FOURTH QUARTER REPORT 2016

(Preliminary and unaudited)

Q4

DNB GROUP

Creating value for customers, shareholders, employees and society at large.

Financial highlights

Income statement

DNB Group

Amounts in NOK million	4th quarter 2016	4th quarter 2015	Full year 2016	Full year 2015
Net interest income	8 372	9 062	34 110	35 358
Net commissions and fees	*2 136*	*2 082*	*8 280*	*8 862*
Net gains on financial instruments at fair value	*1 689*	*2 164*	*6 513*	*8 683*
Net financial and risk result, DNB Livsforsikring	*232*	(681)	*664*	*(389)*
Net insurance result, DNB Forsikring	*181*	132	*648*	*534*
Other operating income	*(9)*	*129*	*1 948*	*959*
Net other operating income, total	4 230	3 825	18 053	18 648
Total income	12 602	12 888	52 163	54 006
Operating expenses	(5 213)	(5 437)	(20 693)	(21 068)
Restructuring costs and non-recurring effects	19	1 811	(639)	1 157
Pre-tax operating profit before impairment	7 409	9 262	30 830	34 096
Net gains on fixed and intangible assets	(12)	(9)	(19)	45
Impairment of loans and guarantees	(1 753)	(1 420)	(7 424)	(2 270)
Pre-tax operating profit	5 644	7 833	23 387	31 871
Tax expense	(290)	(1 077)	(4 140)	(7 048)
Profit from operations held for sale, after taxes	26	28	4	(51)
Profit for the period	**5 380**	**6 784**	**19 251**	**24 772**

Balance sheet

Amounts in NOK million	31 Dec. 2016	31 Dec. 2015
Total assets	2 653 201	2 598 530
Loans to customers	1 509 078	1 542 744
Deposits from customers	934 897	944 428
Total equity	206 423	190 425
Average total assets	2 841 117	2 946 119
Total combined assets	2 930 891	2 900 714

Key figures

	4th quarter 2016	4th quarter 2015	Full year 2016	Full year 2015
Return on equity, annualised (per cent)	10.9	15.0	10.1	14.5
Earnings per share (NOK)	3.16	4.11	11.46	14.98
Combined weighted total average spread for lending and deposits (per cent) [1) 2)]	1.29	1.32	1.32	1.33
Cost/income ratio (per cent)	41.2	28.1	40.9	36.9
Impairment relative to average net loans to customers, annualised (per cent) [1)]	(0.45)	(0.37)	(0.48)	(0.15)
Common equity Tier 1 capital ratio, transitional rules, at end of period (per cent) [3)]	16.0	14.4	16.0	14.4
Tier 1 capital ratio, transitional rules, at end of period (per cent) [3)]	17.6	15.3	17.6	15.3
Capital ratio, transitional rules, at end of period (per cent) [3)]	19.5	17.8	19.5	17.8
Share price at end of period (NOK)	128.40	109.80	128.40	109.80
Price/book value	1.10	0.98	1.10	0.98
Dividend per share (NOK) [4)]			5.70	4.50
Score from RepTrak's reputation survey in Norway (points)	64.0	70.1	65.4	69.8
Customer satisfaction index, CSI, personal customers in Norway (score)	67.3	73.2	70.2	73.9

1) Includes assets and liabilities in the Baltics, reclassified as held for sale in August 2016.
2) As from the first quarter of 2016, interest rate spreads are based on customer segments. Figures for previous periods have been restated accordingly.
3) Including 50 per cent of profit for the period, except for the full year figures.
4) Proposed dividend for 2016.

For additional key figures and definitions, please refer to pages 35-36.

Fourth quarter report 2016

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.

Directors' report

Fourth quarter financial performance

DNB recorded profits of NOK 5 380 million in the fourth quarter of 2016, a reduction of NOK 1 404 million from the fourth quarter of 2015. The decline in profits mainly reflected lower net interest income and higher impairment losses. However, there were also non-recurring effects related to the transition from a defined-benefit to a defined-contribution pension scheme for the Group's employees, which affected profits in the fourth quarter of 2015.

The target for the common equity Tier 1 capital ratio was reached one year ahead of plan and was 16.0 per cent at end-December 2016, up from 14.4 per cent a year earlier. This is conditional on a dividend payout ratio of 49.8 per cent or NOK 5.70 per share. The build-up of common equity Tier 1 capital, primarily through profits generated during the period, accounted for more than half of the increase in the capital ratio. In addition, a strategic reduction in risk-weighted assets relating to large international corporates with low profitability contributed to the increase.

The proposed dividend is in accordance with the Group's ambition of a payout ratio above 50 per cent from 2017.

The leverage ratio for the Group was 7.3 per cent in the fourth quarter of 2016, up from 6.7 per cent a year earlier and well above the upcoming requirement.

Return on equity was 10.9 per cent in the quarter, which was 4.1 percentage points lower than in the year-earlier period. Despite the build-up of capital, the Group delivered a double-digit return on equity.

Net interest income was down NOK 690 million from the fourth quarter of 2015, reflecting a reduction in volumes, narrower spreads and higher long-term funding costs. Higher money market rates had a negative effect on spreads in the fourth quarter. The announced repricing of home mortgages came into effect on 9 January 2017.

Net other operating income was NOK 4 230 million, up NOK 405 million from the fourth quarter of 2015. There was a positive contribution from trading activities, and commissions and fees were higher than in the year-earlier period.

Total operating expenses increased by NOK 1 568 million compared with the fourth quarter of 2015. Adjusted for non-recurring effects, underlying operating expenses were NOK 225 million lower than in the year-earlier period. The cost/income ratio for the quarter was 41.2 per cent.

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

Important events in the fourth quarter

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

In the course of the fourth quarter, DNB's share price rose by 21.8 per cent, while the Oslo Børs Benchmark Index was up 9.8 per cent.

In the middle of October, the NXT Conference was held at DNB's head office in Oslo. The conference was part of Oslo Innovation Week, a digital and physical meeting place for entrepreneurs and investors to help them make contacts and share networks, knowledge and inspiration. In November, DNB and StartupLab launched NXT Accelerator, a programme to help promising technological startup companies to expand quickly, establish partnerships and create commercial opportunities for both the companies themselves and DNB.

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

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

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

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

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

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

In October, it became known that DNB is one of many banks involved in the financing of the construction of a new and controversial oil pipeline in North Dakota in the US. DNB will ensure that the bank can answer for its part of the project financing and may potentially reconsider its exposure in the pipeline project. During the fourth quarter, the Group's mutual funds sold their holdings in the companies building the pipeline.

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

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

In late October, DNB received the award for best annual report for listed companies, the Farmand Award.

Fourth quarter income statement – main items

Net interest income

Amounts in NOK million	4th quarter 2016	Change	4th quarter 2015
Net interest income	8 372	(690)	9 062
Exchange rate movements		(30)	
Other net interest income		(31)	
Long-term funding costs		(93)	
Lending and deposit volumes, customer segments		(101)	
Lending and deposit spreads, customer segments		(215)	
Amortisation effects and fees		(220)	

Net interest income declined by NOK 690 million from the fourth quarter of 2015. Higher money market rates had a negative effect on spreads in the fourth quarter. For the customer segments, average lending spreads contracted by 0.15 percentage points, while deposit spreads widened by 0.13 percentage points. Volume-weighted spreads for the customer segments narrowed by 0.04 percentage points compared with the same period in 2015. There was an average decrease of NOK 17.7 billion or 1.2 per cent in the healthy loan portfolio compared with the fourth quarter of 2015. Due to changes in customer behaviour, amortisation periods are increasing, and customers are no longer so eager to refinance their loans. Consequently, amortisation and fee income was reduced by NOK 220 million compared with the fourth quarter of 2015. During the same period, deposits were down NOK 12.8 billion or 1.3 per cent. Adjusted for exchange rate movements, loans were reduced by 0.9 per cent and deposits by 0.1 per cent. Repricing of the personal customer loan portfolio was implemented in early January 2017 and will result in wider spreads.

Net other operating income

Amounts in NOK million	4th quarter 2016	Change	4th quarter 2015
Net other operating income	4 230	405	3 825
Use of the risk equalisation fund in 2015		980	
Net gains on other financial instruments		234	
Net gains on the sale of loans		94	
Net commissions and fees		55	
Other operating income		(23)	
Realised gains and rents from investment properties in København Ejendomme in 2015		(226)	
Basis swaps		(709)	

Net other operating income increased by NOK 405 million or 10.6 per cent from the fourth quarter of 2015. Net gains on other financial instruments were up NOK 234 million compared with the year-earlier period, reflecting the volatility in the financial markets. Profits from commissions and fees rose by NOK 55 million, mainly due to increased corporate finance activity in equity capital markets and mergers and acquisitions. Other operating income in 2015 was negatively affected by the transfer from the risk equalisation fund to the policyholders' premium reserve in DNB Livsforsikring. Negative mark-to-market adjustments related to basis swaps increased by NOK 709 million in 2016.

Operating expenses

Amounts in NOK million	4th quarter 2016	Change	4th quarter 2015
Total adjusted operating expenses	(5 213)	225	(5 437)
Expenses related to operations			
Other costs		194	
Salaries and other personnel expenses (excl. pension and restructuring costs)		159	
Pension expenses		49	
IT expenses		(36)	
Provisions for financial activities tax		(142)	
Non-recurring effects	19	(1 793)	1 811
IT restructuring		(9)	9
Restructuring costs	(203)	(56)	(148)
Other non-recurring effects	222	(1 728)	1 950
Operating expenses	(5 194)	(1 568)	(3 626)
Of which:			
Exchange rate effects for units outside Norway		79	
Currency-adjusted operating expenses	(5 292)	146	(5 437)

Total operating expenses increased by NOK 1 568 million compared with the fourth quarter of 2015. Adjusted for non-recurring effects, operating expenses were NOK 225 million lower than in the year-earlier period. Provisions for financial activities tax of NOK 142 million were recorded in the quarter.

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

In the fourth quarter of 2016, the cost/income ratio was 41.2 per cent.

Impairment of loans and guarantees

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

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

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

Taxes

The DNB Group's tax expense for the fourth quarter of 2016 is estimated at NOK 290 million, or 5.1 per cent of pre-tax operating profits. The low tax expense in the quarter was due to one-off effects related to entities outside Norway, and Norwegian taxation rules for the allocation of interest expenses between Norway and the US.

Financial performance, segments

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

Personal customers

Income statement in NOK million	4th quarter 2016	2015	Change NOK mill	%
Net interest income	3 228	3 496	(268)	(7.7)
Net other operating income	1 145	1 120	26	2.3
Total income	4 374	4 616	(242)	(5.2)
Operating expenses	(2 024)	(2 157)	133	6.2
Pre-tax operating profit before impairment	2 350	2 459	(108)	(4.4)
Net gains on fixed and intangible assets		0	(0)	
Impairment of loans and guarantees	129	15	113	
Pre-tax operating profit	2 479	2 474	5	0.2
Tax expense	(620)	(668)	48	7.2
Profit from operations held for sale, after taxes	0	(1)	1	
Profit for the period	1 859	1 805	54	3.0
Average balance sheet items in NOK billion				
Net loans to customers	718.2	695.7	22.4	3.2
Deposits from customers	399.4	391.1	8.3	2.1
Key figures in per cent				
Lending spread 1)	1.61	1.95		
Deposit spread 1)	0.43	0.24		
Return on allocated capital 2)	18.4	21.2		
Cost/income ratio	46.3	46.7		
Ratio of deposits to loans	55.6	56.2		

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

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

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

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

There was a stable level of net other operating income from the fourth quarter of 2015. Income from insurance products showed a positive trend, while the level of income from payment transfers and real estate broking was maintained. Lower interchange fees as of 1 September and costs related to SAS Eurobonus agreements had a negative impact on income.

