89	0	0	326	254	8 700	7 940
Interest on allocated capital [3]	114	73	81	86	215	223	25	33	0	0	(435)	(416)	0	0
Net interest income	3 471	3 416	1 797	1 578	3 412	2 985	128	122	0	0	(108)	(161)	8 700	7 940
Net other operating income	1 167	1 208	497	391	1 529	1 450	(102)	566	478	622	(217)	82	3 352	4 318
Total income	4 638	4 625	2 294	1 968	4 942	4 434	26	688	478	622	(326)	(80)	12 052	12 258
Operating expenses	2 154	2 090	990	978	1 660	1 659	132	84	165	221	(13)	476	5 088	5 508
Pre-tax operating profit before impairment	2 485	2 535	1 303	991	3 282	2 775	(105)	604	312	401	(312)	(555)	6 964	6 750
Net gains on fixed and intangible assets	1	155	43	0	9	(9)	(0)	0	0	(0)	(11)	8	42	153
Impairment of loans and guarantees [4]	(74)	114	469	160	452	(222)	0	0	0	0	(26)	(16)	821	36
Profit from repossessed operations	0	13	16	(9)	(14)	(99)	0	0	0	0	(2)	95	0	0
Pre-tax operating profit	2 560	2 589	893	822	2 825	2 889	(105)	604	312	401	(300)	(437)	6 184	6 868
Tax expense	691	725	241	230	876	867	(28)	175	(123)	(2)	(420)	(818)	1 236	1 177
Profit from operations held for sale, after taxes	0	0	0	0	2	(5)	0	0	0	0	15	14	16	9
Profit for the period	1 868	1 864	652	592	1 951	2 017	(77)	429	436	404	135	395	4 965	5 700

1) *See the tables below for more information about Traditional pension products.*
2) *See the tables below for more information about other operations/eliminations.*
3) *Allocated capital corresponds to the external capital adequacy requirement (Basel II) which must be met by the Group. In consequence of stricter external capital requirements and the authorities' signals of additional capital requirements for home mortgages, allocated capital to Personal customers were adjusted upwards in 2014.*
4) *See note 15 Impairment of loans and guarantees for an analysis of the gross change in impairment for the Group.*

Note 4 Segments (continued)

Main average balance sheet items

DNB Group

	Personal customers		Small and medium-sized enterprises		Large corporates and international customers		Trading		Traditional pension products		Other operations/ eliminations		DNB Group	
	4th quarter		4th quarter		4th quarter		4th quarter		4th quarter		4th quarter		4th quarter	
Amounts in NOK billion	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Loans to customers [1]	684.0	655.8	218.8	209.1	502.3	473.4	7.9	3.0			1.2	(0.9)	1 414.3	1 340.4
Deposits from customers [1]	363.8	345.2	169.3	149.4	385.7	362.1	133.3	86.3			(1.6)	(4.7)	1 050.6	938.3
Assets under management	68.1	61.4	53.8	42.7	211.8	188.2			212.9	235.0	12.0	6.3	558.5	533.6
Allocated capital [2]	30.0	17.2	21.1	20.4	56.2	54.8	6.3	7.8	17.4	16.2				

Key figures

DNB Group

	Personal customers		Small and medium-sized enterprises		Large corporates and international customers		Trading		Traditional pension products		Other operations		DNB Group	
	4th quarter		4th quarter		4th quarter		4th quarter		4th quarter		4th quarter		4th quarter	
Per cent	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Cost/income ratio [3]	46.4	45.2	43.2	49.7	33.6	36.1	497.7	12.3	34.6	35.5			42.2	40.4
Ratio of deposits to loans [1) 4)]	53.2	52.6	77.4	71.4	76.8	76.5							74.3	70.0
Return on allocated capital, annualised [2]	24.7	43.0	12.3	11.5	13.8	14.6	(4.9)	21.8	10.0	9.9			12.6	16.3

1) Loans to customers include accrued interest, impairment and value adjustments. Correspondingly, deposits from customers include accrued interest and value adjustments.

2) Allocated capital for the segments is calculated based on the external capital adequacy requirement (Basel II) which must be met by the Group. Recorded capital is used for the Group. In consequence of stricter external capital requirements and the authorities' signals of additional capital requirements for home mortgages, allocated capital to Personal customers were adjusted upwards in 2014. This resulted in a lower return on capital compared with the preceding periods.

3) Total operating expenses relative to total income.

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

Income statement, full year

DNB Group

	Personal customers		Small and medium-sized enterprises		Large corporates and international customers		Trading		Traditional pension products		Other operations/ eliminations		DNB Group	
	Full year		Full year		Full year		Full year		Full year		Full year		Full year	
Amounts in NOK million	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Net interest income - ordinary operations	13 334	12 329	6 218	5 818	11 511	10 524	315	415	0	0	1 108	1 107	32 487	30 192
Interest on allocated capital [1]	471	303	335	358	864	934	114	145	0	0	(1 784)	(1 740)	0	0
Net interest income	13 806	12 632	6 553	6 176	12 376	11 458	429	559	0	0	(676)	(633)	32 487	30 192
Net other operating income	4 767	4 829	1 717	1 489	5 586	5 319	1 584	2 029	1 843	2 445	1 379	317	16 877	16 427
Total income	18 573	17 461	8 269	7 665	17 962	16 777	2 013	2 588	1 843	2 445	703	(316)	49 363	46 619
Operating expenses	8 649	8 655	3 843	3 724	6 335	6 054	513	645	630	846	705	1 952	20 675	21 875
Pre-tax operating profit before impairment	9 924	8 806	4 427	3 941	11 627	10 723	1 500	1 943	1 212	1 599	(2)	(2 268)	28 689	24 744
Net gains on fixed and intangible assets	(3)	154	42	(0)	21	(13)	(0)	0	0	1	(7)	8	52	151
Impairment of loans and guarantees [2]	126	374	895	586	632	1 225	0	0	0	0	(14)	0	1 639	2 185
Profit from repossessed operations	0	0	(23)	(11)	(102)	(143)	0	0	0	0	125	155	0	0
Pre-tax operating profit	9 795	8 586	3 551	3 343	10 914	9 342	1 500	1 943	1 212	1 600	129	(2 105)	27 102	22 709
Taxes	2 645	2 404	959	936	3 383	2 803	405	564	99	127	(1 028)	(1 631)	6 463	5 202
Profit from operations held for sale, after taxes	0	3	0	0	2	(5)	0	0	0	0	(24)	7	(22)	4
Profit for the period	7 150	6 185	2 593	2 407	7 531	6 534	1 095	1 380	1 113	1 473	1 135	(467)	20 617	17 511

1) Allocated capital corresponds to the external capital adequacy requirement (Basel II) which must be met by the Group. In consequence of stricter external capital requirements and the authorities' signals of additional capital requirements for home mortgages, allocated capital to Personal customers were adjusted upwards in 2014.

2) See note 15 Impairment of loans and guarantees for an analysis of the gross change in impairment for the Group.

Note 4 Segments (continued)

Traditional pension products

The risk profile of Traditional pension products is different by nature from the risk profile of the Group's bank-related products. Higher life expectancy is one of several risk factors linked to defined-benefit pension products. In the tables below, a specification is given of pre-tax operating profits, including the costs related to the increase in reserves to reflect higher life expectancy.

