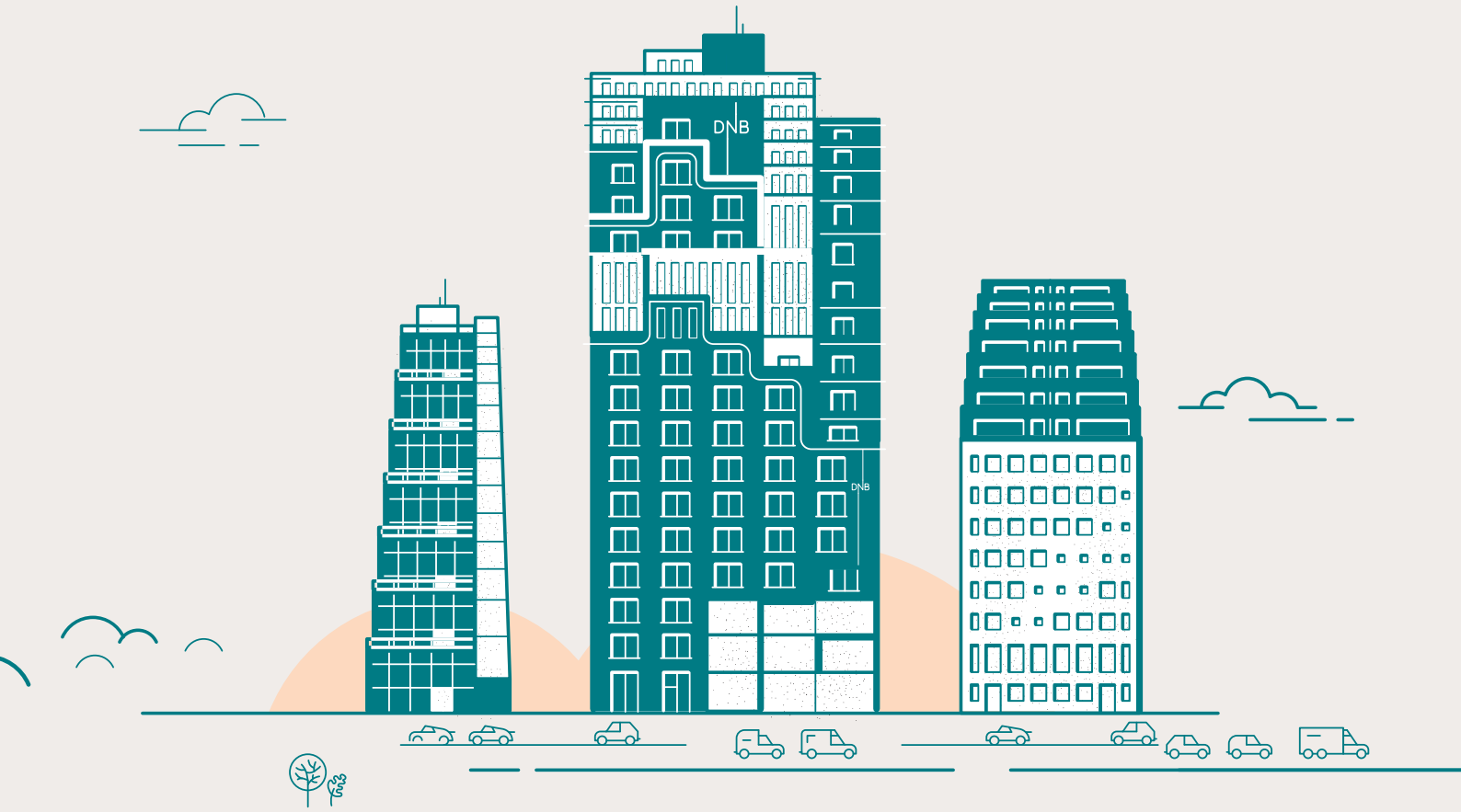
DNB GROUP
ANNUAL REPORT 2016

Results that count

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



Ideas produce results that count

There are people all over Norway with dreams, large and small, whether it is for their own home, for a renewable future or for products that make their days better. We are proud that DNB helped to realise so many of these dreams last year.

The financial services industry is in rapid change, facing digitalisation, automation, new competency requirements, increased innovation and new market entrants. We must always be able to offer new and better services and continually develop our own expertise to be attractive for our customers.