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

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

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

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

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

Small and medium-sized enterprises

Income statement in NOK million	4th quarter 2016	2015	Change NOK mill	%
Net interest income	1 638	1 610	28	1.7
Net other operating income	556	449	107	23.9
Total income	2 194	2 059	135	6.6
Operating expenses	(898)	(807)	(91)	(11.2)
Pre-tax operating profit before impairment	1 296	1 252	44	3.5
Net gains on fixed and intangible assets	(0)	(0)	(0)	
Impairment of loans and guarantees	(289)	(360)	71	19.8
Profit from repossessed operations	40	35	4	12.2
Pre-tax operating profit	1 047	927	120	12.9
Tax expense	(262)	(250)	(11)	(4.5)
Profit for the period	785	677	108	16.0
Average balance sheet items in NOK billion				
Net loans to customers	231.9	220.3	11.6	5.3
Deposits from customers	185.7	172.8	12.8	7.4
Key figures in per cent				
Lending spread 1)	2.43	2.35		
Deposit spread 1)	0.44	0.39		
Return on allocated capital 2)	12.6	12.8		
Cost/income ratio	40.9	39.2		
Ratio of deposits to loans	80.1	78.5		

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

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

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

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

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

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

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

Large corporates and international customers

	4th quarter		Change	
Income statement in NOK million	2016	2015	NOK mill	%
Net interest income	3 668	3 929	(261)	(6.6)
Net other operating income	1 519	1 358	161	11.8
Total income	5 187	5 287	(100)	(1.9)
Operating expenses	(1 976)	(2 202)	225	10.2
Pre-tax operating profit before impairment	3 211	3 086	125	4.0
Net gains on fixed and intangible assets	(4)	5	(8)	
Impairment of loans and guarantees	(1 586)	(1 079)	(507)	
Profit from repossessed operations	7	(6)	13	
Pre-tax operating profit	1 628	2 006	(378)	(18.8)
Tax expense	(439)	(582)	142	24.4
Profit for the period	1 188	1 424	(236)	(16.6)
Average balance sheet items in NOK billion				
Net loans to customers	531.1	579.3	(48.2)	(8.3)
Deposits from customers	367.0	403.5	(36.4)	(9.0)
Key figures in per cent				
Lending spread [1)]	2.23	2.19		
Deposit spread [1)]	(0.05)	(0.12)		
Return on allocated capital [2)]	5.5	8.0		
Cost/income ratio	38.1	41.6		
Ratio of deposits to loans	69.1	69.6		

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

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

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

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

Other operating income was up 11.8 per cent from the fourth quarter of 2015, mainly reflecting higher activity within investment banking products related to both debt and equity capital markets, such as mergers and acquisitions.

Operating expenses decreased by 10.2 per cent from the fourth quarter of 2015 and increased by 2.4 per cent from the third quarter of 2016. The number of full-time positions was reduced by 74 from end-December 2015. The reductions took place in both Norwegian and international operations.

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

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

Trading

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

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

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

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

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.

	4th quarter		Change	
Income statement in NOK million	2016	2015	NOK mill	%
Upfront pricing of risk and guaranteed rate of return	56	137	(81)	
Owner's share of administration result	79	78	1	1.3
Owner's share of risk result	101	82	18	22.5
Owner's share of interest result	(168)	(1 001)	832	
Return on corporate portfolio	116	107	9	8.2
Pre-tax operating profit	184	(596)	780	
Tax expense	49	705	(657)	
Profit for the period	233	109	123	
Average balance sheet items in NOK billion				
Assets under management	202.8	200.3	2.5	1.3
Key figures in per cent				
Cost/income ratio	34.3	(14.3)		
Return on allocated capital [1)]	4.7	2.4		

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

There was a healthy level of profits in the fourth quarter of 2016, in spite of a reduction in income from upfront pricing relating to the conversion from defined-benefit to defined-contribution pension schemes. In the fourth quarter of 2015, operating profits were reduced by NOK 980 million due to a transfer from the risk equalisation fund to the policyholders' premium reserve.

The prolonged low interest rate level could make it challenging for life insurance companies to achieve a satisfactory level of earnings over the coming years. DNB Livsforsikring has adapted to the low interest rate level by holding a large portfolio of long-term bonds at amortised cost, fixed-rate home mortgages and property investments. The structure of the portfolios will help ensure that returns will cover the guaranteed rate of return over the next years.

Each quarter, DNB Livsforsikring carries out a test to assess whether the company has adequate premium reserves. In the test, insurance provisions calculated on the basis of market rates and insurance liabilities calculated on the basis of the contracts' base rate (guaranteed rate of return) are compared. The test showed positive margins at year-end 2016.

In consequence of higher life expectancy, it will be necessary to strengthen the premium reserve for group pension insurance. At end-December 2016, reserves for higher life expectancy totalled NOK 10.8 billion, while the total required increase in reserves is estimated at NOK 11.4 billion. The reserves were increased by NOK 0.5 billion during the fourth quarter. The remaining required increase in reserves of NOK 0.6 billion will be financed during the period up to and including 2020. The entire amount refers to paid-up policies, while the required increase relating to defined-benefit pensions was fully financed during 2016. The remainder may be financed by the policyholders' interest result, provided that the return is adequate to cover both the rate of return guaranteed in the contracts and the required increase in reserves for higher life expectancy. This gives the company a sound basis for providing DNB with profits also in the remaining years in which reserves have to be strengthened.

The Solvency II directive stipulates solvency capital requirements. DNB Livsforsikring has been given permission to use the transitional rules for insurance provisions, which ensures a controlled and predictable implementation of Solvency II. The solvency margin, calculated according to the transitional rules, was 209 per cent as at 31 December 2016. Without the transitional rules, DNB Livsforsikring had a solvency margin of 152 per cent. At end-September 2016, the solvency margins were 208 per cent and 119 per cent, respectively. The significant strengthening of the company's solvency position without the transitional rules primarily reflected a rise in market rates, higher buffer capital and reserves for higher life expectancy during the quarter.

Full year 2016

DNB recorded profits of NOK 19 251 million in 2016, down NOK 5 521 million from 2015.

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

The target for the common equity Tier 1 capital ratio was reached one year ahead of plan and was 16.0 per cent at year-end 2016. This is conditional on a dividend payout ratio of 49.8 per cent. Common equity Tier 1 capital increased by NOK 5.3 billion in the period. A strategic reduction in loans to large international corporates with low profitability contributed to the increase in the CET1 ratio, as did profits generated during the period. The payout ratio is in accordance with the Group's ambition to increase dividend payments.

Return on equity was 10.1 per cent, compared with 14.5 per cent in 2015. Despite the build-up of capital, higher impairment losses and the closing of branch offices, the Group delivered a double-digit return on equity.

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

Other operating income was NOK 595 million lower than in 2015, mainly due to the effect of basis swaps.

Operating expenses were up NOK 1 423 million from 2015, which was primarily a consequence of the transition from a defined-benefit to a defined-contribution pension scheme in the fourth quarter of 2015. Adjusted for non-recurring effects, there was a reduction in underlying operating expenses of NOK 374 million or 1.8 per cent. DNB continued to invest in IT infrastructure in 2016 to prepare for future competition.

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

The engagement index in the employee survey remained high at 84 points. This paints a picture of a robust organisation that has coped well through extensive restructuring, but is naturally affected by the reorganisation processes in the Group. Sickness absence in DNB's Norwegian operations was 4.5 per cent in 2016, a slight increase from 4.4 per cent in 2015. The special follow-up of units with high sickness absence rates continued.

The Board of Directors has proposed a dividend for 2016 of NOK 5.70 per share, which corresponds to 49.8 per cent of profits. When considering the dividend proposal, the Board of Directors has taken the regulatory capital adequacy requirements into account. The payout ratio is in accordance with the Group's ambition to increase dividend payments.

Income statement for 2016

Net interest income

Amounts in NOK million	2016	Change	2015
Net interest income	34 110	(1 248)	35 358
Exchange rate movements		480	
Other net interest income		(42)	
Lending and deposit spreads, customer segments		(100)	
Equity and non-interest bearing instruments		(149)	
Long-term funding costs		(329)	
Lending and deposit volumes, customer segments		(464)	
Amortisation effects and fees		(644)	

Net interest income was down NOK 1 248 million from 2015. The reduction was mainly attributable to a decline in amortisation and fee income and an increase in long-term funding costs. Due to changes in customer behaviour, amortisation periods are increasing, and customers are no longer so eager to refinance their loans. Consequently, amortisation and fee income was reduced by NOK 644 million compared with 2015. The reduction in volumes from 2015, was offset by exchange rate effects. Average lending spreads narrowed by 0.14 percentage points from 2015, while deposit spreads widened by 0.20 percentage points. There was an average increase of NOK 0.2 billion in the performing loan portfolio, while average deposits rose by NOK 9.2 billion compared with 2015.

Net other operating income

Amounts in NOK million	2016	Change	2015
Net other operating income	18 053	(595)	18 648
Sale of holdings in Visa		1 128	
Net gains on other financial instruments		1 057	
Use of the risk equalisation fund in 2015		980	
Net gains on the sale of loans		258	
Other operating income		236	
Realised gains and rents from investment properties in København Ejendomme in 2015		(444)	
Net commissions and fees		(583)	
Basis swaps		(3 227)	

Net other operating income decreased by NOK 595 million from 2015. There was a strong increase in net gains on other financial instruments due to a higher level of activity in the equity, foreign exchange and interest rate markets. Profits from the sale of Visa Norway's holding in Visa Europe gave a NOK 1 128 million rise in income in 2016. Basis swaps gave a reduction in profits of NOK 3 227 million compared with the same period in 2015. Other operating income in 2015 was negatively affected by the transfer from the risk equalisation fund to the policyholders' premium reserve in DNB Livsforsikring.

Operating expenses

Amounts in NOK million	2016	Change	2015
Total adjusted operating expenses	(20 693)	374	(21 068)
Expenses related to operations			
Other costs		268	
Salaries and other personnel expenses (excl. pension and restructuring costs)		196	
IT expenses		117	
Pension expenses		(65)	
Provisions for financial activities tax		(142)	
Non-recurring effects	(639)	(1 797)	1 157
IT restructuring		234	(234)
Restructuring costs	(857)	(377)	(480)
Other non-recurring effects	218	(1 654)	1 871
Operating expenses	(21 333)	(1 423)	(19 910)
Of which:			
Exchange rate effects for units outside Norway		(104)	
Currency-adjusted operating expenses	(20 590)	478	(21 068)

Total operating expenses were up 7.1 per cent from 2015. Adjusted for non-recurring effects, there was a 1.8 per cent reduction in expenses. Significant non-recurring effects had a negative impact and resulted in a rise in expenses of NOK 1 797 million. The main factor was lower personnel expenses in 2015 due to the transition from a defined-benefit to a defined-contribution pension scheme. Exchange rate effects gave an increase of NOK 104 million. In the longer term, implemented restructuring measures will ensure lower costs and a reduction in both the number of employees, the number of branch offices and the number of production units. Provisions for financial activities tax represented NOK 142 million.

Impairment of loans and guarantees

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

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

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

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

Taxes

The DNB Group's tax expense for 2016 was NOK 4 140 million, representing 18 per cent of pre-tax operating profits. The tax rate was down 4 percentage points from 2015. The tax rate was lower than the anticipated rate of 22 per cent, mainly due to equity sales under the tax exemption model, reduced tax expenses in entities outside Norway, and Norwegian taxation rules for the allocation of interest expenses between Norway and the US.

Funding, liquidity and balance sheet

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

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

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

The nominal value of long-term debt securities issued by the Group was NOK 580 billion at end-December 2016 and NOK 606 billion a year earlier. The average remaining term to maturity for these debt securities was 3.9 years at end-December 2016, compared with 3.8 years at year-end 2015.

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

Total combined assets in the DNB Group were NOK 2 931 billion, up from NOK 2 901 billion at end-December 2015. Total assets in the Group's balance sheet were NOK 2 653 billion as at 31 December 2016 and NOK 2 599 billion a year earlier. Of this, total assets in DNB Livsforsikring amounted to NOK 299 billion and NOK 288 billion, respectively.