Specification of pre-tax operating profit, Traditional pension products — **DNB Group**

Amounts in NOK million	4th quarter 2014	4th quarter 2013	Full year 2014	Full year 2013
Recorded interest result	(353)	874	3 038	2 066
Risk result	214	118	468	321
Administration result	49	23	228	124
Upfront pricing of risk and guaranteed rate of return	173	172	647	682
Provisions for higher life expentancy, group pension [1]	(82)	784	2 909	1 798
Allocations to policyholders, products with guaranteed returns	(57)	138	913	355
Return on corporate portfolio	91	135	652	559
Pre-tax operating profit - Traditional pension products	312	401	1 212	1 600

1) Provisions for higher life expectancy, group pension:

Amounts in NOK million	*Accumulated balance 31 December 2014*
Paid-up policies	*3 377*
Defined benefit	*3 641*
Total group pension [*)]	*7 018*

**) The total required increase in reserves for the portfolio as at 31 December 2014 was approximately NOK 12.3 billion.*

Other operations/eliminations

DNB Group

	Eliminations [1]		Group units [2]		Total	
	4th quarter		4th quarter		4th quarter	
Amounts in NOK million	2014	2013	2014	2013	2014	2013
Net interest income - ordinary operations	(11)	(8)	337	262	326	254
Interest on allocated capital [3]	0	0	(435)	(416)	(435)	(416)
Net interest income	(11)	(8)	(97)	(153)	(108)	(161)
Net other operating income	(379)	(401)	162	483	(217)	82
Total income	(390)	(410)	64	330	(326)	(80)
Operating expenses	(390)	(410)	377	885	(13)	476
Pre-tax operating profit before impairment	0	0	(312)	(555)	(312)	(555)
Net gains on fixed and intangible assets	0	0	(11)	8	(11)	8
Impairment of loans and guarantees [4]	0	0	(26)	(16)	(26)	(16)
Profit from repossessed operations	0	0	(2)	95	(2)	95
Pre-tax operating profit	0	0	(300)	(437)	(300)	(437)

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

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

Group units - pre-tax operating profit in NOK million	*4th quarter 2014*	*4th quarter 2013*
+ Interest on unallocated equity etc.	*(173)*	*(189)*
+ Investment in Nets Holding	*0*	*705*
+ Income from equity investments	*(113)*	*46*
+ Gains on fixed and intangible assets	*(11)*	*8*
+ Mark-to-market adjustments Group Treasury and fair value of loans	*(781)*	*63*
+ Basis swaps	*508*	*(819)*
+ Eksportfinans ASA	*52*	*103*
+ Net gains on investment property	*111*	*(92)*
+ Profit from repossessed operations	*(2)*	*95*
- Unallocated impairment of loans and guarantees	*(26)*	*(16)*
- Ownership-related expenses (costs relating to shareholders, investor relations, strategic planning etc.)	*97*	*109*
- Unallocated personnel expenses	*(30)*	*5*
- Unallocated IT and Operations expenses	*(140)*	*(31)*
- Impairment losses for goodwill and capitalised systems development	*0*	*500*
- Impairment of leases	*22*	*6*
- Unallocated operating expenses in main buildings	*70*	*25*
- Reversal of provisions	*(73)*	*(157)*
- Impairment of investment property and fixed assets	*7*	*13*
Other	*37*	*97*
Pre-tax operating profit	*(300)*	*(437)*

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

4) See note 15 Impairment of loans and guarantees for an analysis of the gross change in impairment for the Group.

Note 5 Net interest income

Amounts in NOK million	4th quarter 2014	4th quarter 2013	Full year 2014	Full year 2013
				DNB Group
Interest on amounts due from credit institutions	502	347	1 814	1 299
Interest on loans to customers	13 128	13 252	52 139	52 019
Interest on impaired loans and guarantees	174	161	643	682
Interest on commercial paper and bonds	1 201	1 355	5 078	5 316
Front-end fees etc.	84	85	316	329
Other interest income	443	216	1 456	759
Total interest income	**15 533**	**15 417**	**61 445**	**60 404**
Interest on amounts due to credit institutions	401	545	1 755	2 374
Interest on deposits from customers	3 218	3 581	13 827	14 626
Interest on debt securities issued	3 196	3 125	12 633	12 130
Interest on subordinated loan capital	144	142	572	453
Guarantee fund levy	189	188	780	754
Other interest expenses [1)]	(315)	(105)	(608)	(125)
Total interest expenses	**6 833**	**7 477**	**28 959**	**30 212**
Net interest income	**8 700**	**7 940**	**32 487**	**30 192**

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

Note 6 Net commission and fee income

Amounts in NOK million	4th quarter 2014	4th quarter 2013	4th quarter 2014	4th quarter 2013
				DNB Group
Money transfer fees	871	846	3 476	3 330
Fees on asset management services	352	302	1 259	1 119
Fees on custodial services	86	84	353	320
Fees on securities broking	97	87	350	262
Corporate finance	204	158	740	497
Interbank fees	9	9	35	37
Credit broking commissions	202	97	630	473
Sales commissions on insurance products	716	727	2 800	2 810
Fees on real estate broking	268	247	1 095	1 144
Sundry commissions and fees	204	223	829	923
Total commission and fee income etc.	**3 008**	**2 780**	**11 565**	**10 916**
Money transfer fees	357	337	1 341	1 225
Commissions on fund management services	57	47	225	179
Fees on custodial services	38	34	160	134
Interbank fees	16	19	67	73
Credit broking commissions	21	30	56	102
Commissions on the sale of insurance products	30	22	131	85
Sundry commissions and fees	177	145	617	581
Total commission and fee expenses etc.	**694**	**634**	**2 597**	**2 379**
Net commission and fee income	**2 313**	**2 147**	**8 969**	**8 537**

Note 7 Net gains on financial instruments at fair value

				DNB Group
Amounts in NOK million	4th quarter 2014	4th quarter 2013	Full year 2014	Full year 2013
Dividends	50	90	420	411
Net gains on commercial paper and bonds	881	15	3 109	(837)
Net gains on shareholdings and equity-related derivatives	(295)	713	112	732
Net unrealised gains on basis swaps	508	(819)	394	(1 364)
Net gains on other financial instruments	(865)	1 343	1 282	6 090
Net gains on financial instruments at fair value	**279**	**1 342**	**5 317**	**5 032**

Note 8 Profit from investments accounted for by the equity method

Moody's and Standard & Poor's downgrades of Eksportfinans' credit rating in the fourth quarter of 2011 resulted in sizeable unrealised gains on the company's long-term funding. The effect of these unrealised gains on DNB's holding, after tax, represented NOK 11.8 billion. After reviewing the fair value of the company in connection with the closing of the annual accounts, DNB wrote down the value by an amount corresponding to unrealised gains on Eksportfinans' own debt in the fourth quarter of 2011. In 2012, 2013 and 2014, the required rate of return in the market was reduced, and Eksportfinans had sizeable unrealised losses on own debt. The impairment loss recorded by DNB in the fourth quarter of 2011 was reversed by an amount corresponding to these unrealised losses. Reversals totalling NOK 1.7 billion were made in 2014. The remaining impairment loss was NOK 0.3 billion at year-end 2014. The impairment loss in 2011 and subsequent reversals have been reported on the line "Profit from companies accounted for by the equity method" along with DNB's share of profits from the company.

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

Through DNB Livsforsikring, the Group has joint control over three property companies as a result of its holdings in the companies and an agreement that all board decisions concerning the relevant activities shall be unanimous. As of 1 January 2013, these activities are classified as jointly controlled operations in accordance with IFRS 11 and recognised in the group accounts according to the equity method. These activities were previously accounted for according to the proportional consolidation method. The total return on the investments is included in the common portfolio of DNB Livsforsikring and presented under Net financial result, DNB Livsforsikring in the income statement. The change affects the classification of the investment in the balance sheet, but has no impact on the presentation in the income statement. See note 1 Accounting principles for effects of IFRS 11 Joint Arrangements.

Note 9 Other income

				DNB Group
Amounts in NOK million	4th quarter 2014	4th quarter 2013	Full year 2014	Full year 2013
Income from owned/leased premises	23	28	92	69
Income from investment properties	61	54	250	239
Sales income	24	32	110	107
Miscellaneous operating income	205	190	729	729
Total other income	**313**	**304**	**1 182**	**1 144**

Note 10 Operating expenses

Amounts in NOK million	DNB Group 4th quarter 2014	4th quarter 2013	Full year 2014	Full year 2013
Salaries	1 938	1 933	7 959	7 892
Employer's national insurance contributions	291	272	1 146	1 127
Pension expenses [1]	123	204	899	787
Restructuring expenses [1]	86	44	239	776
Other personnel expenses	183	224	628	724
Total salaries and other personnel expenses	**2 620**	**2 677**	**10 872**	**11 307**
Fees [2]	365	262	1 391	1 164
IT expenses [2]	596	536	2 223	2 346
Postage and telecommunications	72	74	297	303
Office supplies	29	17	101	90
Marketing and public relations	178	211	863	847
Travel expenses	97	81	258	229
Reimbursement to Norway Post for transactions executed	59	42	231	143
Training expenses	23	16	61	49
Operating expenses on properties and premises	279	391	1 284	1 364
Operating expenses on machinery, vehicles and office equipment	27	40	103	130
Other operating expenses [3]	172	73	834	1 184
Total other expenses	**1 896**	**1 743**	**7 645**	**7 850**
Impairment losses for goodwill [4]	5	57	5	57
Depreciation and impairment of fixed and intangible assets [5]	566	1 030	2 153	2 661
Total depreciation and impairment of fixed and intangible assets	**571**	**1 088**	**2 158**	**2 719**
Total operating expenses	**5 088**	**5 508**	**20 675**	**21 875**