In recent years, DNB has built up capital to meet the regulatory requirements. Through greater capital efficiency and the build-up of profits, we have now reached the targeted capital level. We are therefore well prepared to face both the future and any new requirements, and we can now concentrate on fulfilling our vision to be there for our customers, every day, when it matters the most.

In this year's annual report, we show all the factors that influence DNB and our relationship to the society of which we are a part. The aim is to give the best possible overview of current operations and show how the Group and each individual employee are preparing for the future.

In addition, selected stories show people who want to create something and how they do this in cooperation with DNB.

After all, it is people and their ideas that are the starting point for all results that are achieved. Whether you are a customer, shareholder or employee.

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Printed as a separate report

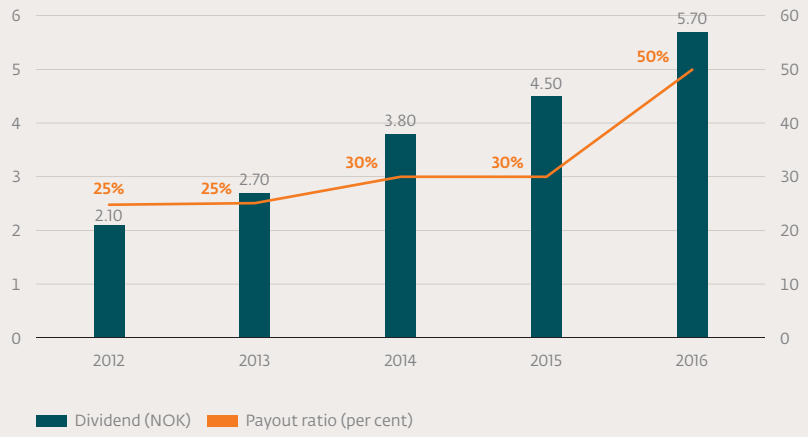
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DNB's annual report is available at dnb.no/en/about-us

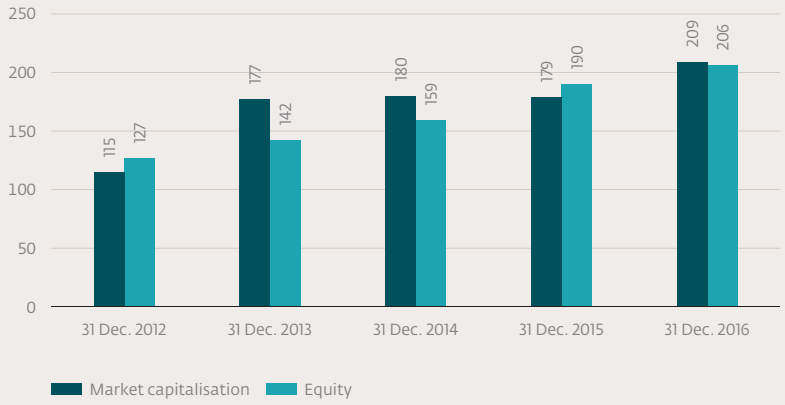
Share dividend and payout ratio

Dividend in NOK *Payout ratio in per cent*



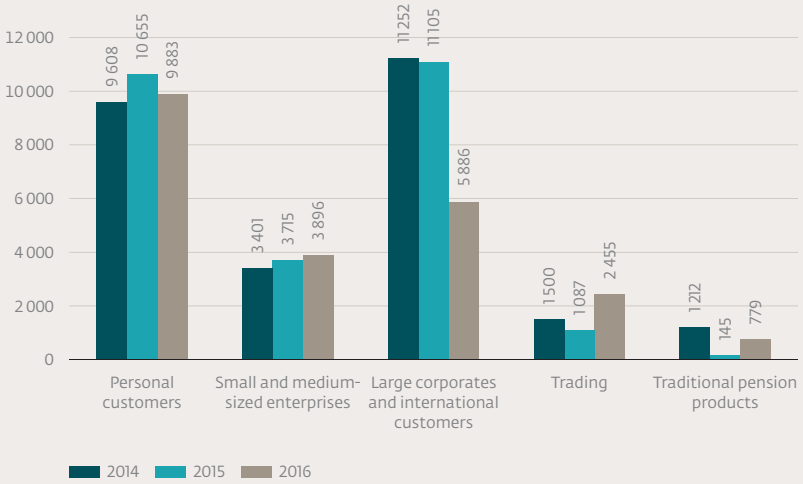
The DNB Group's market capitalisation and equity

NOK billion



Segments – pre-tax operating profit

NOK million



10.1

(14.5)