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

Risk and capital adequacy

The DNB Group quantifies risk by measuring economic capital. Economic capital declined by NOK 2.7 billion from year-end 2015, to NOK 73.0 billion at year-end 2016.

Economic capital for the DNB Group

Amounts in NOK billion	31 Dec. 2016	30 Sept. 2016	30 June 2016	31 Dec. 2015
Credit risk	54.4	54.8	55.8	55.5
Market risk	7.0	7.0	7.2	7.1
Market risk in life insurance	5.3	5.7	9.3	8.3
Insurance risk	1.7	1.7	1.7	2.0
Operational risk	11.5	11.5	11.5	11.2
Business risk	7.3	7.3	7.3	7.1
Gross economic capital	87.2	87.9	92.7	91.2
Diversification effect [1)]	(14.2)	(14.7)	(15.9)	(15.5)
Net economic capital	73.0	73.3	76.8	75.7
Diversification effect in per cent of gross economic capital [1)]	16.3	16.7	17.1	17.0

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.*

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

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

Economic capital for market risk in DNB Livsforsikring declined by NOK 3.0 billion during the year, reflecting a lower equity exposure, larger buffers and higher interest rates. The company strengthened its solvency capital by NOK 6.2 billion in 2016. DNB Livsforsikring's solvency margin was 152 per cent at year-end 2016. DNB's market risk exposure in operations other than life insurance was virtually unchanged during 2016.

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

Calculated according to transitional rules, risk-weighted assets were reduced by NOK 78 billion from year-end 2015, to NOK 1 051 billion. The common equity Tier 1 capital ratio was 16.0 per cent, while the capital adequacy ratio was 19.5 per cent.

New regulatory framework

Capital adequacy requirements for banks

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

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

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

As a supplement to the risk-weighted capital requirements and as a measure to counter adjustments and gaps in the regulations, a non-risk based capital requirement, leverage ratio, will also be introduced. The Basel Committee has recommended and the European Commission has proposed a leverage ratio requirement of minimum 3 per cent as from 2018. In Norway, the Ministry of Finance has set the minimum leverage ratio requirement at 3 per cent as of 30 June 2017. All Norwegian banks must have a buffer on top of the minimum requirement of at least 2 per cent. Systemically important banks must have an additional buffer of minimum 1 per cent. As a systemically important bank in Norway, the total requirement for DNB will thus be 6 per cent. At year-end 2016, DNB had a leverage ratio of 7.3, well above the upcoming requirement.

New rules on deposit guarantees and crisis management

The implementation of the EU legislative acts for the winding-up and restructuring of banks, BRRD (Bank Recovery and Resolution Directive), and the revised Directive on Deposit Guarantee Schemes (DGS) will require extensive changes in the Norwegian crisis resolution system, including the rules on public administration and the role of the Norwegian Banks' Guarantee Fund. The Banking Law Commission has considered how the directives should be implemented in Norwegian law. Among other things, it has been proposed that the banks should pay annual levies to both a deposit guarantee fund and a resolution fund. This will have practical consequences for the current fund structure and the obligation to pay levies. The Ministry circulated the draft legislation for public consultation in the fourth quarter of 2016.

Norway has joined the EU financial supervisory system

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

Home mortgage lending regulation

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

Report on Own Pension Account

At the request of the parties in the labour market, the government has considered how all pension entitlements for individual employees can be accumulated in one pension account that follows the employee through his/her working life. This will ensure better oversight and greater influence over the accumulation of pension entitlements, make it easier to safeguard one's own pension when changing jobs and provide more cost-effective management of previously earned pension entitlements. In addition, individuals can themselves choose to save additional money in their pension account. The report provides a good basis for making further assessments, and it is up to the parties in the labour market to agree on whether they would like to proceed with a solution that includes an Own Pension Account.

Macroeconomic developments

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

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

Growth in the Chinese economy appears to be more stable than expected. This is partly due to the authorities' expansionary policy and partly to the higher commodity prices, which have helped improve earnings in many industries. However, higher debt levels and unprofitable investments are increasing the risk of a crisis at some time in the future. In the short term, the greatest risk factors include capital flight, which will probably be intensified by higher US dollar interest rates and the authorities' restrictive housing policy, which may result in an unwanted reduction in housebuilding activity, higher loan default rates and lower consumption growth.

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

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

Future prospects

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

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

The Group has set a target for its common equity Tier 1 capital ratio of 16.0 per cent from year-end 2017, including the announced change in the counter-cyclical buffer. With a CET1 ratio of 16.0 per cent at end-December 2016, DNB reached the target one year ahead of plan, and is well positioned for possible new requirements.

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

Volume-weighted spreads are anticipated to widen somewhat in 2017, while lending volumes are expected to be stable in 2017 and 2018. During this period, total loans are expected to increase for personal customers and small and medium-sized enterprises, while the Group will actively reduce its portfolio of loans to large corporates and international customers. In 2019, total lending volume is expected to rise by 2 to 3 per cent. Adjusted for exchange rate movements, risk-weighted assets are expected to be stable. DNB aims to increase commission and fee income by approximately 3 per cent per year. Total impairment losses for the period 2016 to 2018 are estimated to be up to NOK 18 billion, with the highest impairment losses during the first part of the period.

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

The tax rate is expected to be 23 per cent in the period from 2017 to 2019.

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

Anne Carine Tanum
(chairman)

Tore Olaf Rimmereid
(vice-chairman)

Jarle Bergo

Carl A. Løvvik

Vigdis Mathisen

Jaan Ivar Semlitsch

Berit Svendsen

Rune Bjerke
(group chief executive)

Income statement

Amounts in NOK million	Note	4th quarter 2016	4th quarter 2015	Full year 2016	Full year 2015
					DNB Group
Total interest income	5	13 273	13 934	52 424	57 532
Total interest expenses	5	(4 901)	(4 872)	(18 314)	(22 174)
Net interest income	5	**8 372**	**9 062**	**34 110**	**35 358**
Commission and fee income	6	2 814	2 916	11 452	11 963
Commission and fee expenses	6	(678)	(834)	(3 172)	(3 101)
Net gains on financial instruments at fair value	7	1 689	2 164	6 513	8 683
Net financial result, DNB Livsforsikring 1)		(57)	(928)	(72)	(1 251)
Net risk result, DNB Livsforsikring		290	247	736	861
Net insurance result, DNB Forsikring 1)		181	132	648	534
Profit from investments accounted for by the equity method		(45)	(28)	1 189	(72)
Net gains on investment properties		(7)	122	(35)	269
Other income		44	35	795	762
Net other operating income		**4 230**	**3 825**	**18 053**	**18 648**
Total income		**12 602**	**12 888**	**52 163**	**54 006**
Salaries and other personnel expenses	8	(2 842)	(1 106)	(11 904)	(9 822)
Other expenses	8	(1 828)	(1 931)	(7 251)	(7 790)
Depreciation and impairment of fixed and intangible assets	8	(524)	(590)	(2 177)	(2 298)
Total operating expenses	8	**(5 194)**	**(3 626)**	**(21 333)**	**(19 910)**
Pre-tax operating profit before impairment		**7 409**	**9 262**	**30 830**	**34 096**
Net gains on fixed and intangible assets		(12)	(9)	(19)	45
Impairment of loans and guarantees	10	(1 753)	(1 420)	(7 424)	(2 270)
Pre-tax operating profit		**5 644**	**7 833**	**23 387**	**31 871**
Tax expense 1)	9	(290)	(1 077)	(4 140)	(7 048)
Profit from operations held for sale, after taxes		26	28	4	(51)
Profit for the period		**5 380**	**6 784**	**19 251**	**24 772**
Portion attributable to shareholders		5 143	6 658	18 656	24 398
Portion attributable to additional Tier 1 capital holders		238	126	595	374
Profit for the period		**5 380**	**6 784**	**19 251**	**24 772**
Earnings/diluted earnings per share (NOK)		3.16	4.11	11.46	14.98
Earnings per share excluding operations held for sale (NOK)		3.14	4.09	11.46	15.01

1) *In consequence of the introduction of the Solvency II regulations on 1 January 2016, certain minor changes in the regulations on annual accounts for non-life and life insurance companies were approved, effective as of 1 January 2016. Cf. Note 1 Basis for preparation.*

Comprehensive income statement

Amounts in NOK million	4th quarter 2016	4th quarter 2015	Full year 2016	Full year 2015
				DNB Group
Profit for the period	**5 380**	**6 784**	**19 251**	**24 772**
Actuarial gains and losses	(23)	31	(183)	673
Property revaluation	37	(282)	47	(204)
Items allocated to customers (life insurance)	(37)	282	(47)	204
Items that will not be reclassified to the income statement	(23)	31	(183)	673
Currency translation of foreign operations 1)	3 562	2 369	(6 476)	9 612
Currency translation reserve reclassified to the income statement			(43)	
Hedging of net investment 2)	(2 415)	(1 578)	4 346	(6 203)
Investments according to the equity method 3)	4	889	(25)	889
Investments according to the equity method, reclassified to the income statement 3)			(855)	
Items that may subsequently be reclassified to the income statement	1 151	1 680	(3 052)	4 298
Other comprehensive income for the period (net of tax)	**1 128**	**1 710**	**(3 236)**	**4 972**
Comprehensive income for the period	**6 509**	**8 494**	**16 015**	**29 744**

1) *Currency translation effects related to the Baltics came to NOK 103 million in the fourth quarter of 2016.*
2) *Hedging of net investments in the Baltics represented a loss of NOK 61 million in the fourth quarter of 2016, net of tax.*
3) *DNB had indirect ownership interests in Visa Europe through its membership in Visa Norge. In connection with the valuation of the holdings in Visa Europe as at 31 March 2016 an accumulated gain of NOK 855 million was recognised in other comprehensive income. Upon the completion of the acquisition of Visa Europe by Visa Inc in the second quarter of 2016, this amount was reclassified to profit and a total gain of NOK 1 128 million was recognised as "Profit from investments accounted for by the equity method" in the income statement.*

Balance sheet

Amounts in NOK million	Note	DNB Group 31 Dec. 2016	 31 Dec. 2015
Assets			
Cash and deposits with central banks		208 263	19 317
Due from credit institutions	13, 14	176 442	301 216
Loans to customers	11, 12, 13, 14	1 509 078	1 542 744
Commercial paper and bonds at fair value	14, 15	296 642	289 695
Shareholdings	14	22 512	19 341
Financial assets, customers bearing the risk	14	60 220	49 679
Financial derivatives	14	157 940	203 029
Commercial paper and bonds, held to maturity	13, 15	94 008	105 224
Investment properties	16	15 912	16 734
Investments accounted for by the equity method		7 768	9 525
Intangible assets		5 814	6 076
Deferred tax assets		1 404	1 151
Fixed assets		7 949	8 860
Assets held for sale	17	52 541	200
Other assets		36 709	25 739
Total assets		**2 653 201**	**2 598 530**
Liabilities and equity			
Due to credit institutions	13, 14	212 882	161 537
Deposits from customers	13, 14	934 897	944 428
Financial derivatives	14	130 161	154 663
Debt securities issued	13, 14, 18	765 869	804 928
Insurance liabilities, customers bearing the risk		60 220	49 679
Liabilities to life insurance policyholders in DNB Livsforsikring [1)]		208 160	208 726
Insurance liabilities, DNB Forsikring [1)]		1 892	1 846
Payable taxes		8 874	2 093
Deferred taxes [1)]		3 816	7 672
Other liabilities		44 568	37 675
Liabilities held for sale	17	41 243	71
Provisions		2 094	1 285
Pension commitments		2 756	2 549
Subordinated loan capital	13, 14, 18	29 347	30 953
Total liabilities		**2 446 779**	**2 408 105**
Share capital		16 286	16 257
Share premium		22 609	22 609
Additional Tier 1 capital		15 952	8 353
Other equity [1)]		151 576	143 207
Total equity		**206 423**	**190 425**
Total liabilities and equity		**2 653 201**	**2 598 530**