1) *In consequence of the restructuring process in DNB, provisions for restructuring costs were made in 2013. In addition, a reduction in pension commitments for employees who were granted severance packages was estimated, resulting in lower pension expenses. In the fourth quarter of 2014, a plan amendment was recorded for the pension scheme in the Norwegian Public Service Pension Fund, which reduced costs by NOK 93 million.*
2) *Fees also include system development fees and must be viewed relative to IT expenses.*
3) *During the first quarter of 2013, NOK 450 million was charged to the income statement in connection with the Supreme Court ruling regarding certain debt-financed structured products.*
4) *Impairment losses for goodwill of NOK 5 million relating to DNB Eiendom were recorded in the fourth quarter of 2014. Impairment losses for goodwill of NOK 57 million relating to JSC DNB Bank were recorded in the fourth quarter of 2013.*
5) *Impairment of capitalised systems development in the Baltics totalling NOK 500 million was recorded in the fourth quarter of 2013.*

Note 11 Number of employees/full-time positions

	DNB Group 4th quarter 2014 [1]	4th quarter 2013 [2]	Full year 2014 [1]	Full year 2013 [2]
Number of employees at end of period	12 064	12 452	12 064	12 452
- of which number of employees abroad	3 312	3 533	3 312	3 533
Number of employees calculated on a full-time basis at end of period	11 643	12 016	11 643	12 016
- of which number of employees calculated on a full-time basis abroad	3 253	3 481	3 253	3 481
Average number of employees	12 092	12 647	12 165	13 091
Average number of employees calculated on a full-time basis	11 672	12 204	11 735	12 642

1) *The reduction from 2013 reflects restructuring measures in the Group.*
2) *JSC DNB Bank was sold in July 2014. JSC DNB Bank had 176 employees/employees calculated on a full-time basis at the end of 2013.*

Note 12 Tax expense

Balancing tax charges against pre-tax operating profit	DNB Group	
Amounts in NOK million	Full year 2014	Full year 2013
Pre-tax operating profit	27 102	22 709
Estimated tax expense - nominal tax rate - 27 per cent (28 per cent in 2013)	7 318	6 359
Tax effect of different tax rates in other countries	103	94
Tax effect of debt interest distribution with international branches	(188)	(155)
Tax effect of tax-exempt income and non-deductible expenses	(622)	(861)
Tax effect of tax losses carried forward not recognised in the balance sheet 1)	(7)	23
Tax effect of changed tax rate from 28 to 27 per cent for deferred taxes recognised in the balance sheet	0	(91)
Excess tax provision previous year	(141)	(166)
Total tax expense	**6 463**	**5 202**
Effective tax rate	24%	23%

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 13 Fair value of financial instruments at amortised cost

	DNB Group			
	31 December 2014		31 December 2013	
Amounts in NOK million	Carrying amount	Fair value	Carrying amount	Fair value
Cash and deposits with central banks	42 956	42 956	93 008	93 008
Due from credit institutions	18 295	18 295	14 411	14 411
Loans to customers	1 329 456	1 331 211	1 213 630	1 213 010
Commercial paper and bonds, held to maturity	118 667	130 814	152 883	158 092
Total financial assets	1 509 374	1 523 277	1 473 932	1 478 520
Due to credit institutions	27 641	27 641	24 386	24 386
Deposits from customers	891 859	891 859	809 465	809 465
Securities issued 1)	523 957	532 557	460 850	467 367
Subordinated loan capital 1)	28 058	28 233	25 025	25 198
Total financial liabilities	1 471 515	1 480 290	1 319 726	1 326 416

1) *Includes hedged liabilities.*

Note 14 Financial instruments at fair value

DNB Group

Amounts in NOK million	Valuation based on quoted prices in an active market Level 1	Valuation based on observable market data Level 2	Valuation based on other than observable market data Level 3	Accrued interest [1]	Total
Assets as at 31 December 2014					
Deposits with central banks	0	15 545	0	4	15 549
Due from credit institutions	0	355 070	0	44	355 114
Loans to customers	0	8 118	100 986	279	109 384
Commercial paper and bonds at fair value	38 759	227 387	251	1 906	268 302
Shareholdings	8 633	10 616	7 621		26 870
Financial assets, customers bearing the risk	0	42 866	0		42 866
Financial derivatives	1	233 858	1 877		235 736
Liabilities as at 31 December 2014					
Due to credit institutions	0	186 544	0	30	186 574
Deposits from customers	0	49 564	0	111	49 675
Debt securities issued	0	287 527	0	541	288 068
Subordinated loan capital	0	1 259	0	2	1 261
Financial derivatives	1	183 507	1 463		184 971
Other financial liabilities [2]	50	0	0	0	50

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

Financial instruments at fair value, level 3

DNB Group

	Financial assets				Financial liabilities
Amounts in NOK million	Loans to customers	Commercial paper and bonds	Share-holdings [1]	Financial derivatives	Financial derivatives
Carrying amount as at 31 December 2013	**123 207**	**311**	**10 914**	**1 442**	**1 248**
Net gains on financial instruments	1 562	(2)	1 479	395	176
Additions/purchases	5 906	389	893	474	468
Sales	0	(607)	(5 648)	0	0
Settled	(29 687)	(7)	0	(494)	(488)
Transferred from level 1 or level 2	0	333	3	0	0
Transferred to level 1 or level 2	0	(164)	(20)	0	0
Other [2]	0	(3)	0	60	58
Carrying amount as at 31 December 2014	**100 986**	**251**	**7 621**	**1 877**	**1 463**

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

Loans to customers

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

Breakdown of fair value, level 3

DNB Group

	31 December 2014		
Amounts in NOK million	Loans to customers	Commercial paper and bonds	Share-holdings
Principal amount/purchase price	98 108	270	7 230
Fair value adjustment [1]	2 879	(19)	391
Total fair value, excluding accrued interest	100 986	251	7 621

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.*

Note 14 Financial instruments at fair value (continued)

Breakdown of shareholdings, level 3 — **DNB Group**

Amounts in NOK million	Property funds	Hedge-funds	Unquoted equities	Private Equity (PE) funds	Other	Total
Carrying amount as at 31 December 2014	673	1 164	1 390	4 367	26	7 621

Sensitivity analysis, level 3 — **DNB Group**

Amounts in NOK million	Carrying amount 31 December 2014	Effect of reasonably possible alternative assumptions
Loans to customers	100 986	(183)
Commercial paper and bonds	251	(1)
Shareholdings	7 621	0
Financial derivatives, net	414	0

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

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

Level 3 equities represent a total of NOK 5 964 million in private equity investments, property funds, hedge funds and unquoted equities in DNB Livsforsikring. The fair values of the funds are largely based on reported values from the fund managers. For private equity and property funds, the fund managers use cash flow-based models or multiples when determining fair values. The Group does not have full access to information about all elements in these valuations and thus has no basis for determining alternative values for alternative assumptions. The use of alternative values will have a limited effect on the Group's profits, as the investments are included in DNB Livsforsikring's common portfolio.

The banking group's portfolio of equities classified as level 3 was NOK 1 589 million as at 31 December 2014.