Return on equity in per cent

5.70

(4.50)

Dividend per share in NOK

16.0

(14.4)

Common equity Tier 1 capital ratio

84

(84)

Engagement index score

64.0

(70.1)

Reputation score[1)]

(The figures in parentheses refer to 2015)

1) *According to RepTrak's reputation survey in Norway in the fourth quarter.*

KEY FIGURES

	2016	2015	2014	2013	2012
Profit for the year	19 251	24 772	20 617	17 511	13 792
Earnings per share (NOK)	11.46	14.98	12.67	10.75	8.48
Combined weighted total average spread for lending and deposits (per cent)	1.32	1.33	1.31	1.31	1.18
Net non-performing and net doubtful loans and guarantees as a percentage of net loans	1.49	0.76	0.96	1.38	1.50
Impairment relative to average net loans to customers	(0.48)	(0.15)	(0.12)	(0.17)	(0.24)
Share price at year-end (NOK)	128.40	109.80	110.70	108.50	70.40
Price/book value	1.10	0.98	1.14	1.25	0.90
Score from RepTrak's reputation survey in the fourth quarter (points)	64.0	70.1	67.8	71.0	69.6
Meetings with companies undertaken by the responsible investment team to discuss CSR issues (number)	72	27	30	39	29
Customer satisfaction index for personal customers, CSI (score)	70.2	73.9	71.1	72.5	74.2
Number of full-time positions at end of period	11 007	11 380	11 643	12 016	13 291
Female representation at management levels 1–4 (%)	33.5	31.3	30.5	29.4	29.2

See extended key figure tables:

- Key figures for responsible operations – see dnb.no/en/about-us/csr/sustainability-library.html
- Employee-related key figures – page 70
- Share-related key figures – page 125
- Financial key figures – page 250

70.2
Customer satisfaction score



33.5%
Female representation at management levels 1–4

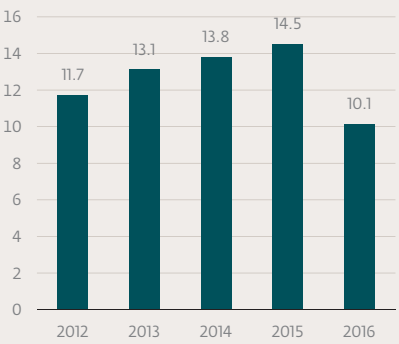


50%
Share of Norway's adult population using Vipps



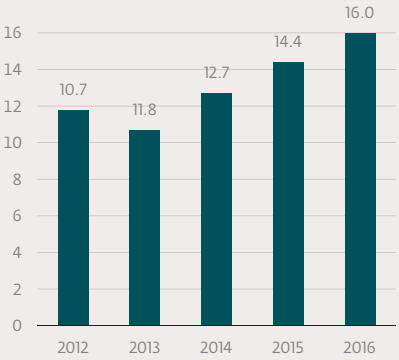
Return on equity

Per cent



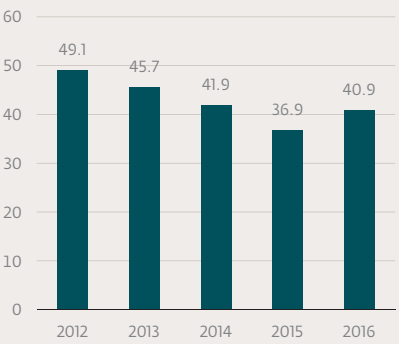
Common equity Tier 1 capital ratio, transitional rules

Per cent



Cost/income ratio

Per cent



Group chief executive's statement

2016 was the year when many things became a little bit different. We reduced the number of branch offices, but customer activity increased. DNB's reputation scores declined, but the employees became more positive and engaged in their work. The oil price and the outlook for the Norwegian economy improved, and DNB's share price rose. The Group's common equity Tier 1 capital target was reached one year ahead of plan, and dividend payments were increased in line with our long-term ambition.

In the first half of the year, we implemented the biggest restructuring of our distribution network ever. We reduced the number of branch offices in Norway from 116 to 57. The reason for this is changes in customer behaviour. As a result of new technology and digital services, our customers use us in different ways. While the use of digital services has exploded in recent years, there has been a prolonged decline in the number of visitors to our branch offices. 90 per cent of Norwegian banking customers no longer use branch offices for their daily banking needs. Nine out of ten Norwegians cover their banking needs online, and an increasing number now use their mobile phone or tablet. The number of visits in our mobile bank has increased from 700 000 to 17 million per month during the last three years. Even though we have closed half of our branch offices, we have never talked more with our customers than in 2016. Furthermore, changes in customer behaviour are not unique to the personal customer market – corporate customers also want to use the bank in new ways. Nine out of ten companies now establish their customer relationships digitally. In Finalta's benchmark analysis of the international banking sector, we were ranked number one in the world based on the efficiency of our branch network, and number two based on the termination of manual services in our branch offices.