Off-balance sheet transactions and contingencies 19

1) *In consequence of the introduction of the Solvency II regulations on 1 January 2016, certain minor changes in the regulations on annual accounts for non-life and life insurance companies were approved, effective as of 1 January 2016. Cf. Note 1 Basis for preparation.*

Statement of changes in equity

DNB Group

Amounts in NOK million	Share capital [1]	Share premium	Additional Tier 1 capital	Actuarial gains and losses	Currency translation reserve [2]	Net investment hedge reserve [2]	Other equity [1]	Total equity [1] [2]
Balance sheet as at 31 Dec. 2014	**16 273**	**22 609**		**(3 247)**	**8 671**	**(5 645)**	**120 063**	**158 723**
Changes in accounting principles, insurance liabilities [3]							337	337
Balance sheet as at 1 Jan. 2015	**16 273**	**22 609**		**(3 247)**	**8 671**	**(5 645)**	**120 399**	**159 059**
Profit for the period			374				24 398	24 772
Other comprehensive income (net of tax)				673	9 612	(6 203)	889	4 972
Comprehensive income for the period			374	673	9 612	(6 203)	25 286	29 744
Defined-benefit pension scheme discontinued				2 049			(2 049)	
Currency translation reserve taken to income					34		4	38
Additional Tier 1 capital issued			8 053				(31)	8 023
Interest payments additional Tier 1 capital			(75)					(75)
Dividends paid for 2014 (NOK 3.80 per share)							(6 189)	(6 189)
Net purchase of treasury shares	(16)						(157)	(173)
Balance sheet as at 31 Dec. 2015 restated	**16 257**	**22 609**	**8 353**	**(525)**	**18 317**	**(11 848)**	**137 263**	**190 425**
Balance sheet as at 31 Dec. 2015	16 257	22 609	8 353	(525)	18 317	(11 848)	136 916	190 078
Changes in accounting principles, insurance liabilities [3]							347	347
Balance sheet as at 31 Dec. 2015 restated	**16 257**	**22 609**	**8 353**	**(525)**	**18 317**	**(11 848)**	**137 263**	**190 425**
Profit for the period			595				18 656	19 251
Other comprehensive income (net of tax)				(183)	(6 519)	4 346	(880)	(3 236)
Comprehensive income for the period			595	(183)	(6 519)	4 346	17 775	16 015
Additional Tier 1 capital issued			7 520				(43)	7 477
Interest payments additional Tier 1 capital			(505)					(505)
Currency movements taken to income			(11)				11	
Defined-benefit pension scheme discontinued				17			(17)	
AGDL provisions in Luxembourg reclassified to equity							13	13
Dividends paid for 2015 (NOK 4.50 per share)							(7 330)	(7 330)
Net purchase of treasury shares	29						297	326
Balance sheet as at 31 Dec. 2016	**16 286**	**22 609**	**15 952**	**(692)**	**11 798**	**(7 502)**	**147 971**	**206 423**
1) Of which treasury shares, held by DNB Markets for trading purposes:								
Balance sheet as at 31 December 2015	*(31)*						*(313)*	*(345)*
Net purchase of treasury shares	*29*						*297*	*326*
Reversal of fair value adjustments through the income statement							*(9)*	*(9)*
Balance sheet as at 31 December 2016	*(2)*						*(26)*	*(28)*
2) Of which OCI related to the Baltics:								
Balance sheet as at 31 December 2015					*1 465*	*(987)*		*478*
Other comprehensive income					*(449)*	*275*		*(174)*
Balance sheet as at 31 December 2016					*1 015*	*(712)*		*304*

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

3) *In consequence of the introduction of the Solvency II regulations on 1 January 2016, certain minor changes in the regulations on annual accounts for non-life and life insurance companies were approved, effective as of 1 January 2016. Among other things, the changes imply that the security reserve is no longer included in the Group's technical insurance reserves. Cf. Note 1 Basis for preparation.*

Cash flow statement

Amounts in NOK million	DNB Group Full year 2016	 Full year 2015
Operating activities		
Net payments on loans to customers	(41 244)	(50 866)
Interest received from customers	46 858	51 476
Net receipts/payments on deposits from customers	42 821	(37 827)
Interest paid to customers	(3 656)	(7 391)
Net receipts on loans to credit institutions	166 440	18 246
Interest received from credit institutions	1 258	1 618
Interest paid to credit institutions	(1 661)	(1 359)
Net receipts/payments on the sale of financial assets for investment or trading	20 955	(2 479)
Interest received on bonds and commercial paper	4 488	4 719
Net receipts on commissions and fees	8 303	8 871
Payments to operations	(20 032)	(19 934)
Taxes paid	(2 918)	(2 575)
Receipts on premiums	15 599	19 233
Net receipts/payments on premium reserve transfers	(1 512)	(14 415)
Payments of insurance settlements	(14 745)	(14 820)
Other receipts/payments	(5 583)	4 411
Net cash flow from operating activities	**215 372**	**(43 092)**
Investing activities		
Net receipts/payments on the acquisition of fixed assets	(1 540)	2 979
Net receipts, investment properties	(1 512)	2 833
Receipts on the sale of long-term investments in shares	861	76
Dividends received on long-term investments in shares	66	6
Net cash flow from investment activities	**(2 124)**	**5 894**
Financing activities		
Receipts on issued bonds and commercial paper	8 995 908	3 142 451
Payments on redeemed bonds and commercial paper	(9 000 786)	(3 145 857)
Interest payments on issued bonds and commercial paper	(16 016)	(15 129)
Receipts on the raising of subordinated loan capital	738	3 805
Redemptions of subordinated loan capital	(3)	(4 604)
Interest payments on subordinated loan capital	(923)	(1 029)
Receipts on issued additional Tier 1 capital	7 520	8 023
Interest payments on additional Tier 1 capital	(516)	(75)
Dividend payments	(7 330)	(6 189)
Net cash flow from funding activities	**(21 408)**	**(18 604)**
Effects of exchange rate changes on cash and cash equivalents	**(272)**	**14 670**
Net cash flow	**191 567**	**(41 132)**
Cash as at 1 January	23 239	64 371
Net receipts/payments of cash	191 567	(41 132)
Cash at end of period [*)]	214 807	23 239

**) Of which: Cash and deposits with central banks*	*211 908*	*19 317*
Deposits with credit institutions with no agreed period of notice [1)]	*2 899*	*3 922*

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

Note 1 Basis for preparation

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

Changes in the regulations on annual accounts for insurance companies

In consequence of the introduction of the Solvency II regulations on 1 January 2016, certain minor changes in the regulations on annual accounts for non-life and life insurance companies were approved, effective as of 1 January 2016. Among other things, the changes imply that the security reserve is no longer included in the Group's technical insurance reserves. The change has affected the income statement, balance sheet and equity. Comparative figures for 2015 have been restated accordingly. The tables below show comparable figures for 2015 with implementation effect on 1 January 2015.

Income statement

DNB Group

	Change				Fourth quarter 2015			Full year 2015		
Amounts in NOK million	1st quarter 2015	2nd quarter 2015	3rd quarter 2015	4th quarter 2015	Reported	Effect	Restated	Reported	Effect	Restated
Net financial result, DNB Livsforsikring	1	13	5	(19)	(910)	(19)	(928)	(1 251)		(1 251)
Net insurance result, DNB Forsikring	4	14	4	(9)	141	(9)	132	521	13	534
Taxes	(1)	(7)	(2)	7	(1 084)	7	(1 077)	(7 045)	(3)	(7 048)
Profit for the period	4	20	7	(21)	6 804	(21)	6 784	24 762	10	24 772

Balance sheet

DNB Group

	31 December 2015			1 January 2015		
Amounts in NOK million	Reported	Effect	Restated	Reported	Effect	Restated
Liabilities to life insurance policyholders in DNB Livsforsikring	208 949	(223)	208 726	216 799	(222)	216 577
Insurance liabilities, DNB Forsikring	2 085	(239)	1 846	1 964	(226)	1 738
Deferred taxes	7 556	116	7 672	6 018	112	6 130

Equity

DNB Group

	31 December 2015			1 January 2015		
Amounts in NOK million	Reported	Effect	Restated	Reported	Effect	Restated
Total equity	190 078	347	190 425	158 723	337	159 060

Note 2 Segments

Financial governance in DNB is geared to the different customer segments. The follow-up of total customer relationships and segment profitability are two important dimensions when making strategic priorities and deciding where to allocate the 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, with the exception of home mortgages recorded under Traditional pension products, where returns accrue to the policyholders. 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. 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 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 and assets related to these products. 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 segments are based on the group's accounting principles and DNB's management model. Allocation of costs and capital between segments involves a number of assumptions, estimates and discretionary distributions.

Capital allocated to the segments is calculated on the basis of the 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 III with capital requirement related to credit risk, market risk and operational risk. The allocation of capital for 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	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Net interest income	3 228	3 496	1 638	1 610	3 668	3 929	1	3			(163)	24	8 372	9 062
Net other operating income	1 145	1 120	556	449	1 519	1 358	817	796	280	(522)	(87)	624	4 230	3 825
Total income	4 374	4 616	2 194	2 059	5 187	5 287	818	799	280	(522)	(250)	648	12 602	12 888
Operating expenses	(2 024)	(2 157)	(898)	(807)	(1 976)	(2 202)	(159)	(97)	(96)	(74)	(41)	1 711	(5 194)	(3 626)
Pre-tax operating profit before impairment	2 350	2 459	1 296	1 252	3 211	3 086	659	702	184	(596)	(291)	2 359	7 409	9 262
Net gains on fixed and intangible assets		0	(0)	(0)	(4)	5					(8)	(13)	(12)	(9)
Impairment of loans and guarantees [3]	129	15	(289)	(360)	(1 586)	(1 079)					(6)	3	(1 753)	(1 420)
Profit from repossessed operations			40	35	7	(6)					(47)	(30)		
Pre-tax operating profit	2 479	2 474	1 047	927	1 628	2 006	659	702	184	(596)	(352)	2 319	5 644	7 833
Tax expense	(620)	(668)	(262)	(250)	(439)	(582)	(165)	(183)	49	705	1 147	(100)	(290)	(1 077)
Profit from operations held for sale, after taxes	0	(1)			(0)						26	29	26	28
Profit for the period	1 859	1 805	785	677	1 188	1 424	494	520	233	109	821	2 248	5 380	6 783

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) *See note 10 Impairment of loans and guarantees for an analysis of the gross change in impairment for the Group.*

Note 2 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	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Loans to customers [1) 2)]	718.2	695.7	231.9	220.3	531.1	579.3	24.4	28.3	32.5	13.0	(33.1)	2.6	1 505.1	1 539.3
Deposits from customers [1) 2)]	399.4	391.1	185.7	172.8	367.0	403.5	54.5	203.7			(44.9)	(6.0)	961.7	1 165.2
Assets under management	78.0	75.2	77.0	64.1	180.9	222.7			202.8	200.3	22.1	15.2	560.8	577.4
Allocated capital [3)]	40.2	33.8	24.7	21.0	86.3	70.9	7.2	7.3	19.9	18.2				

Key figures

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	
Per cent	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Cost/income ratio [4)]	46.3	46.7	40.9	39.2	38.1	41.6	19.5	12.1	34.3	(14.3)			41.2	28.1
Ratio of deposits to loans [2) 5)]	55.6	56.2	80.1	78.5	69.1	69.6							63.9	75.7
Return on allocated capital, annualised [3)]	18.4	21.2	12.6	12.8	5.5	8.0	27.2	28.4	4.7	2.4			10.9	15.0