Note 15 Impairment of loans and guarantees

DNB Group

Amounts in NOK million	4th quarter 2014	4th quarter 2013	Full year 2014	Full year 2013
Write-offs	275	205	823	966
New individual impairment	1 105	601	3 078	3 071
Total new individual impairment	1 380	805	3 901	4 037
Reassessed individual impairment	267	454	1 245	1 263
Recoveries on loans and guarantees previously written off	234	116	677	457
Net individual impairment	879	236	1 980	2 318
Change in collective impairment of loans	(58)	(200)	(341)	(133)
Impairment of loans and guarantees [1)]	**821**	**36**	**1 639**	**2 185**
Write-offs covered by individual impairment made in previous years	792	854	2 422	1 837
1) Of which individual impairment of guarantees	*1*	*8*	*(143)*	*119*

Note 16 Loans to customers

Amounts in NOK million	DNB Group 31 Dec. 2014	31 Dec. 2013
Loans at amortised cost:		
Loans to customers, nominal amount	1 339 416	1 223 642
Individual impairment	9 646	9 695
Loans to customers, after individual impairment	1 329 770	1 213 947
+ Accrued interest and amortisation	2 504	2 708
- Individual impairment of accrued interest and amortisation	680	710
- Collective impairment	2 139	2 315
Loans to customers, at amortised cost	1 329 456	1 213 630
Loans at fair value:		
Loans to customers, nominal amount	106 226	125 493
+ Accrued interest	279	391
+ Adjustment to fair value	2 879	1 317
Loans to customers, at fair value	109 384	127 201
Loans to customers	**1 438 839**	**1 340 831**

Note 17 Net impaired loans and guarantees for principal customer groups [1)]

Amounts in NOK million	DNB Group 31 Dec. 2014	31 Dec. 2013
Private individuals	3 071	3 482
Transportation by sea and pipelines and vessel construction	3 862	4 953
Real estate	2 517	3 708
Manufacturing	776	2 182
Services	673	506
Trade	1 265	387
Oil and gas	0	137
Transportation and communication	495	767
Building and construction	962	975
Power and water supply	29	68
Seafood	26	58
Hotels and restaurants	103	228
Agriculture and forestry	144	103
Central and local government	0	0
Other sectors	20	11
Total customers	13 943	17 565
Credit institutions	0	5
Total net impaired loans and guarantees	13 943	17 570
Non-performing loans and guarantees not subject to impairment	3 318	3 179
Total net non-performing and doubtful loans and guarantees	17 261	20 749

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

Note 18 Commercial paper and bonds, held to maturity

	DNB Group	
Amounts in NOK million	31 Dec. 2014	31 Dec. 2013
International bond portfolio	31 927	63 087
DNB Livsforsikring ASA	88 330	92 421
Other units [1)]	(1 590)	(2 626)
Commercial paper and bonds, held to maturity	**118 667**	**152 883**

1) Including eliminations of DNB Livsforsikring's investments in bonds issued by DNB Boligkreditt.

As part of ongoing liquidity management, DNB Bank has invested in a portfolio of securities. The portfolio can be used to regulate the liquidity requirement and as a basis for furnishing collateral for operations in various countries. Among other things, the securities serve as collateral for short and long-term borrowing in a number of central banks and as a basis for liquidity buffers to meet regulatory requirements. With effect from 1 July 2008, the international bond portfolio was reclassified from the category "fair value through profit or loss" to "held-to-maturity investments". Portfolios in this category are recorded at amortised cost and written down if there is objective evidence of a decrease in value.

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

Measurement of the reclassified bond portfolio

The reclassification in accordance with IAS 39 Financial Instruments: Recognition and Measurements requires that the value of the portfolio based on the principles applied before the reclassification must be reported. In a normal market situation, the portfolio would have been recorded at external observable prices before the reclassification. Due to the financial turmoil, there were no such observable prices in the market in 2008. In order to meet the disclosure requirement, the portfolio was thus measured at fair value according to models used for financial instruments not traded in an active market. The models were based on a regression analysis whereby historical market data (explanatory variables) which were observable even during the financial turmoil were used to explain historical changes in value in the portfolio. During the period from the fourth quarter of 2006 up to and including the second quarter of 2008, the model showed a high level of correlation between changes in given market data and changes in the value of the portfolio, which at the time was priced in an active market or through broker quotes which were believed to be fairly reliable. As of 1 January 2014, the fair value of the portfolio is determined based on broker quotes. If fair value had been used to determine the value of the portfolio in the fourth quarter of 2014, there would have been a NOK 315 million increase in profits.

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 2014 was NOK 0.4 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 17.6 billion at end-December 2014. The average term to maturity of the portfolio was 5.6 years, and the change in value resulting from an interest rate adjustment of one basis point was NOK 10 million at end-December 2014.

Effects on profits of the reclassification				**DNB Group**
Amounts in NOK million	4th quarter 2014	4th quarter 2013	Full year 2014	Full year 2013
Recorded amortisation effect	27	30	106	163
Net gain, if valued at fair value	342	(88)	189	452
Effects of reclassification on profits	(315)	118	(83)	(289)

Effects on the balance sheet of the reclassification		**DNB Group**
Amounts in NOK million	31 Dec. 2014	31 Dec. 2013
Recorded unrealised losses	497	603
Unrealised losses, if valued at fair value	943	1 132
Effects of reclassification on the balance sheet	446	529

Development in the portfolio after the reclassification		**DNB Group**
Amounts in NOK million	31 Dec. 2014	31 Dec. 2013
Reclassified portfolio, carrying amount	17 558	20 313
Reclassified portfolio, if valued at fair value	17 112	19 784
Effects of reclassification on the balance sheet	446	529

Note 18 Commercial paper and bonds, held to maturity (continued)

International bond portfolio

After the reclassification date, DNB has chosen to increase investments in held-to-maturity securities. According to new proposed liquidity requirements for banks, in order for the securities to be classified as liquid funds, they must qualify for immediate sale. New investments in the international bond portfolio as from 2011 mainly represent covered and government-guaranteed bonds, these investments are carried at fair value. As at 31 December 2014 the international bond portfolio represented NOK 124.6 billion. 69.2 per cent of the securities in the portfolio had an AAA rating, while 24.6 per cent were rated AA. There were no synthetic securities in the portfolio and no investments in US sub-prime bonds or Collateralised Debt Obligations, CDOs. Nor were any investments made in Portugal, Italy, Ireland, Greece or Spain. The structure of the international bond portfolio is shown below.

		DNB Group
	Per cent 31 December 2014	NOK million 31 December 2014
Asset class		
Residential mortgages	23.60	29 531
Corporate loans	0.01	13
Government related	34.90	43 670
Covered bonds	41.49	51 916
Total international bond portfolio, nominal values	100.00	125 130
Accrued interest, amortisation effects and fair value adjustments		(520)
Total international bond portfolio		124 610
Total international bond portfolio, held to maturity		31 927
Of which reclassified portfolio		17 399

The average term to maturity of the international bond portfolio is 3.0 years, and the change in value resulting from an interest rate adjustment of one basis point was NOK 11 million at end-December 2014.

DNB Livsforsikring

Bonds held-to-maturity totalled NOK 88.3 billion in DNB Livsforsikring ASA's as at 31 December 2014, mainly comprising bonds issued by highly creditworthy borrowers. Only in exceptional cases does DNB Livsforsikring invest in bonds issued by traditional manufacturing companies.

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

		DNB Group
	Per cent 31 December 2014	NOK million 31 December 2014
Asset class		
Government/government-guaranteed	23.39	20 186
Guaranteed by supranational entities	1.51	1 300
Municipalities/county municipalities	8.48	7 321
Bank and mortgage institutions	15.07	13 001
Covered bonds	35.30	30 463
Other issuers	16.25	14 023
Total bond portfolio DNB Livsforsikring, held to maturity, nominal values	100.00	86 293
Accrued interest, amortisation effects and fair value adjustments		2 036
Total bond portfolio DNB Livsforsikring, held to maturity		88 330

Note 19 Investment properties

Amounts in NOK million	DNB Group 31 Dec. 2014	31 Dec. 2013
DNB Livsforsikring	31 414	33 658
Properties for own use [1]	(5 753)	(5 520)
Other investment properties [2]	4 743	4 615
Total investment properties	**30 404**	**32 753**

1) Some properties in DNB Livsforsikring are classified as properties for own use in the group accounts and are recorded at fair value.
2) Other investment properties are mainly related to acquired companies.

Due to changes in principles, some comparative figures have been restated. See further details in note 1 Accounting principles.

Investment properties in the Group are principally owned by DNB Livsforsikring. DNB Livsforsikring's portfolio totalled NOK 31 414 million as at 31 December 2014.

Fair value

Investment properties in DNB Livsforsikring are part of the common portfolio and are owned with the intention to achieve long-term returns for policyholders. The property portfolio is recorded at fair value on the balance sheet date. Fair value is defined as the price that would be received to sell an asset in an orderly transaction between market participants ("exit price").The Norwegian properties are valued by using an internal valuation model. As a supplement, external appraisals are obtained for a representative selection of properties in the portfolio at regular intervals throughout the year. During the fourth quarter of 2014, external appraisals were obtained for a total of 9 properties, representing 51 per cent of portfolio value. The purpose of the external appraisals is to benchmark the internal valuations against independent references. Internal calculations and the values recorded in the balance sheet are 3.9 per cent lower than average external appraisals. The Swedish properties in the portfolio and partially owned properties are valued based on external appraisals.