For large parts of the Norwegian business community, 2016 was a challenging year. This can largely be attributed to the sharp fall in oil prices in 2014 and 2015. The price of oil dropped from USD 115 per barrel to USD 57 per barrel in 2014, and further to USD 37 per barrel in 2015. We started the year with the lowest oil price since the financial crisis. This made 2016 a challenging year, not only for the oil companies, but also for oil-related industries that supply goods and services.

Analysts in DNB Markets estimate that 40 000 jobs in the Norwegian oil industry disappeared during 2015 and 2016. Even though the oil slump has been painful, it is also important to remember that it is primarily sector-specific. Some industries experienced growth, increased employment levels and very strong earnings in 2016. For example, the hotel and tourist industry reported record profits, as did the seafood industry and several other export industries that are benefiting from a weaker Norwegian krone.

This was also clearly reflected in the regional differences in unemployment. At the end of the year, only four of 19 counties in Norway had significantly higher unemployment levels compared with the same period in 2015. In early 2017, Norway has a good starting point to meet macroeconomic challenges and has considerable scope of action in both fiscal and monetary policy. In addition, many people underestimate the enormous ability and willingness of the Norwegian manufacturing industry to restructure its operations. Over many generations, Norway has adapted to cyclical markets. We have shown that we can cope well with change. DNB is an important market participant, contributing with expertise and capital to promote innovation and restructuring.

"Considerable efforts have been made to transform the bank to meet new requirements and competition."

GROUP CHIEF EXECUTIVE RUNE BJERKE

DNB was affected by the challenges in the oil and offshore industry, and our losses and impairment levels increased. Nevertheless, our share price increased from NOK 109.80 to 128.40 in 2016. Including dividend payments of NOK 4.50 per share, DNB created values of more than NOK 37.6 billion for its owners. The positive trend is partly due to our solid capital position. DNB has built up just over NOK 100 billion in common equity Tier 1 capital since 2007. Now we have the opportunity to change our focus and spend more time exploring new and exciting business opportunities. In addition, we have managed to maintain our industry-leading cost-effectiveness despite higher non-recurring costs related to the restructuring of our branch network.

Reputation-wise, 2016 was a demanding year. Several difficult cases dominated the news, particularly Panama Papers and the financing of the construction of an oil pipeline in North Dakota. We have had to endure criticism from both the media and our customers. For me, Panama Papers is a reminder of how much the financial services

industry has changed over the last ten years. Practices that were previously quite common are now completely unthinkable. We have learned a lot and implemented a number of measures. We have reviewed all products and services throughout the Group to ensure that we live up to the expectations of our stakeholders.

Although our reputation score fell in 2016, customer activity increased, and customer satisfaction rose in several segments. Both loan volumes and our market share of home mortgages increased. We strengthened our market position within investment banking. Through our NXT initiative, we helped more entrepreneurs than ever. By the end of 2016, we also had more pension funds under management in defined-contribution schemes than ever before. In Sweden, there was a significant improvement in both customer satisfaction and earnings, while Large Corporates and International and Markets experienced higher customer satisfaction scores in 2016.

So despite the fact that 2016 was a year characterised by restructuring and workforce reductions in DNB, internal employee surveys show that our employees are more positive and committed to their work. DNB's employees have shown a strong ability to stick together when we have been in the middle of a storm.

We must continue to work hard to be there for our customers. Every day. When it matters the most. We have developed new services that make life easier for our customers. The savings product "Lev Mer" (Live More) makes it easy to start saving for retirement. "Boligreisen" (Home Journey) gives customers advice and guidance during all phases of a home purchase. Vipps has made it easy to make payments and transfer money. We have proven that our customer value proposition is more than just words. It is something that permeates everything we do.

We received the Norwegian Confederation of Vocational Unions' (YS) equal opportunity award for 2016 with humility and pride. We were praised for our long-term efforts to reduce internal differential treatment, recruit women to senior executive positions and strive for diversity with respect to gender, ethnicity, age and education. We will continue to work systematically with equal opportunity in the period ahead.