1) *Loans to and deposits from customers in the Baltics are included under Large corporates and international customers in spite of being reclassified as assets and liabilities held for sale in August 2016. The reclassification is reflected under Other operations/eliminations. Reclassified loans amounted to NOK 46,5 billion and deposits to NOK 36.7 billion.*
2) *Loans to customers include accrued interest, impairment and value adjustments. Correspondingly, deposits from customers include accrued interest and value adjustments. In November 2015, a portfolio of home mortgages amounting to approximately NOK 20 billion was sold from DNB Boligkreditt to DNB Livsforsikring, and in November 2016, mortgages representing an additional NOK 5 billion were sold. In the fourth quarter of 2016, commercial mortgages amounting to NOK 2.6 billion and 4.5 billion, respectively, were sold from DNB Næringskreditt and DNB Bank to DNB Livsforsikring.*
3) *Allocated capital for the segments is calculated based on the external capital adequacy requirement (Basel III) which must be met by the Group. The capital allocated in 2016 corresponds to a common equity Tier 1 capital ratio of 17.2 per cent compared to 14.5 per cent in 2015. Recorded capital is used for the Group.*
4) *Total operating expenses relative to total income.*
5) *Deposits from customers relative to loans to customers. Calculated on the basis of average balance sheet items.*

Income statement, full year

DNB Group

	Personal customers		Small and medium-sized enterprises		Large corporates and international customers		Trading		Traditional pension products [1)]		Other operations/ eliminations		DNB Group	
	Full year		Full year		Full year		Full year		Full year		Full year		Full year	
Amounts in NOK million	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Net interest income	13 269	13 697	6 359	6 131	14 301	15 198	28	89			153	243	34 110	35 358
Net other operating income	4 920	4 895	1 969	1 729	6 143	6 083	2 976	1 503	1 214	622	831	3 817	18 053	18 648
Total income	18 189	18 593	8 327	7 860	20 444	21 280	3 004	1 592	1 214	622	984	4 059	52 163	54 006
Operating expenses	(8 698)	(8 877)	(3 356)	(3 078)	(7 856)	(8 053)	(548)	(505)	(435)	(477)	(438)	1 080	(21 333)	(19 910)
Pre-tax operating profit before impairment	9 491	9 716	4 971	4 782	12 588	13 227	2 455	1 087	779	145	546	5 140	30 830	34 096
Net gains on fixed and intangible assets	(0)	0	2	(2)	24	53					(44)	(7)	(19)	45
Impairment of loans and guarantees [2)]	392	939	(1 082)	(1 068)	(6 734)	(2 108)					(0)	(33)	(7 424)	(2 270)
Profit from repossessed operations			6	3	8	(67)					(14)	64		
Pre-tax operating profit	9 883	10 655	3 896	3 715	5 886	11 105	2 455	1 087	779	145	488	5 164	23 387	31 871
Tax expense	(2 471)	(2 877)	(974)	(1 003)	(1 589)	(3 221)	(614)	(283)	4	766	1 504	(432)	(4 140)	(7 048)
Profit from operations held for sale, after taxes	(1)	2			3						2	(53)	4	(51)
Profit for the period	7 411	7 780	2 922	2 712	4 300	7 885	1 841	804	783	912	1 994	4 680	19 251	24 772

1) *See the tables below for more information about Traditional pension products.*
2) *See note 10 Impairment of loans and guarantees for an analysis of the gross change in impairment for the Group.*

Note 2 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

Amounts in NOK million	4th quarter 2016	4th quarter 2015	Full year 2016	Full year 2015
Recorded interest result	(117)	1 854	1 185	2 163
Risk result	179	166	448	599
Administration result	76	99	327	291
Upfront pricing of risk and guaranteed rate of return	56	137	288	535
Provisions for higher life expentancy, group pension [1)]	(433)	(2 505)	(1 452)	(3 141)
Allocations to policyholders, products with guaranteed rates of return	307	(455)	(455)	(802)
Return on corporate portfolio	116	107	439	500
Pre-tax operating profit - Traditional pension products	184	(596)	779	145

1) Provisions for higher life expectancy, group pension:

Amounts in NOK million	*Accumulated balance 31 December 2016*
Paid-up policies	*8 792*
Defined benefit	*2 046*
Total group pension [*)]	*10 838*

**) The total required increase in reserves for the portfolio as at 31 December 2016 was approximately NOK 11.4 billion.*

Other operations/eliminations

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

Pre-tax operating profit

	DNB Group	
Amounts in NOK million	4th quarter 2016	4th quarter 2015
Unallocated interest income	(294)	(40)
Income from equity investments	77	288
Mark-to-market adjustments on financial instruments	681	195
Basis swaps	(713)	(4)
Profit from associated companies	(45)	(5)
Net gains on investment properties	15	167
Profit from repossessed operations	(47)	(30)
Ownership-related expenses (costs relating to shareholders, investor relations, strategic planning etc.)	(115)	(101)
Unallocated personnel expenses [1)]	50	1 633
Unallocated IT and Operations expenses	63	114
IT restructuring	(2)	9
Reversal of provisions	24	46
Impairment of fixed assets and value adjustements on investment properties		(5)
Other	(47)	51
Pre-tax operating profit	(352)	2 319

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

Note 3 Capital adequacy

Capital adequacy is calculated and reported in accordance with the EU capital requirements regulations for banks and investment firms (CRD IV/CRR). On 18 December 2015, the Ministry of Finance approved new regulations on consolidation etc. in cross-sectoral groups. The changes became effective on 31 January 2016 and are adapted to the EU regulations, reflecting the entry into force of Solvency II on 1 January 2016. The regulatory consolidation deviates from consolidation in the accounts and comprises the parent company, subsidiaries and associated companies within the financial sector, excluding insurance companies. Associated companies are consolidated pro rata.

Primary capital	**DNB Bank ASA**		**DNB Bank Group**		**DNB Group**	
Amounts in NOK million	31 Dec. 2016	31 Dec. 2015	31 Dec. 2016	31 Dec. 2015	31 Dec. 2016 [1)]	31 Dec. 2015
Total equity excluding profit for the period	168 104	151 533	190 078	173 412	206 423	190 078
Effect from regulatory consolidation			(181)	(541)	(5 795)	(541)
Non-eligible capital, DNB Livsforsikring						(403)
Additional Tier 1 capital instruments included in total equity	(15 574)	(8 053)	(15 574)	(8 053)	(15 574)	(8 053)
Net accrued interest on additional Tier 1 capital instruments	(284)	(219)	(284)	(219)	(284)	(219)
Common equity Tier 1 capital instruments	152 246	143 261	174 039	164 599	184 770	180 863
Deductions						
Pension funds above pension commitments		(38)		(38)		(38)
Goodwill	(2 900)	(3 012)	(2 951)	(3 029)	(4 656)	(4 763)
Deferred tax assets that are not due to temporary differences	(224)	(195)	(482)	(640)	(482)	(640)
Other intangible assets	(699)	(663)	(946)	(1 075)	(946)	(1 241)
Dividends payable etc.			(5 084)	(5 000)	(9 284)	(7 330)
Significant investments in financial sector entities						
Expected losses exceeding actual losses, IRB portfolios	(6)	(1 383)	(153)	(2 309)	(153)	(2 309)
Value adjustments due to the requirements for prudent valuation (AVA)	(479)	(671)	(786)	(1 055)	(786)	(1 055)
Adjustments for unrealised losses/(gains) on debt recorded at fair value	107	(15)	(90)	(412)	(90)	(412)
Adjustments for unrealised losses/(gains) arising from the institution's own credit risk related to derivative liabilities (DVA)	(580)	(785)	(159)	(150)	(159)	(150)
Minimum requirement reassurance allocation						(17)
Common equity Tier 1 capital	147 467	136 499	163 389	150 889	168 214	162 906
Additional Tier 1 capital instruments	17 471	10 267	17 471	10 267	17 471	10 267
Non-eligible Tier 1 capital, DNB Group [2)]					(176)	
Tier 1 capital	164 938	146 766	180 860	161 156	185 509	173 173
Perpetual subordinated loan capital	5 602	5 702	5 602	5 702	5 602	5 702
Term subordinated loan capital	21 249	22 185	21 249	22 185	21 249	22 185
Deduction of holdings of Tier 2 instruments in DNB Livsforsikring and DNB Forsikring					(5 750)	
Non-eligible Tier 2 capital, DNB Group [2)]					(1 440)	
Tier 2 capital	26 851	27 887	26 851	27 887	19 661	27 887
Total eligible capital	191 789	174 653	207 711	189 043	205 170	201 060
Risk-weighted volume, transitional rules	773 244	906 084	1 040 888	1 056 731	1 051 498	1 129 373
Minimum capital requirement, transitional rules	61 860	72 487	83 271	84 539	84 120	90 350
Common equity Tier 1 capital ratio, transitional rules (%)	19.1	15.1	15.7	14.3	16.0	14.4
Tier 1 capital ratio, transitional rules (%)	21.3	16.2	17.4	15.3	17.6	15.3
Capital ratio, transitional rules (%)	24.8	19.3	20.0	17.9	19.5	17.8

1) *As from the first quarter of 2016, DNB Livsforsikring and DNB Forsikring are not included in the regulatory consolidation for the DNB Group. With effect from the first quarter of 2016, deductions are also made for significant investments in financial sector entities if they each exceed 10 per cent of common equity Tier 1 capital. The amounts that are not deducted are given a risk weight of 250 per cent. In addition, the holdings of Tier 2 instruments in DNB Livsforsikring and DNB Forsikring are deducted from the Group's Tier 2 capital.*

2) *Tier 1 and Tier 2 capital in DNB Bank ASA not included in consolidated own funds, in accordance with Articles 85–88 of the CRR.*

Note 3 Capital adequacy (continued)

Basel III

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

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

Amounts in NOK million	Nominal exposure 31 Dec. 2016	EAD [1] 31 Dec. 2016	Average risk weights in per cent 31 Dec. 2016	Risk-weighted volume 31 Dec. 2016	Capital requirement 31 Dec. 2016	Capital requirement 31 Dec. 2015
IRB approach						
Corporate	1 039 384	842 921	48.4	407 740	32 619	33 421
Specialised lending (SL)	8 825	8 517	52.3	4 456	356	468
Retail - mortgages	706 195	706 195	22.1	155 814	12 465	12 241
Retail - other exposures	112 484	92 484	25.7	23 759	1 901	1 965
Securitisation	12 760	12 760	91.8	11 718	937	1 201
Total credit risk, IRB approach	1 879 648	1 662 878	36.3	603 487	48 279	49 295
Standardised approach						
Central government	55 426	69 760	0.1	84	7	33
Institutions	147 549	99 864	24.9	24 858	1 989	2 230
Corporate	160 608	127 538	85.9	109 582	8 767	9 657
Retail - mortgages	51 665	49 631	45.5	22 559	1 805	1 764
Retail - other exposures	122 926	48 737	75.4	36 742	2 939	2 642
Equity positions	19 225	19 224	233.1	44 804	3 584	276
Securitisation	1 760	1 160	44.6	518	41	60
Other assets	15 210	15 210	69.7	10 594	848	535
Total credit risk, standardised approach	574 370	431 124	57.9	249 741	19 979	17 195
Total credit risk	2 454 018	2 094 002	40.7	853 228	68 258	66 490
Market risk						
Position risk, debt instruments				14 615	1 169	1 141
Position risk, equity instruments				310	25	36
Currency risk						
Commodity risk				72	6	3
Credit value adjustment risk (CVA)				6 131	490	513
Total market risk				21 128	1 690	1 693
Operational risk				83 370	6 670	6 670
Net insurance, after eliminations						6 464
Total risk-weighted volume and capital requirements before transitional rules				957 726	76 618	81 317
Additional capital requirements according to transitional rules [2]				93 772	7 502	9 033
Total risk-weighted volume and capital requirements				1 051 498	84 120	90 350

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

Note 4 Liquidity risk

Liquidity risk is the risk that the DNB 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 and international group entities. Liquidity risk is managed and measured by means of various measurement techniques.