Internal valuation model

In the internal model, fair value is calculated as the present value of future cash flows during and after the contract period. The required rates of return stipulated in the model reflect market risk. For the office portfolio, a required rate of return of 8.5 per cent has been principally used. The same general required rate of return is used for the hotel and shopping centre portfolios, but for some of the hotel and shopping centres, based on an individual evaluation, an adjustment of the required rate of return has been made in the interval minus 0.4 to plus 0.4 percentage points.

Value development and sensitivity

The value of investment properties in DNB Livsforsikring was adjusted upwards by NOK 303 million during the fourth quarter of 2014. There have been no significant changes in the parameters included in the valuation model.

Valuations are particularly sensitive to changes in required rates of return and assumptions regarding future income flows. Other things equal, a 0.25 percentage point reduction in the required rate of return will change the value of the property portfolio by approximately 3.9 per cent or NOK 843 million. Correspondingly, a 5 per cent change in future market rents will change the value of the property portfolio by 3.3 per cent or NOK 714 million.

Changes in the value of investment properties

Amounts in NOK million	DNB Group Investment property
Carrying amount as at 31 December 2012	**38 857**
Additions, purchases of new properties	387
Additions, capitalised investments	297
Additions, acquired companies	0
Net gains resulting from adjustment to fair value	(74)
Net gains resulting from adjustment to fair value of projects	(1)
Disposals	8 102
Exchange rate movements	1 406
Other	(17)
Carrying amount as at 31 December 2013	**32 753**
Additions, purchases of new properties	423
Additions, capitalised investments	302
Additions, acquired companies	304
Net gains resulting from adjustment to fair value [1]	472
Net gains resulting from adjustment to fair value of projects	(1)
Disposals	3 440
Exchange rate movements	383
Other [2]	(792)
Carrying amount as at 31 December 2014	**30 404**

1) Of which NOK 46 million represented a negative value adjustment of investment properties which are not owned by DNB Livsforsikring.
2) In 2013, DNB Livsforsikring purchased a building that was capitalised in the balance sheet. The building was taken into use by the DNB Group in 2014 and classified under owner-used properties.

Due to changes in principles, some comparative figures have been restated. See further details in note 1 Accounting principles.

Note 20 Intangible assets

	DNB Group	
Amounts in NOK million	31 Dec. 2014	31 Dec. 2013
Goodwill [1)]	4 781	4 870
IT systems development [2)]	1 260	1 382
Other intangible assets	244	259
Total intangible assets	**6 286**	**6 511**

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

Note 21 Debt securities issued and subordinated loan capital

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

Debt securities issued

	DNB Group	
Amounts in NOK million	31 Dec. 2014	31 Dec. 2013
Commercial paper issued, nominal amount	206 715	183 619
Bond debt, nominal amount [1)]	560 650	504 159
Adjustments	44 660	23 777
Total debt securities issued	**812 025**	**711 555**

Changes in debt securities issued

Amounts in NOK million	Balance sheet 31 Dec. 2014	Issued 2014	Matured/ redeemed 2014	Exchange rate movements 2014	Other adjustments 2014	DNB Group Balance sheet 31 Dec. 2013
Commercial paper issued, nominal amount	206 715	1 394 909	1 371 813			183 619
Bond debt, nominal amount [1)]	560 650	68 810	52 143	39 823		504 159
Adjustments	44 660				20 884	23 777
Total debt securities issued	**812 025**	**1 463 719**	**1 423 956**	**39 823**	**20 884**	**711 555**

Changes in subordinated loan capital and perpetual subordinated loan capital securities

Amounts in NOK million	Balance sheet 31 Dec. 2014	Issued 2014	Matured/ redeemed 2014	Exchange rate movements 2014	Other adjustments 2014	DNB Group Balance sheet 31 Dec. 2013
Term subordinated loan capital, nominal amount	19 322			1 500		17 822
Perpetual subordinated loan capital, nominal amount	4 792			782		4 011
Perpetual subordinated loan capital securities, nominal amount	4 028			514		3 515
Adjustments	1 176				247	929
Total subordinated loan capital and perpetual subordinated loan capital securities	**29 319**	**0**	**0**	**2 795**	**247**	**26 276**

1) *Minus own bonds. Nominal amount of outstanding covered bonds in DNB Boligkreditt totalled NOK 440.0 billion as at 31 December 2014. The cover pool market value represented NOK 551.6 billion.*

Note 22 Capital adequacy

Up until 30 June 2014, the DNB Group followed the Basel II regulations for capital adequacy calculations. On 22 August 2014, the Norwegian Ministry of Finance approved changes in a number of capital adequacy regulations. Parallel to this, Finanstilsynet changed the Consolidation Regulations to adapt to the EU's new capital adequacy regulations for banks and investment firms (CRD IV/CRR).

As of 30 September 2014, capital adequacy is reported in accordance with the new reporting requirements. Valuation rules used in the statutory accounts form the basis for the consolidation, which is subject to special consolidation rules governed by the Consolidation Regulations.

Primary capital	**DNB Bank ASA**		**DNB Bank Group**		**DNB Group**	
Amounts in NOK million	31 Dec. 2014	31 Dec. 2013	31 Dec. 2014	31 Dec. 2013	31 Dec. 2014	31 Dec. 2013
Share capital	18 314	18 314	18 314	18 314	16 273	16 278
Other equity	109 406	96 276	122 938	108 093	142 599	125 949
Non-eligible capital	-	-	-	-	(1 253)	(1 013)
Total equity	127 720	114 591	141 253	126 407	157 619	141 214
Deductions						
Pension funds above pension commitments	(7)	0	(7)	(4)	(7)	(25)
Goodwill	(2 963)	(2 956)	(2 979)	(3 654)	(4 714)	(5 482)
Deferred tax assets [1]	0	(4 145)	(514)	(1 093)	(514)	(1 111)
Other intangible assets	(831)	(955)	(1 224)	(1 425)	(1 460)	(1 643)
Dividends payable etc.	0	0	(4 000)	(5 000)	(6 189)	(4 398)
Unrealised gains on fixed assets	0	0	0	(30)	0	(30)
50 per cent of investments in other financial institutions	-	(2)	-	(2)	-	(2)
Expected losses exceeding actual losses, IRB portfolios [2]	(1 466)	(610)	(2 075)	(712)	(2 075)	(712)
Value adjustments due to the requirements for prudent valuation	(509)	-	(917)	-	(917)	-
Adjustments for unrealised losses/(gains) on debt recorded at fair value	278	240	646	281	646	281
Adjustments for unrealised losses/(gains) arising from the institution's own credit risk related to derivative liabilities	(821)	-	(268)	-	(266)	-
Minimum requirement reassurance allocation	-	-	-	-	(16)	(21)
Common equity Tier 1 capital	121 402	106 162	129 915	114 770	142 108	128 072
Perpetual subordinated loan capital securities	4 028	3 515	4 028	3 515	4 028	3 515
Tier 1 capital	125 430	109 677	133 944	118 285	146 136	131 587
Perpetual subordinated loan capital	4 792	4 011	4 792	4 011	4 792	4 011
Term subordinated loan capital	19 322	17 822	19 322	17 850	19 322	17 850
Deductions						
50 per cent of investments in other financial institutions	-	(2)	-	(2)	-	(2)
Expected losses exceeding actual losses, IRB portfolios [2]	-	(610)	-	(712)	-	(712)
Additions						
45 per cent of unrealised gains on fixed assets	0	0	0	18	0	18
Tier 2 capital	24 115	21 221	24 115	21 165	24 115	21 165
Total eligible primary capital	149 545	130 898	158 058	139 450	170 251	152 752
Risk-weighted volume, transitional rules	919 238	933 433	1 038 396	1 004 716	1 120 659	1 089 114
Minimum capital requirement, transitional rules	73 539	74 675	83 072	80 377	89 653	87 129
Common equity Tier 1 capital ratio, transitional rules (%)	13.2	11.4	12.5	11.4	12.7	11.8
Tier 1 capital ratio, transitional rules (%)	13.6	11.7	12.9	11.8	13.0	12.1
Capital ratio, transitional rules (%)	16.3	14.0	15.2	13.9	15.2	14.0

1) *As a result of adaptations to CRD IV/CRR, only deferred tax assets that are not due to temporary differences are deducted from common equity Tier 1 capital as of 30 September 2014.*

2) *As a result of adaptations to CRD IV/CRR, the entire amount is deducted from common equity Tier 1 capital as of 30 September 2014. Up until 30 September 2014, 50 per cent of the amount was deducted from common equity Tier 1 capital and 50 per cent from Tier 2 capital.*

Note 22 Capital adequacy (continued)

Basel III

The majority of the credit portfolios are reported according to the IRB approach. However, some portfolios are still subject to final IRB approval from Finanstilsynet. These are banks and financial institutions (DNB Bank) and large corporate clients rated by simulation models (DNB Bank).