I cannot conclude without saying a little more about Vipps because 2016 was the year when Vipps took the step from being a free person-to-person payment application to becoming a payment platform with undreamed of possibilities. We increased the number of active users from 1 to 2.1 million. We launched Vipps for SMEs, clubs and associations. We simplified the payment solutions in the NSB and Ruter apps, and we made advance payments possible in taxis. At the end of the year, we launched a solution that will seriously revolutionise the invoice market, called Vipps Invoice. What is most exciting is that we have just begun.

For quite some time, we have worked on integrated reporting in DNB. We are following the guidelines outlined in the framework of the International Integrated Reporting Council, IIRC. In 2016, for the first time, we conducted a comprehensive materiality analysis that describes DNB's main challenges to ensure long-term value creation. The most important challenges are grouped in three main themes related to customers, employees and society.

We have endorsed the United Nations' sustainable development goals, SDGs, and are continuing our support to the UN Global Compact and the initiative's ten basic principles in the areas of human rights, labour, the environment and anti-corruption. After reading the report, you will have a more complete picture of our value creation and the role we play in society.

Even with some challenges, 2016 was yet another good year for DNB. Considerable efforts have been made to transform the bank to meet new requirements and competition. The adjustments made mean that we are in a stronger position at the start of 2017. In the light of the improved outlook for both oil prices and the Norwegian economy, we have a much better starting point in 2017 than we had in 2016.

We will continue on our journey to become a bank for the future, and we will continue to deliver on our vision of creating value through the art of serving the customer.

Rune Bjerke
Group chief executive.



"If we manage to capitalise on everyone's knowledge and experience, this will help to create long-term value."

IQRA RIZWANI

Brand ambassador

DNB's brand ambassador programme is an internal initiative whereby DNB employees each year select 100 colleagues to be brand builders. The network of brand ambassadors will help build a culture characterised by employee engagement and customer orientation, while being a driving force of change.

Iqra Rizwani is one of them. She works in HR Job Centre Resources.

What do you think is important if DNB is to create long-term value and how can you contribute?

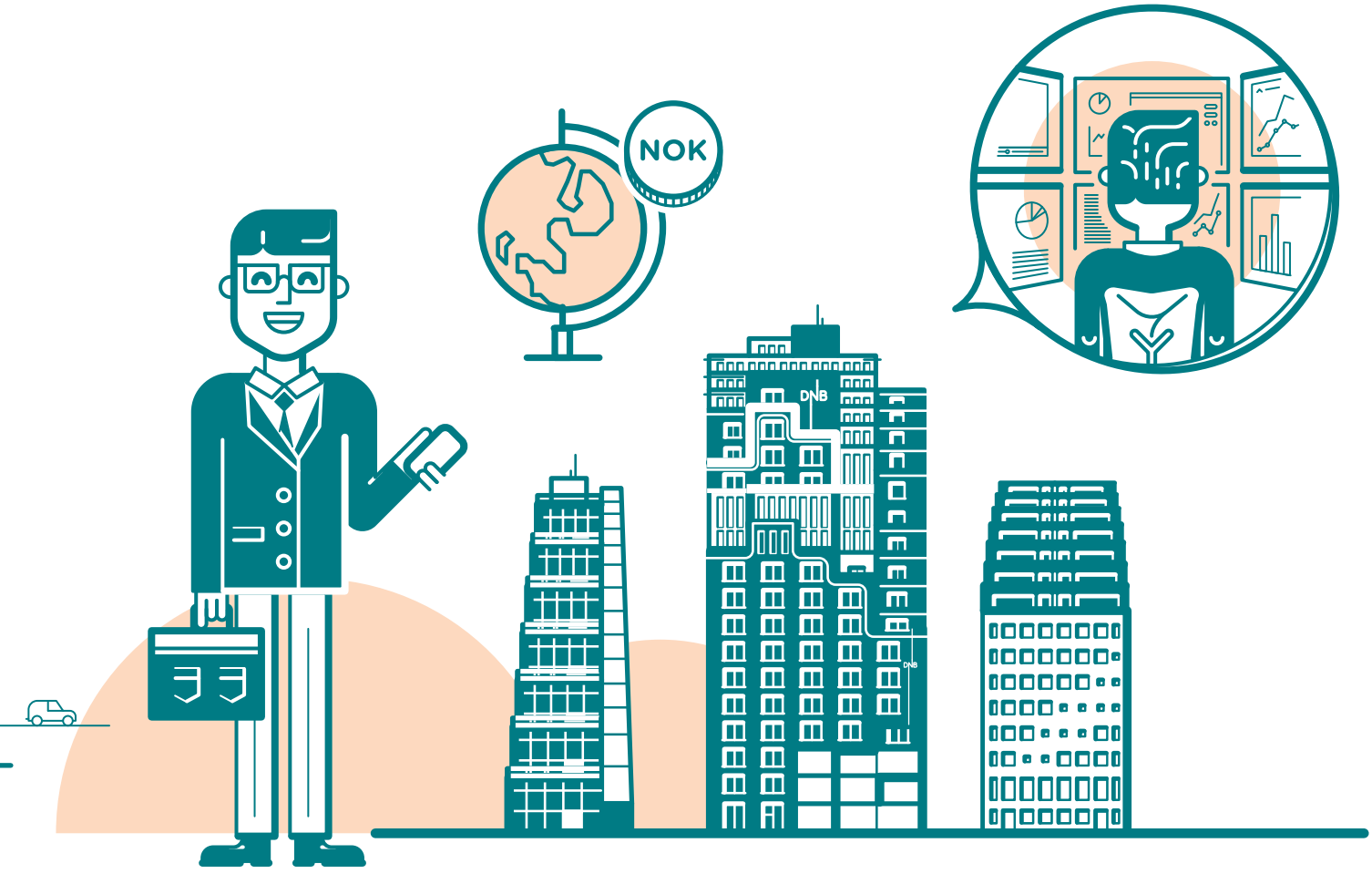
"I think that it will be even more important in the future that DNB continues to be a bank that cares, takes responsibility and initiative, sets direction and is a leader in its field. This means that we will have to invest even more in promoting financial literacy, adaptability, change capacity, innovation and entrepreneurial businesses."