The Board of Directors has approved internal limits which restrict the short-term maturity of liabilities within different time frames. The various maturities are subject to stress testing based on a bank-specific crisis, a systemic crisis and a combination thereof, and a contingency plan has been established to handle market events. In addition, limits have been set for structural liquidity risk, which implies that lending to customers should largely be financed through customer deposits, subordinated capital and long-term funding. Ordinary senior bond debt and covered bonds are the major sources of long-term funding. For the purpose of liquidity management, the measure ratio of deposits to net loans is more relevant at the banking group level than at DNB Group level, due to the fact that some loans at the DNB Group level are investments on behalf of insurance clients. The banking group's ratio of deposits to net loans was 63.4 per cent at end-December 2016, up from 62.5 per cent a year earlier. The ratio of deposits to net loans in DNB Bank ASA was 133.4 per cent at end-December 2016.

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

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

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

Note 5 Net interest income

				DNB Group
Amounts in NOK million	4th quarter 2016	4th quarter 2015	Full year 2016	Full year 2015
Interest on amounts due from credit institutions	432	430	1 340	1 608
Interest on loans to customers	10 984	11 660	44 229	48 728
Interest on impaired loans and guarantees	317	203	911	619
Interest on commercial paper and bonds	1 185	1 118	4 626	4 655
Front-end fees etc.	81	96	294	337
Other interest income	274	427	1 024	1 584
Total interest income	**13 273**	**13 934**	**52 424**	**57 532**
Interest on amounts due to credit institutions	(762)	(369)	(1 705)	(1 365)
Interest on deposits from customers	(1 665)	(1 821)	(6 645)	(9 394)
Interest on debt securities issued	(2 933)	(3 238)	(12 385)	(12 809)
Interest on subordinated loan capital	(131)	(140)	(532)	(569)
Guarantee fund levy [1)]	(200)	(202)	(768)	(845)
Other interest expenses [2)]	791	898	3 720	2 809
Total interest expenses	**(4 901)**	**(4 872)**	**(18 314)**	**(22 174)**
Net interest income	**8 372**	**9 062**	**34 110**	**35 358**

1) The amount recorded in the quarter represents a proportional share of the estimated annual levy.
2) Other interest expenses include interest rate adjustments resulting from interest swaps.

Note 6 Net commission and fee income

Amounts in NOK million	4th quarter 2016	4th quarter 2015	Full year 2016	Full year 2015
	DNB Group			
Money transfers	867	911	3 725	3 595
Asset management services	174	393	1 267	1 399
Custodial services	78	80	315	336
Securities broking	200	142	616	482
Corporate finance	338	123	767	609
Interbank fees	5	7	23	29
Credit broking	108	135	491	781
Sale of insurance products	576	647	2 418	2 661
Real estate broking	260	270	1 121	1 201
Other commissions and fees	207	209	708	870
Total commission and fee income	**2 814**	**2 916**	**11 452**	**11 963**
Money transfers	(455)	(459)	(1 795)	(1 670)
Asset management services	106	(81)	(104)	(282)
Custodial services	(40)	(43)	(172)	(174)
Securities broking	(40)	(31)	(177)	(119)
Corporate finance	(19)	(15)	(73)	(55)
Interbank fees	(14)	(15)	(57)	(61)
Credit broking	(2)	(9)	(26)	(27)
Sale of insurance products	(46)	(52)	(202)	(179)
Other commissions and fees	(167)	(128)	(567)	(534)
Total commission and fee expenses	**(678)**	**(834)**	**(3 172)**	**(3 101)**
Net commission and fee income	**2 136**	**2 082**	**8 280**	**8 862**

Note 7 Net gains on financial instruments at fair value

Amounts in NOK million	4th quarter 2016	4th quarter 2015	Full year 2016	Full year 2015
	DNB Group			
Dividends	33	20	140	158
Net gains on commercial paper and bonds	(1 962)	(1 252)	(1 810)	(2 593)
Net gains on shareholdings and equity-related derivatives	74	384	356	(35)
Net unrealised gains on basis swaps	(713)	(4)	(542)	2 685
Net gains on other financial instruments	4 256	3 015	8 368	8 467
Net gains on financial instruments at fair value	**1 689**	**2 164**	**6 513**	**8 683**

Note 8 Operating expenses

Amounts in NOK million	4th quarter 2016	4th quarter 2015	Full year 2016	Full year 2015
				DNB Group
Salaries	(2 004)	(2 070)	(8 190)	(8 269)
Employer's national insurance contributions	(379)	(312)	(1 301)	(1 220)
Pension expenses [1)]	(81)	1 639	(1 035)	799
Restructuring expenses	(203)	(142)	(720)	(390)
Other personnel expenses	(174)	(220)	(658)	(742)
Total salaries and other personnel expenses	**(2 842)**	**(1 106)**	**(11 904)**	**(9 822)**
Fees [2)]	(515)	(361)	(1 631)	(1 545)
IT expenses [2)]	(417)	(489)	(2 107)	(2 418)
Postage and telecommunications	(59)	(65)	(238)	(287)
Office supplies	(21)	(24)	(76)	(89)
Marketing and public relations	(215)	(203)	(815)	(859)
Travel expenses	(85)	(99)	(237)	(285)
Reimbursement to Norway Post for transactions executed	(48)	(43)	(198)	(174)
Training expenses	(23)	(24)	(62)	(75)
Operating expenses on properties and premises	(291)	(301)	(1 191)	(1 114)
Operating expenses on machinery, vehicles and office equipment	(23)	(25)	(93)	(101)
Other operating expenses	(132)	(296)	(604)	(844)
Total other expenses	**(1 828)**	**(1 931)**	**(7 251)**	**(7 790)**
Depreciation and impairment of fixed and intangible assets	(524)	(590)	(2 177)	(2 298)
Total depreciation and impairment of fixed and intangible assets	**(524)**	**(590)**	**(2 177)**	**(2 298)**
Total operating expenses	**(5 194)**	**(3 626)**	**(21 333)**	**(19 910)**

1) In the fourth quarter of 2015 DNB decided to change the Group's pension scheme from a defined-benefit to a defined contribution scheme with effect from 31 December 2015. The change included the majority of its employees in Norway who were members of the Group's closed defined-benefit scheme. The change resulted in a one-time effect of NOK 1 969 million which reduced pension expenses in 2015.

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

Note 9 Taxes

Balancing tax charges against pre-tax operating profit

Amounts in NOK million	Full year 2016	Full year 2015
		DNB Group
Pre-tax operating profit	23 387	31 858
Estimated tax expense - nominal tax rate - 25 per cent (27 per cent in 2015)	(5 847)	(8 602)
Tax effect of different tax rates in other countries	7	(166)
Tax effect of debt interest distribution with international branches	357	162
Tax effect of tax-exempt income and non-deductible expenses	1 027	1 061
Tax effect of tax losses carried forward not recognised in the balance sheet [1)]	123	32
Tax effect of changed tax rate from 27 to 25 per cent for deferred taxes recognised in the balance sheet	18	549
Excess tax provision previous year	175	(81)
Total tax expense	(4 140)	(7 045)
Effective tax rate	18%	22%

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

Note 10 Impairment of loans and guarantees

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

Note 11 Loans to customers

Amounts in NOK million	31 Dec. 2016	31 Dec. 2015
		DNB Group
Loans at amortised cost		
Loans to customers, nominal amount	1 384 022	1 405 735
- Individual impairment	(8 566)	(8 484)
Loans to customers, after individual impairment	1 375 456	1 397 251
+ Accrued interest and amortisation	1 877	2 349
- Individual impairment of accrued interest and amortisation	(494)	(656)
- Collective impairment	(4 488)	(2 527)
Loans to customers, at amortised cost	1 372 351	1 396 417
Loans at fair value		
Loans to customers, nominal amount	135 370	144 215
+ Accrued interest	193	229
+ Adjustment to fair value	1 164	1 883
Loans to customers, at fair value	136 727	146 327
Loans to customers [*) 1)]	**1 509 078**	**1 542 744**
**) Of which repo trading volumes*	*29 466*	*32 384*

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

Note 12 Net impaired loans and guarantees for principal customer groups [1) 2)]

	DNB Group	
Amounts in NOK million	31 Dec. 2016	31 Dec. 2015
Private individuals	2 290	2 661
Transportation by sea and pipelines and vessel construction	2 748	2 045
Real estate	1 826	2 289
Manufacturing	3 986	1 530
Services	797	359
Trade	790	476
Oil and gas	3 625	
Transportation and communication	3 905	1 099
Building and construction	749	470
Power and water supply	386	317
Seafood	44	5
Hotels and restaurants	61	118
Agriculture and forestry	107	110
Central and local government	0	7
Other sectors	19	34
Total customers	21 331	11 519
Credit institutions		
Total net impaired loans and guarantees	21 331	11 519
Non-performing loans and guarantees not subject to impairment	4 322	2 463
Total net non-performing and doubtful loans and guarantees [2)]	25 654	13 982

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

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

Note 13 Fair value of financial instruments at amortised cost

	DNB Group			
	31 December 2016		31 December 2015	
Amounts in NOK million	Carrying amount	Fair value	Carrying amount	Fair value
Cash and deposits with central banks	4 977	4 977	5 663	5 663
Due from credit institutions	15 569	15 569	18 361	18 361
Loans to customers	1 372 351	1 376 269	1 396 417	1 388 898
Commercial paper and bonds, held to maturity	94 008	102 411	105 224	114 877
Total financial assets	1 486 904	1 499 226	1 525 664	1 527 799
Due to credit institutions	33 639	33 639	30 005	30 005
Deposits from customers	880 088	880 088	900 192	900 192
Securities issued [1)]	526 863	533 874	558 388	562 620
Subordinated loan capital [1)]	28 093	28 065	29 712	29 711
Total financial liabilities	1 468 684	1 475 666	1 518 298	1 522 530

1) Includes hedged liabilities.

Note 14 Financial instruments at fair value

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	DNB Group Total
Assets as at 31 December 2016				
Deposits with central banks		203 286		203 286
Due from credit institutions		160 873		160 873
Loans to customers		42 974	93 753	136 727
Commercial paper and bonds at fair value	55 303	240 963	375	296 642
Shareholdings	5 756	11 633	5 122	22 512
Financial assets, customers bearing the risk		60 220		60 220
Financial derivatives	0	156 621	1 319	157 940
Liabilities as at 31 December 2016				
Due to credit institutions		179 243		179 243
Deposits from customers		54 809		54 809
Debt securities issued		239 006		239 006
Subordinated loan capital		1 254		1 254
Financial derivatives	0	129 098	1 062	130 161
Other financial liabilities [1)]	516	0		516

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	DNB Group Total
Assets as at 31 December 2015				
Deposits with central banks		13 654		13 654
Due from credit institutions		282 855		282 855
Loans to customers		37 640	108 687	146 327
Commercial paper and bonds at fair value	42 689	246 273	734	289 695
Shareholdings	7 964	5 080	6 297	19 341
Financial assets, customers bearing the risk		49 679		49 679
Financial derivatives	2	201 522	1 504	203 029
Liabilities as at 31 December 2015				
Due to credit institutions		131 532		131 532
Deposits from customers		44 236		44 236
Debt securities issued		246 540		246 540
Subordinated loan capital		1 241		1 241
Financial derivatives	0	153 519	1 144	154 663
Other financial liabilities [1)]	5 285	75		5 359

1) Short positions, trading activities.