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

Amounts in NOK million	Nominal exposure 31 Dec. 2014	EAD [1] 31 Dec. 2014	Average risk weights in per cent 31 Dec. 2014	Risk-weighted volume 31 Dec. 2014	Capital requirements 31 Dec. 2014	Capital requirements 31 Dec. 2013
IRB approach						
Corporate	1 020 495	830 157	44.7	371 240	29 699	30 362
Specialised Lending (SL)	6 456	6 358	35.2	2 239	179	153
Retail - mortgage loans	654 690	654 688	16.6	108 813	8 705	4 884
Retail - other exposures	109 313	90 177	27.9	25 195	2 016	1 984
Securitisation	31 927	31 927	71.2	22 747	1 820	2 380
Total credit risk, IRB approach	1 822 882	1 613 308	32.9	530 233	42 419	39 763
Standardised approach						
Central government	90 494	104 283	0.2	229	18	4
Institutions	303 519	114 301	29.9	34 125	2 730	1 837
Corporate	267 424	216 393	93.3	201 915	16 153	17 055
Retail - mortgage loans	43 265	41 264	50.2	20 715	1 657	1 867
Retail - other exposures	88 366	44 421	77.6	34 466	2 757	2 249
Equity positions	2 865	2 865	105.0	3 007	241	321
Securitisation	2 746	2 746	30.1	827	66	44
Other assets	7 397	7 397	113.9	8 423	674	1 019
Total credit risk, standardised approach	806 076	533 670	56.9	303 707	24 297	24 395
Total credit risk	2 628 958	2 146 977	38.8	833 941	66 715	64 158
Market risk						
Position risk, debt instruments				17 248	1 380	2 239
Position risk, equity instruments				492	39	104
Currency risk				0	0	0
Commodity risk				107	9	9
Credit value adjustment risk (CVA)				7 518	601	-
Total market risk				25 367	2 029	2 352
Operational risk				81 830	6 546	6 408
Net insurance, after eliminations				85 351	6 828	6 982
Deductions				0	0	(60)
Total risk-weighted volume and capital requirements before transitional rules				1 026 489	82 119	79 840
Additional capital requirements according to transitional rules [2]				94 170	7 534	7 289
Total risk-weighted volume and capital requirements				1 120 659	89 653	87 129

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 23 Liquidity risk

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

The Board of Directors has approved internal limits which restrict the short-term maturity of liabilities within different time frames. The various maturities are subject to stress testing based on a bank-specific crisis and a systemic crisis and a combination thereof, and a contingency plan has been established to handle market events. In addition, limits have been approved for structural liquidity risk, which implies that lending to customers should largely be financed through customer deposits, subordinated capital and long-term funding. Ordinary senior bond debt and covered bonds are the major sources of long-term funding. The Group's ratio of deposits to net loans was 65.4 per cent at end-December 2014, up from 64.7 per cent a year earlier. The ratio of deposits to net loans in DNB Bank ASA was 124.8 per cent at year-end 2014.

The short-term funding markets remained generally sound throughout 2014, and price differences between the best and second best banks have decreased. In the long-term funding markets, there was also a healthy supply of capital in 2014. There was a reduction in prices during the year, and costs relating to new covered bond issues showed a particularly favourable trend after the European Central Bank, ECB, presented its covered bond purchase programme as one of several measures to stimulate European economic activity.

The short-term liquidity requirement, Liquidity Coverage Ratio (LCR), remained stable at above 100 per cent throughout the year. At end-December, the total LCR was 135 per cent, with an LCR of 130 per cent for EUR and 190 per cent for USD.

The average remaining term to maturity for the portfolio of senior bond debt and covered bonds was 4.3 years at end-December 2014, unchanged from a year earlier. The DNB Group aims to achieve a sound and stable maturity structure for funding over the next five years.

Note 24 Information on related parties

Major transactions and agreements with related parties:

Eksportfinans ASA
DNB Bank ASA has a 40 per cent ownership interest in Eksportfinans ASA (Eksportfinans).

Financial market turbulence resulted in sizeable unrealised losses in Eksportfinans' liquidity portfolio in the first quarter of 2008. In order to ensure an adequate capital base for the company, its Board of Directors implemented three measures:

- A share issue of NOK 1.2 billion aimed at the company's owners was implemented, and all owners participated based on their proportional shares.
- A portfolio hedge agreement was entered into, and the owners were invited to participate. DNB Bank ASA's share of the agreement corresponded to 40.43 per cent. The agreement secures Eksportfinans against further decreases in portfolio values of up to NOK 5 billion effective from 29 February 2008. Any recovery of values relative to nominal values will accrue to the participants in the portfolio hedge agreement as payment for their hedging commitment.
- During the first quarter of 2008, Eksportfinans' largest owner banks, DNB Bank ASA, Nordea Bank AB and Danske Bank A/S, approved a committed credit line giving the company access to a liquidity reserve of up to USD 4 billion. The agreement is renewed yearly. The renewal in 2010 resulted in a reduction in the limit for the liquidity reserve to USD 2 billion. DNB Bank ASA's share of this agreement represents approximately USD 1.1 billion. Eksportfinans has not availed itself of this credit line.

DNB Bank ASA carries loans in its balance sheets which according to a legal agreement have been transferred to Eksportfinans and are guaranteed by DNB Bank ASA. Pursuant to the agreement, the bank still carries interest rate risk and credit risk associated with the transferred portfolio. According to the IFRS regulations, the loans have therefore not been removed from the balance sheet of the bank. These portfolios totalled NOK 2.8 billion at end-December 2014. The loans are set off by deposits/payments from Eksportfinans.
DNB Bank ASA has also issued guarantees for other loans in Eksportfinans.

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

Note 25 Off-balance sheet transactions, contingencies and post-balance sheet events

Off-balance sheet transactions and additional information	**DNB Group**	
Amounts in NOK million	31 Dec. 2014	31 Dec. 2013
Performance guarantees	46 603	45 721
Payment guarantees	29 930	23 811
Loan guarantees [1)]	17 417	19 054
Guarantees for taxes etc.	6 684	6 596
Other guarantee commitments	2 384	4 291
Total guarantee commitments	103 017	99 472
Support agreements	13 202	10 200
Total guarantee commitments etc. [*)]	116 220	109 672
Unutilised credit lines and loan offers	608 157	580 460
Documentary credit commitments	4 432	3 860
Other commitments	700	671
Total commitments	613 289	584 990
Total guarantee and off-balance commitments	729 508	694 662
Pledged securities	27 920	77 202
**) Of which counter-guaranteed by financial institutions*	*299*	*148*

1) DNB Bank ASA carries loans in its balance sheet that subject to legal agreement have been transferred to Eksportfinans and for which DNB Bank ASA has issued guarantees. According to the agreement, DNB Bank ASA still carries interest rate risk and credit risk for the transferred portfolio. Customer loans in the portfolio totalling NOK 2.8 billion were recorded in the balance sheet as at 31 December 2014. These loans are not included under guarantees in the table.

Contingencies

Due to its extensive operations in Norway and abroad, the DNB Group will regularly be party to a number of legal actions. None of the current disputes are expected to have any material impact on the Group's financial position.

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

DNB Bank ASA has brought an action against seven Norwegian municipalities for the settlement of interest swaps on commercial terms. The municipalities have stopped their payments under the agreements citing that full settlement took place upon payment of the residual value of the investments made. The bank's total claim in the civil action is NOK 825 million plus interest on overdue payments.

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

Post-balance sheet events

No information has come to light about important circumstances which had occurred on the balance sheet date on 31 December 2014 and up till the Board of Directors' final consideration of the accounts on 4 February 2015.

DNB ASA

Income statement

Amounts in NOK million	4th quarter 2014	4th quarter 2013	Full year 2014	Full year 2013
				DNB ASA
Total interest income	38	39	157	131
Total interest expenses	70	80	299	335
Net interest income	**(32)**	**(41)**	**(142)**	**(204)**
Commissions and fees payable etc.	1	1	6	(6)
Other income [1)]	7 214	9 550	7 214	9 550
Net other operating income	**7 213**	**9 549**	**7 209**	**9 544**
Total income	**7 182**	**9 507**	**7 067**	**9 340**
Salaries and other personnel expenses	2	1	6	5
Other expenses	95	108	385	434
Total operating expenses	**97**	**109**	**391**	**439**
Pre-tax operating profit	**7 085**	**9 399**	**6 676**	**8 901**
Tax expense	349	1 910	239	1 771
Profit for the period	**6 736**	**7 488**	**6 438**	**7 130**
Earnings/diluted earnings per share (NOK)	4.14	4.60	3.95	4.38
Earnings per share excluding operations held for sale (NOK)	4.14	4.60	3.95	4.38

Balance sheet

Amounts in NOK million	31 Dec. 2014	31 Dec. 2013
		DNB ASA
Assets		
Due from DNB Bank ASA	5 810	5 826
Loans to other group companies [2)]	1 437	1 349
Investments in group companies	66 085	66 464
Receivables due from group companies [1)]	7 214	9 579
Total assets	**80 547**	**83 218**
Liabilities and equity		
Short-term amounts due to DNB Bank ASA	14	51
Due to other group companies	879	5 014
Other liabilities and provisions	6 193	5 413
Long-term amounts due to DNB Bank ASA	12 054	11 581
Total liabilities	**19 140**	**22 058**
Share capital	16 288	16 288
Share premium reserve	22 556	22 556
Other equity	22 563	22 315
Total equity	**61 408**	**61 159**
Total liabilities and equity	**80 547**	**83 218**

1) *Of which group contributions from DNB Bank ASA represented NOK 4 230 million in 2014 and NOK 6 944 million in 2013. The group contribution from DNB Livsforsikring ASA represented NOK 2 525 million in 2014 and NOK 2 414 million in 2013. The group contribution from DNB Skadeforsikring ASA represented NOK 200 million in 2014.*

2) *Of which subordinated loans to DNB Livsforsikring ASA represented NOK 1 427 million in 2014 and NOK 1 335 million in 2013.*

Statement of changes in equity

Amounts in NOK million	Share capital	Share premium reserve	Other equity	Total equity
				DNB ASA
Balance sheet as at 31 December 2012	**16 288**	**22 556**	**19 583**	**58 427**
Profit for the period			7 130	7 130
Dividends for 2013 (NOK 2.70 per share)			(4 398)	(4 398)
Balance sheet as at 31 December 2013	**16 288**	**22 556**	**22 315**	**61 159**
Profit for the period			6 438	6 438
Dividends for 2014 (NOK 3.80 proposed per share)			(6 189)	(6 189)
Balance sheet as at 31 December 2014	**16 288**	**22 556**	**22 563**	**61 408**

Accounting principles

DNB ASA has prepared accounts according to the Norwegian Ministry of Finance's regulations on annual accounts, Section 1-5, on the use of IFRS (International Financial Reporting Standards). These regulations give permission to record provisions for dividends and group contributions in subsidiaries as income and record the Board of Directors' proposed dividends and group contributions as liabilities on the balance sheet date. According to IFRS, dividends should be classified as equity until approved by the general meeting. A description of the accounting principles applied by DNB ASA in preparing the accounts is found in the annual report for 2013.

Key figures

	4th quarter 2014	4th quarter 2013	Full year 2014	Full year 2013
				DNB Group
Interest rate analysis				
1. Combined weighted total average spread for lending and deposits (%)	1.27	1.30	1.26	1.27
2. Average spread for ordinary lending to customers (%)	2.32	2.42	2.36	2.34
3. Average spread for deposits from customers (%)	(0.15)	(0.30)	(0.22)	(0.28)
Rate of return/profitability				
4. Net other operating income, per cent of total income	27.8	35.2	34.2	35.2
5. Cost/income ratio (%)	42.2	40.4	41.9	45.7
6. Return on equity, annualised (%)	12.6	16.3	13.8	13.1
7. RAROC, annualised (%)	10.3	15.1	12.3	12.8
8. Average equity including allocated dividend (NOK million)	156 352	138 915	149 460	133 242
9. Return on average risk-weighted volume, annualised (%)	1.79	2.07	1.89	1.61
Financial strength at end of period				
10. Common equity Tier 1 capital ratio, transitional rules (%)	12.7	11.8	12.7	11.8
11. Tier 1 capital ratio, transitional rules (%)	13.0	12.1	13.0	12.1
12. Capital ratio, transitional rules (%)	15.2	14.0	15.2	14.0
13. Common equity Tier 1 capital (NOK million)	142 108	128 072	142 108	128 072
14. Risk-weighted volume, transitional rules (NOK million)	1 120 659	1 089 114	1 120 659	1 089 114
Loan portfolio and impairment				
15. Individual impairment relative to average net loans to customers, annualised (%)	0.25	0.07	0.14	0.18
16. Impairment relative to average net loans to customers, annualised (%)	0.23	0.01	0.12	0.17
17. Net non-performing and net doubtful loans and guarantees, per cent of net loans	0.96	1.38	0.96	1.38
18. Net non-performing and net doubtful loans and guarantees at end of period (NOK million)	17 261	20 749	17 261	20 749
Liquidity				
19. Ratio of customer deposits to net loans to customers at end of period (%)	65.4	64.7	65.4	64.7
Total assets owned or managed by DNB				
20. Customer assets under management at end of period (NOK billion)	549	519	549	519
21. Total combined assets at end of period (NOK billion)	2 936	2 656	2 936	2 656
22. Average total assets (NOK billion)	2 857	2 587	2 712	2 543
23. Customer savings at end of period (NOK billion)	1 490	1 387	1 490	1 387
Staff				
24. Number of full-time positions at end of period	11 643	12 016	11 643	12 016
The DNB share				
25. Number of shares at end of period (1 000)	1 628 799	1 628 799	1 628 799	1 628 799
26. Average number of shares (1 000)	1 628 799	1 628 799	1 628 799	1 628 799
27. Earnings per share (NOK)	3.05	3.50	12.67	10.75
28. Earnings per share excl. operations held for sale (NOK)	3.04	3.49	12.68	10.75
29. Dividend per share (NOK) 1)	-	-	3.80	2.70
30. Total shareholders' return (%)	(5.6)	21.5	4.7	57.6
31. Dividend yield (%)	-	-	3.16	2.49
32. Equity per share incl. allocated dividend at end of period (NOK)	97.45	87.15	97.45	87.15
33. Share price at end of period (NOK)	110.70	108.50	110.70	108.50
34. Price/earnings ratio	9.07	7.76	8.74	10.09
35. Price/book value	1.14	1.25	1.14	1.25
36. Market capitalisation (NOK billion)	180.3	176.7	180.3	176.7

1) *Proposed dividend for 2014.*

For definitions of selected key figures, see next page.

Key figures (continued)

Definitions

1, 2, 3	Based on nominal values excluding impaired loans, measured against the 3-month money market rate.
5	Total operating expenses relative to total income. Total expenses exclude impairment losses for goodwill and other intangible assets.
6	Average equity is calculated on the basis of recorded equity.
7	RAROC (Risk-Adjusted Return On Capital) is defined as risk-adjusted profits relative to average equity. Risk-adjusted profits indicate the level of profits in a normalised situation.
9	Profit for the period relative to average risk-weighted volume.
20	Total assets under management for external clients in DNB Asset Management, DNB Livsforsikring and DNB Skadeforsikring.
21	Total assets and customer assets under management.
23	Total deposits from customers, assets under management and equity-linked bonds.
25	The Annual General Meeting on 24 April 2014 authorised the Board of Directors of DNB ASA to acquire own shares for a total face value of up to NOK 325 759 772, corresponding to 2 per cent of share capital. The shares shall be purchased in a regulated market. Each share may be purchased at a price between NOK 10 and NOK 200. The authorisation is valid for a period of 12 months from 24 April 2014. Acquired shares shall be redeemed in accordance with regulations on the reduction of capital. An agreement has been signed with Norwegian Government/Ministry of Trade, Industry and Fisheries for the redemption of a proportional share of government holdings to ensure that the government's percentage ownership does not change as a result of the redemption of repurchased shares.
27	Holdings of own shares are not included in calculations of earnings per share.
28	Excluding operations held for sale. Holdings of own shares are not included in calculations of the number of shares.
30	Closing price at end of period less closing price at beginning of period, including dividends reinvested in DNB shares on the dividend payment date, relative to closing price at beginning of period.
32	Equity at end of period relative to number of shares at end of period.
34	Closing price at end of period relative to annualised earnings per share.
35	Closing price at end of period relative to recorded equity at end of period.
36	Number of shares multiplied by the closing share price at end of period.