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

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

Note 14 Financial instruments at fair value (continued)

Financial instruments at fair value, level 3

DNB Group

	Financial assets				Financial liabilities
Amounts in NOK million	Loans to customers	Commercial paper and bonds	Share-holdings	Financial derivatives	Financial derivatives
Carrying amount as at 31 December 2015	**108 687**	**734**	**6 297**	**1 504**	**1 144**
Net gains recognised in the income statement	(525)	(97)	5	(201)	(122)
Additions/purchases	13 669	308	396	802	797
Sales		(657)	(1 539)		
Settled	(27 975)	0		(772)	(751)
Transferred from level 1 or level 2		698			
Transferred to level 1 or level 2		(576)			
Other [1]	(103)	(35)	(36)	(14)	(6)
Carrying amount as at 31 December 2016	**93 753**	**375**	**5 122**	**1 319**	**1 062**

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

Breakdown of fair value, level 3

DNB Group

	31 December 2016		
Amounts in NOK million	Loans to customers	Commercial paper and bonds	Share-holdings
Principal amount/purchase price	92 417	412	4 377
Fair value adjustment [1]	1 163	(37)	746
Accrued interest	173		
Carrying amount	93 753	375	5 122

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

Breakdown of shareholdings, level 3

DNB Group

Amounts in NOK million	Property funds	Hedge-funds	Unquoted equities	Private Equity (PE) funds	Other	Total
Carrying amount as at 31 Dec. 2016	440	845	1 037	2 776	24	5 122

Sensitivity analysis, level 3

DNB Group

Amounts in NOK million	Carrying amount 31 Dec. 2016	Effect of reasonably possible alternative assumptions
Loans to customers	93 753	(208)
Commercial paper and bonds	375	(1)
Shareholdings	5 122	
Financial derivatives, net	257	

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

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

Level 3 equities represent a total of NOK 4 107 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.

Note 15 Commercial paper and bonds, held to maturity

	DNB Group	
Amounts in NOK million	31 Dec. 2016	31 Dec. 2015
International bond portfolio	12 760	19 162
DNB Livsforsikring AS	82 664	87 599
Other units [1)]	(1 416)	(1 537)
Commercial paper and bonds, held to maturity	**94 008**	**105 224**

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

Effects of the reclassifications of the international bond portfolio

By measuring the portfolio at amortised cost, the value of the portfolio as at 31 December 2016 was NOK 0.3 billion higher than if the previous valuation principle had been retained. On the reclassification date, the carrying amount of the portfolio was NOK 88.0 billion, compared with NOK 10.4 billion at end-December 2016. The average term to maturity of the portfolio was 5.2 years, and the change in value resulting from a credit spread adjustment of one basis point was NOK 5.8 million at end-December 2016.

Effects on profits of the reclassification

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

Effects on the balance sheet of the reclassification

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

Development in the portfolio after the reclassification

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

Note 16 Investment properties

Amounts in NOK million	DNB Group 31 Dec. 2016	31 Dec. 2015
DNB Livsforsikring	15 565	15 195
Properties for own use	(827)	(794)
Other investment properties [1]	1 175	2 333
Total investment properties	**15 912**	**16 734**

1) Other investment properties are mainly related to acquired companies.

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 2016, external appraisals were obtained for a total of nine properties, representing 32 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 1.4 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 rate of return stipulated in the model reflects market risk. A required rate of return of 7.6 per cent has principally been used. This is a reduction from 8.0 per cent in the third quarter in response to the current market situation.

Value development and sensitivity

The value of investment properties in DNB Livsforsikring was adjusted upwards by NOK 375 million during the fourth quarter of 2016.

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 4.4 per cent or NOK 550 million. Correspondingly, a 5 per cent change in future market rents will change the value of the property portfolio by 1.2 per cent or NOK 157 million.

Changes in the value of investment properties

Amounts in NOK million	DNB Group Investment property
Carrying amount as at 31 December 2014	**30 404**
Additions, purchases of new properties	156
Additions, capitalised investments	349
Additions, acquired companies	454
Net gains	2 417
Disposals [1]	(17 477)
Exchange rate movements	432
Recorded value as at 31 December 2015	**16 734**
Carrying amount as at 31 December 2015	**16 734**
Additions, purchases of new properties	84
Additions, capitalised investments	263
Additions, acquired companies	1 259
Net gains [2]	510
Disposals [3]	(2 577)
Exchange rate movements	(361)
Carrying amount as at 31 December 2016	**15 912**

1) Includes NOK 2 638 million in investment properties in DNB Scandinavian Property Fund. The company was no longer consolidated from the third quarter of 2015, but presented as an associated company.
2) Of which NOK 35 million represented a net loss on investment properties which are not owned by DNB Livsforsikring.
3) Includes NOK 622 million in investment properties in the Baltics, reclassified as assets held for sale in August 2016.

Note 17 Assets and liabilities held for sale

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

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

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

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

Note 18 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	Balance sheet 31 Dec. 2016	Issued 2016	Matured/ redeemed 2016	Exchange rate movements 2016	Other adjustments 2016	Balance sheet 31 Dec. 2015
Commercial paper issued, nominal amount	153 415	8 917 217	(8 920 456)	(3 333)		159 988
Bond debt, nominal amount [1]	579 622	78 691	(80 330)	(24 918)		606 179
Adjustments	32 832				(5 930)	38 761
Total debt securities issued	**765 869**	**8 995 908**	**(9 000 786)**	**(28 251)**	**(5 930)**	**804 928**

Debt securities issued

DNB Group

Amounts in NOK million	Balance sheet 31 Dec. 2015	Issued 2015	Matured/ redeemed 2015	Exchange rate movements 2015	Other adjustments 2015	Balance sheet 31 Dec. 2014
Commercial paper issued, nominal amount	159 988	3 057 350	3 092 739	(11 338)		206 715
Bond debt, nominal amount [1]	606 179	85 108	53 118	13 539		560 650
Adjustments	38 761				(5 899)	44 660
Total debt securities issued	**804 928**	**3 142 458**	**3 145 857**	**2 200**	**(5 899)**	**812 025**

Subordinated loan capital and perpetual subordinated loan capital securities

DNB Group

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

Subordinated loan capital and perpetual subordinated loan capital securities

DNB Group

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

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

Note 19 Off-balance sheet transactions and contingencies

Off-balance sheet transactions and additional information

Amounts in NOK million	DNB Group 31 Dec. 2016	 31 Dec. 2015
Performance guarantees	30 824	33 665
Payment guarantees	34 411	37 544
Loan guarantees	17 898	16 629
Guarantees for taxes etc.	6 557	7 271
Other guarantee commitments	2 713	3 258
Total guarantee commitments	92 403	98 366
Support agreements	6 106	11 827
Total guarantee commitments etc. *)	98 509	110 194
Unutilised credit lines and loan offers	606 055	598 132
Documentary credit commitments	3 948	4 790
Other commitments	1 397	51
Total commitments	611 399	602 973
Total guarantee and off-balance commitments	709 908	713 167
Pledged securities		
**) Of which counter-guaranteed by financial institutions*	*326*	*311*

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.

On 21 June 2016, the Norwegian Consumer Council instituted legal proceedings before the Oslo District Court against DNB Asset Management AS, a wholly-owned subsidiary of DNB ASA offering asset management services. The Norwegian Consumer Council has instituted a class action to pursue compensation of up to NOK 690 million on behalf of current and former investors in a fund managed by DNB Asset Management AS, as well as two funds merged into that fund. The lawsuit alleges that the funds were charging high fees for active management, but were actually tracking an index. On 6 January 2017, Oslo District Court decided that the Norwegian Consumer Council is allowed to bring before the court a class action against DNB Asset Management AS. DNB Asset Management AS rejects the allegations, and no provisions have been made in the accounts.

DNB ASA

Income statement

Amounts in NOK million	4th quarter 2016	4th quarter 2015	Full year 2016	Full year 2015
Total interest income	11	12	43	108
Total interest expenses	(99)	(61)	(312)	(246)
Net interest income	**(87)**	**(50)**	**(268)**	**(138)**
Commissions and fees payable	(1)	(1)	(7)	(5)
Other income [1)]	11 013	8 283	11 213	8 282
Net other operating income	**11 012**	**8 282**	**11 205**	**8 276**
Total income	**10 924**	**8 232**	**10 937**	**8 139**
Salaries and other personnel expenses	(1)	(1)	(4)	(6)
Other expenses	(114)	(100)	(461)	(402)
Total operating expenses	**(115)**	**(101)**	**(465)**	**(408)**
Pre-tax operating profit	**10 810**	**8 131**	**10 472**	**7 731**
Tax expense	(84)	(1 900)		(1 815)
Profit for the period	**10 725**	**6 231**	**10 472**	**5 916**
Earnings/diluted earnings per share (NOK)	6.58	3.83	6.43	3.63
Earnings per share excluding operations held for sale (NOK)	6.58	3.83	6.43	3.63

DNB ASA

Balance sheet

Amounts in NOK million	31 Dec. 2016	31 Dec. 2015
Assets		
Due from DNB Bank ASA	6 824	6 160
Investments in group companies	74 270	68 980
Receivables due from group companies [1)]	11 013	8 369
Total assets	**92 107**	**83 510**
Liabilities and equity		
Short-term amounts due to DNB Bank ASA	8	6
Due to other group companies	5 290	1 500
Other liabilities and provisions	9 285	8 740
Long-term amounts due to DNB Bank ASA	16 342	13 269
Total liabilities	**30 925**	**23 516**
Share capital	16 288	16 288
Share premium	22 556	22 556
Other equity	22 337	21 149
Total equity	**61 181**	**59 994**
Total liabilities and equity	**92 107**	**83 510**

DNB ASA

1) *Of which group contributions from DNB Bank ASA represented NOK 9 318 million in 2016 and NOK 6 849 in 2015. The group contribution from DNB Livsforsikring AS represented NOK 1 090 million in 2016 and NOK 1 095 million in 2015. Group contribution from DNB Forsikring AS represented NOK 450 million in 2016 and NOK 150 million in 2015. The group contribution from DNB Asset Management Holding AS represented NOK 355 million in 2016 and NOK 275 million in 2015.*

Statement of changes in equity

Amounts in NOK million	Share capital	Share premium	Other equity	Total equity
Balance sheet as at 31 December 2014	**16 288**	**22 556**	**22 563**	**61 408**
Profit for the period			5 916	5 916
Dividens for 2015 (NOK 4.50 pr. share)			(7 330)	(7 330)
Balance sheet as at 31 December 2015	**16 288**	**22 556**	**21 149**	**59 994**
Balance sheet as at 31 December 2015	**16 288**	**22 556**	**21 149**	**59 994**
Profit for the period			10 472	10 472
Dividends for 2016 (NOK 5.70 proposed pr share)			(9 284)	(9 284)
Balance sheet as at 31 December 2016	**16 288**	**22 556**	**22 337**	**61 181**

DNB ASA

Basis for preparation

DNB ASA has prepared the financial statements according to the Norwegian Ministry of Finance's regulations on annual accounts, Section 1-6, on the use of IFRS. A description of the accounting principles applied by the company when preparing the financial statements appear in note 1 Accounting principles in the annual report for 2015.