Profit and balance sheet trends

Income statement **DNB Group**

Amounts in NOK million	4th quarter 2014	3rd quarter 2014	2nd quarter 2014	1st quarter 2014	4th quarter 2013
Total interest income	15 533	15 291	15 426	15 196	15 417
Total interest expenses	6 833	7 063	7 559	7 504	7 477
Net interest income	**8 700**	**8 228**	**7 867**	**7 691**	**7 940**
Commission and fee income etc.	3 008	2 852	2 858	2 848	2 780
Commission and fee expenses etc.	694	622	617	663	634
Net gains on financial instruments at fair value	279	1 817	1 132	2 089	1 342
Net financial result, DNB Livsforsikring	(115)	(87)	152	(30)	149
Net risk result, DNB Livsforsikring	300	223	30	135	216
Net insurance result, DNB Skadeforsikring	129	121	139	102	122
Profit from investments accounted for by the equity method	44	41	34	107	118
Net gains on investment property	89	(17)	(3)	13	(79)
Other income	313	232	361	277	304
Net other operating income	**3 352**	**4 560**	**4 087**	**4 877**	**4 318**
Total income	**12 052**	**12 788**	**11 954**	**12 569**	**12 258**
Salaries and other personnel expenses	2 620	2 752	2 789	2 710	2 677
Other expenses	1 896	1 848	1 957	1 944	1 743
Depreciation and impairment of fixed and intangible assets	571	563	486	538	1 088
Total operating expenses	**5 088**	**5 162**	**5 233**	**5 192**	**5 508**
Pre-tax operating profit before impairment	**6 964**	**7 626**	**6 722**	**7 377**	**6 750**
Net gains on fixed and intangible assets	42	13	(3)	(0)	153
Impairment of loans and guarantees	821	183	554	80	36
Pre-tax operating profit	**6 184**	**7 456**	**6 165**	**7 297**	**6 868**
Tax expense	1 236	1 828	1 600	1 799	1 177
Profit from operations held for sale, after taxes	16	(8)	(11)	(19)	9
Profit for the period	**4 965**	**5 620**	**4 553**	**5 478**	**5 700**
Earnings/diluted earnings per share (NOK)	3.05	3.45	2.80	3.37	3.50

Comprehensive income statement **DNB Group**

Amounts in NOK million	4th quarter 2014	3rd quarter 2014	2nd quarter 2014	1st quarter 2014	4th quarter 2013
Profit for the period	**4 965**	**5 620**	**4 553**	**5 478**	**5 700**
Actuarial gains and losses, net of tax	(1 072)	(573)	(161)	(294)	(481)
Property revaluation	108	41	32	10	96
Elements of other comprehensive income allocated to customers (life insurance)	(108)	(41)	(32)	(10)	(96)
Other comprehensive income that will not be reclassified to profit or loss, net of tax	(1 072)	(573)	(161)	(294)	(481)
Currency translation of foreign operations	6 294	451	1 264	(861)	986
Hedging of net investment, net of tax	(3 926)	(398)	(703)	501	(327)
Other comprehensive income that may subsequently be reclassified to profit or loss, net of tax	2 368	53	561	(360)	659
Other comprehensive income for the period	**1 296**	**(520)**	**400**	**(654)**	**178**
Comprehensive income for the period	**6 261**	**5 100**	**4 953**	**4 824**	**5 877**

Profit and balance sheet trends (continued)

Balance sheet					**DNB Group**
Amounts in NOK million	31 Dec. 2014	30 Sept. 2014	30 June 2014	31 March 2014	31 Dec. 2013
Assets					
Cash and deposits with central banks	58 505	213 375	171 346	363 330	167 171
Due from credit institutions	373 409	111 977	191 487	53 845	180 882
Loans to customers	1 438 839	1 387 742	1 369 271	1 343 832	1 340 831
Commercial paper and bonds at fair value	268 302	269 757	265 787	280 730	277 764
Shareholdings	26 870	27 215	30 756	33 477	29 826
Financial assets, customers bearing the risk	42 866	40 780	39 458	36 602	35 512
Financial derivatives	235 736	153 397	141 666	134 188	130 939
Commercial paper and bonds, held to maturity	118 667	123 315	138 273	148 491	152 883
Investment property	30 404	29 989	31 241	31 764	32 753
Investments accounted for by the equity method	5 866	5 786	5 881	5 919	5 802
Intangible assets	6 286	6 182	6 302	6 363	6 511
Deferred tax assets	1 213	1 188	1 099	1 065	1 104
Fixed assets	13 830	13 422	13 514	13 383	12 498
Assets held for sale	692	238	1 119	252	225
Other assets	27 855	38 539	38 499	29 857	30 806
Total assets	**2 649 341**	**2 422 901**	**2 445 699**	**2 483 098**	**2 405 507**
Liabilities and equity					
Due to credit institutions	214 214	187 030	214 438	257 435	234 219
Deposits from customers	941 534	887 813	881 920	900 180	867 904
Financial derivatives	184 971	126 158	108 922	108 474	111 310
Debt securities issued	812 025	724 761	742 192	745 055	711 555
Insurance liabilities, customers bearing the risk	42 866	40 780	39 458	36 602	35 512
Liabilities to life insurance policyholders in DNB Livsforsikring	216 799	217 625	224 093	221 564	230 906
Insurance liabilities, DNB Skadeforsikring	1 964	2 023	2 072	2 076	1 958
Payable taxes	1 723	4 604	3 057	1 729	3 277
Deferred taxes	6 018	2 961	3 135	3 840	3 205
Other liabilities	31 908	43 322	45 379	27 861	31 934
Liabilities held for sale	100	89	884	89	53
Provisions	1 172	1 155	1 171	1 133	1 454
Pension commitments	6 006	5 330	4 543	4 343	4 001
Subordinated loan capital	29 319	26 668	26 981	26 100	26 276
Total liabilities	**2 490 619**	**2 270 320**	**2 298 245**	**2 336 481**	**2 263 564**
Share capital	16 273	16 288	16 288	16 263	16 278
Share premium reserve	22 609	22 609	22 609	22 609	22 609
Other equity	119 841	113 684	108 557	107 745	103 057
Total equity	**158 723**	**152 581**	**147 454**	**146 617**	**141 944**
Total liabilities and equity	**2 649 341**	**2 422 901**	**2 445 699**	**2 483 098**	**2 405 507**

Due to changes in principles, some comparative figures have been restated. See further details in note 1 Accounting principles.

Information about the DNB Group

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Board of Directors in DNB ASA

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Tore Olaf Rimmereid, vice-chairman
Jarle Bergo
Sverre Finstad
Carl A. Løvvik
Vigdis Mathisen
Jaan Ivar Semlitsch
Berit Svendsen

Group management

Rune Bjerke	Group chief executive
Bjørn Erik Næss	Chief financial officer
Trond Bentestuen	Group executive vice president Personal Banking Norway
Kjerstin Braathen	Group executive vice president Corporate Banking Norway
Harald Serck-Hanssen	Group executive vice president Large Corporates and International
Ottar Ertzeid	Group executive vice president DNB Markets
Tom Rathke	Group executive vice president Wealth Management
Kari Olrud Moen	Group executive vice president Products
Liv Fiksdahl	Group executive vice president IT and Operations
Solveig Hellebust	Group executive vice president HR
Terje Turnes	Group executive vice president Risk Management
Thomas Midteide	Group executive vice president Corporate Communications

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Financial calendar 2015

Preliminary results 2014 and fourth quarter 2014	5 February
Annual General Meeting	23 April
Ex-dividend date	24 April
Distribution of dividends	as of 7 May
First quarter 2015	30 April
Second quarter 2015	10 July
Third quarter 2015	22 October

Other sources of information

Annual and quarterly reports

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

Download DNB's IR app for stock-related information from http://m.euroland.com/n-dnb/en or by scanning the QR code

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