Key figures

	4th quarter 2016	4th quarter 2015	Full year 2016	Full year 2015
				DNB Group
Interest rate analysis				
1. Combined weighted total average spread for lending and deposits - customer segments (%) [1) 2)]	1.29	1.32	1.32	1.33
2. Average spread for ordinary lending to customers (%) [1) 2)]	1.96	2.11	2.04	2.17
3. Average spread for deposits from customers (%) [1) 2)]	0.25	0.12	0.21	0.01
Rate of return/profitability				
4. Net other operating income, per cent of total income	33.6	29.8	34.6	34.5
5. Cost/income ratio (%)	41.2	28.1	40.9	36.9
6. Return on equity, annualised (%)	10.9	15.0	10.1	14.5
7. RAROC, annualised (%)	10.9	11.6	11.1	11.2
8. Average equity including allocated dividend (NOK million)	187 027	176 846	184 056	168 509
9. Return on average risk-weighted volume, annualised (%)	1.95	2.31	1.75	2.14
Financial strength at end of period				
10. Common equity Tier 1 capital ratio, transitional rules (%) [3)]	16.0	14.4	16.0	14.4
11. Tier 1 capital ratio, transitional rules (%) [3)]	17.6	15.3	17.6	15.3
12. Capital ratio, transitional rules (%) [3)]	19.5	17.8	19.5	17.8
13. Common equity Tier 1 capital (NOK million) [3)]	168 214	162 906	168 214	162 906
14. Risk-weighted volume, transitional rules (NOK million)	1 051 498	1 129 373	1 051 498	1 129 373
Loan portfolio and impairment				
15. Individual impairment relative to average net loans to customers, annualised (%) [1)]	(0.41)	(0.26)	(0.34)	(0.13)
16. Impairment relative to average net loans to customers, annualised (%) [1)]	(0.45)	(0.37)	(0.48)	(0.15)
17. Net non-performing and net doubtful loans and guarantees, per cent of net loans [1)]	1.49	0.76	1.49	0.76
18. Net non-performing and net doubtful loans and guarantees at end of period (NOK million) [1)]	25 654	13 982	25 654	13 982
Liquidity				
19. Ratio of customer deposits to net loans to customers at end of period (%)	62.0	61.2	62.0	61.2
Total assets owned or managed by DNB				
20. Customer assets under management at end of period (NOK billion)	548	563	548	563
21. Total combined assets at end of period (NOK billion)	2 931	2 901	2 931	2 901
22. Average total assets (NOK billion)	2 726	3 053	2 841	2 946
23. Customer savings at end of period (NOK billion) [1)]	1 519	1 507	1 519	1 507
Staff				
24. Number of full-time positions at end of period	11 007	11 380	11 007	11 380
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)	3.16	4.11	11.46	14.98
28. Earnings per share excl. operations held for sale (NOK)	3.14	4.09	11.46	15.01
29. Dividend per share (NOK) [4)]			5.70	4.50
30. Total shareholders' return (%)	28.1	1.9	22.2	1.9
31. Dividend yield (%)			4.44	4.10
32. Equity per share incl. allocated dividend at end of period (NOK)	116.94	111.57	116.94	111.57
33. Share price at end of period (NOK)	128.40	109.80	128.40	109.80
34. Price/earnings ratio	10.17	6.69	11.20	7.33
35. Price/book value	1.10	0.98	1.10	0.98
36. Market capitalisation (NOK billion)	209.1	178.8	209.1	178.8

1) Includes assets and liabilities in the Baltics, reclassified as held for sale in August 2016.
2) As from the first quarter of 2016, interest rate spreads are based on customer segments. Figures for previous periods have been restated accordingly.
3) Including 50 per cent of profit for the period, except for the full year figures.
4) Proposed dividend for 2016.

For definitions of selected key figures, see next page.

Key figures (continued)

Definitions

1, 2, 3	Based on customer segments and nominal values and excluding impaired loans. Measured against the 3-month money market rate.
5	Total operating expenses relative to total income.
6	Return on equity represents the shareholders’ share of profit for the period relative to average equity excluding additional Tier 1 capital.
7	RAROC (Risk-Adjusted Return On Capital) is defined as risk-adjusted profits (shareholders’ share) relative to average equity excluding additional Tier 1 capital. Risk-adjusted profits indicate the level of profits in a normalised situation. Among other things, recorded impairment losses on loans are replaced by normalised losses.
8	Average equity is estimated on the basis of recorded equity including allocated dividend, but excluding additional Tier 1 capital. Thus this amount corresponds to the shareholders’ share of equity.
9	The shareholders’ share of 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 Forsikring.
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 26 April 2016 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 per share. The authorisation is valid for a period of 12 months from 26 April 2016. 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	The shareholders’ share of profits relative to the average number of shares excluding any holdings of own shares.
28	The shareholders’ share of profits excluding profits from 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	The shareholders’ share of equity, excluding additional Tier 1 capital, at end of period relative to the number of shares.
34	Closing price at end of period relative to annualised earnings per share.
35	Share price at end of period relative to equity per share.
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 2016	3rd quarter 2016	2nd quarter 2016	1st quarter 2016	4th quarter 2015
Total interest income	13 273	12 976	12 880	13 295	13 934
Total interest expenses	(4 901)	(4 495)	(4 336)	(4 582)	(4 872)
Net interest income	**8 372**	**8 481**	**8 544**	**8 713**	**9 062**
Commission and fee income	2 814	2 851	2 992	2 794	2 916
Commission and fee expenses	(678)	(835)	(856)	(803)	(834)
Net gains on financial instruments at fair value	1 689	1 411	1 029	2 384	2 164
Net financial result, DNB Livsforsikring	(57)	45	(68)	9	(928)
Net risk result, DNB Livsforsikring	290	109	234	103	247
Net insurance result, DNB Forsikring	181	148	204	115	132
Profit from investments accounted for by the equity method	(45)	(0)	1 148	86	(28)
Net gains on investment properties	(7)	(5)	(18)	(5)	122
Other income	44	205	287	259	35
Net other operating income	**4 230**	**3 929**	**4 952**	**4 942**	**3 825**
Total income	**12 602**	**12 409**	**13 496**	**13 655**	**12 888**
Salaries and other personnel expenses	(2 842)	(2 874)	(2 911)	(3 277)	(1 106)
Other expenses	(1 828)	(1 694)	(1 965)	(1 765)	(1 931)
Depreciation and impairment of fixed and intangible assets	(524)	(475)	(510)	(668)	(590)
Total operating expenses	**(5 194)**	**(5 043)**	**(5 385)**	**(5 711)**	**(3 626)**
Pre-tax operating profit before impairment	**7 409**	**7 366**	**8 111**	**7 945**	**9 262**
Net gains on fixed and intangible assets	(12)	20	(20)	(6)	(9)
Impairment of loans and guarantees	(1 753)	(2 176)	(2 321)	(1 174)	(1 420)
Pre-tax operating profit	**5 644**	**5 209**	**5 770**	**6 764**	**7 833**
Tax expense	(290)	(1 130)	(1 190)	(1 529)	(1 077)
Profit from operations held for sale, after taxes	26	1	(10)	(13)	28
Profit for the period	**5 380**	**4 080**	**4 569**	**5 222**	**6 784**
Portion attributable to shareholders	5 143	3 952	4 454	5 107	6 658
Portion attributable to additional Tier 1 capital holders	238	128	115	115	126
Profit for the period	**5 380**	**4 080**	**4 569**	**5 222**	**6 784**
Earnings/diluted earnings per share (NOK)	3.16	2.43	2.74	3.41	4.11

Comprehensive income statement

DNB Group

Amounts in NOK million	4th quarter 2016	3rd quarter 2016	2nd quarter 2016	1st quarter 2016	4th quarter 2015
Profit for the period	**5 380**	**4 080**	**4 569**	**5 222**	**6 784**
Actuarial gains and losses	(23)	(122)		(39)	31
Property revaluation	37	7	1	2	(282)
Items allocated to customers (life insurance)	(37)	(7)	(1)	(2)	282
Items that will not be reclassified to the income statement	(23)	(122)		(39)	31
Currency translation of foreign operations [1]	3 562	(4 321)	(1 340)	(4 376)	2 369
Currency translation reserve reclassified to the income statement			(43)		
Hedging of net investment [2]	(2 415)	2 950	843	2 968	(1 578)
Investments according to the equity method [3]	4	4		(33)	889
Investments according to the equity method, reclassified to the income statement [3]			(855)		
Items that may subsequently be reclassified to the income statement	1 151	(1 367)	(1 395)	(1 442)	1 680
Other comprehensive income for the period (net of tax)	**1 128**	**(1 489)**	**(1 395)**	**(1 480)**	**1 710**
Comprehensive income for the period	**6 509**	**2 591**	**3 173**	**3 742**	**8 494**

1) *Currency translation effects related to the Baltics came to NOK 103 million in the fourth quarter of 2016.*
2) *Hedging of net investments in the Baltics reoresented a loss of NOK 61 million in the fourth quarter of 2016, net of tax.*
3) *DNB had indirect ownership interests in Visa Europe through its membership in Visa Norge. In connection with the valuation of the holdings in Visa Europe as at 31 March 2016 an accumulated gain of NOK 855 million was recognised in other comprehensive income. Upon the completion of the acquisition of Visa Europe by Visa Inc in the second quarter of 2016, this amount was reclassified to profit and a total gain of NOK 1 128 million was recognised as "Profit from investments accounted for by the equity method" in the income statement.*

Profit and balance sheet trends (continued)

Balance sheet

DNB Group

Amounts in NOK million	31 Dec. 2016	30 Sept. 2016	30 June 2016	31 March 2016	31 Dec. 2015
Assets					
Cash and deposits with central banks	208 263	175 212	154 438	166 587	19 317
Due from credit institutions	176 442	192 931	214 902	180 065	301 216
Loans to customers	1 509 078	1 484 756	1 542 285	1 534 902	1 542 744
Commercial paper and bonds at fair value	296 642	302 291	300 706	286 273	289 695
Shareholdings	22 512	21 205	25 626	27 578	19 341
Financial assets, customers bearing the risk	60 220	56 417	52 893	50 967	49 679
Financial derivatives	157 940	187 023	198 953	215 743	203 029
Commercial paper and bonds, held to maturity	94 008	95 963	99 489	100 516	105 224
Investment properties	15 912	15 493	16 419	15 416	16 734
Investments accounted for by the equity method	7 768	7 901	7 869	9 715	9 525
Intangible assets	5 814	5 759	5 903	5 963	6 076
Deferred tax assets	1 404	943	1 061	1 100	1 151
Fixed assets	7 949	7 898	8 565	8 717	8 860
Assets held for sale	52 541	52 482	180	204	200
Other assets	36 709	45 210	35 867	35 338	25 739
Total assets	**2 653 201**	**2 651 484**	**2 665 157**	**2 639 081**	**2 598 530**
Liabilities and equity					
Due to credit institutions	212 882	192 979	189 824	160 778	161 537
Deposits from customers	934 897	917 952	961 138	927 559	944 428
Financial derivatives	130 161	155 491	156 121	173 398	154 663
Debt securities issued	765 869	784 953	811 523	829 997	804 928
Insurance liabilities, customers bearing the risk	60 220	56 417	52 893	50 967	49 679
Liabilities to life insurance policyholders in DNB Livsforsikring	208 160	210 425	210 027	210 230	208 726
Insurance liabilities, DNB Forsikring	1 892	2 057	2 108	2 125	1 846
Payable taxes	8 874	7 093	5 080	4 186	2 093
Deferred taxes	3 816	7 860	7 950	7 780	7 672
Other liabilities	44 568	49 806	43 174	44 009	37 675
Liabilities held for sale	41 243	39 547	59	56	71
Provisions	2 094	1 762	1 725	1 570	1 285
Pension commitments	2 756	3 003	2 757	2 684	2 549
Subordinated loan capital	29 347	28 202	29 498	29 826	30 953
Total liabilities	**2 446 779**	**2 457 549**	**2 473 878**	**2 445 165**	**2 408 105**
Share capital	16 286	16 288	16 282	16 268	16 257
Share premium	22 609	22 609	22 609	22 609	22 609
Additional Tier 1 capital	15 952	9 641	9 559	8 067	8 353
Other equity	151 576	145 397	142 829	146 972	143 207
Total equity	**206 423**	**193 935**	**191 279**	**193 916**	**190 425**
Total liabilities and equity	**2 653 201**	**2 651 484**	**2 665 157**	**2 639 081**	**2 598 530**

Information about the DNB Group

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Board of Directors in DNB ASA

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

Group management

Rune Bjerke	Group chief executive
Bjørn Erik Næss	Chief financial officer (until 1 March)
Kjerstin Braathen	Chief financial officer (from 1 March)
Trond Bentestuen	Group executive vice president Personal Banking Norway
Benedicte Schilbred Fasmer	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
Rune Garborg	Group executive vice president Vipps and Payments
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
Kari Olrud Moen	Group executive vice president Group projects

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Financial calendar

Annual report 2016	9 March 2017
Annual general meeting 2017	25 April 2017
Ex-dividend date 2017	26 April 2017
Distribution of dividends 2017	as of 5 May 2017
Q1 2017	28 April 2017
Q2 2017	12 July 2017
Q3 2017	26 October 2017
Capital markets day 2017	21 November 2017

Other sources of information

Annual and quarterly reports

Separate annual and quarterly reports are prepared for the DNB 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.

The quarterly report has been produced by Group Financial Reporting in DNB.
Cover design: REDINK
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Here for you. Every day.
When it matters the most.

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