1

DNB in brief

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Vision and values, strategy and targets

DNB represents more than 190 years of financial history, from the establishment of Christiania Sparebank in 1822 to the position as Norway's largest financial services group, with total combined assets of NOK 2 931 billion as at 31 December 2016.

The Group offers a full range of financial services, including loans, savings, investment, payment transfers, advisory services, real estate broking, insurance and pension products for personal and corporate customers.

DNB is among the world's leading banks within its international priority areas, especially the energy, shipping and seafood sectors. The bank is available across Norway through its 24/7 telephone and online banking service, branch offices and in-store postal outlets.

The company's largest shareholder is the Norwegian government, represented by the Ministry of Trade, Industry and Fisheries, which owns 34 per cent of the shares. The second largest shareholder is the DNB Savings Bank Foundation, which has a 9 per cent shareholding.

VISION, VALUES AND CUSTOMER VALUE PROPOSITION

DNB's vision, values and customer value proposition are about putting the customers in focus.



Vision
Creating value through the art of serving the customer

Values
Helpful, professional and show initiative

Customer value proposition
Here for you. Every day. When it matters the most.

The **vision** underlines that DNB will create value for customers, owners, employees and society in general. The **values** reflect what should characterise DNB. Employees who are helpful, professional and show initiative will ensure that customers always have a good experience when they contact DNB. The **customer value proposition** is all about when, where and how DNB is there for its customers. Being there is about identifying customer needs in order to be able to offer the best solutions.

FINANCIAL TARGETS

DNB has a well-established strategy with clear financial targets:

Return on equity (ROE)	Cost/income ratio	CET1 ratio[1)]	Dividend payout ratio
>12% (towards 2019)	<40.0%	~16.0% (at year-end 2017)	>50% (from 2017)
10.1%	40.9%	16.0%	49.8%

Target Achieved in 2016



1) *Based on transitional rules and including a management buffer.*

STRATEGY

CAPITAL

DNB shall

- Meet the capital adequacy requirement of approximatly 16.0 per cent at year-end 2017
- Deliver a return on equity above 12 per cent towards 2019
- Remain among the most cost-effective banks and have a cost/income ratio below 40 per cent
- Ensure efficient use of scarce resources

CUSTOMERS

DNB shall

- Improve its corporate reputation and ensure better customer experiences
- Cover a broader range of customer needs
- Increase the degree of self-service
- Meet customers with a common brand image

CULTURE

DNB shall

- Become the best among Nordic banks in terms of leadership communication and employee engagement
- Ensure adaptability and change capacity
- Cultivate an improvement culture



DNB's strategic platform consists of the vision and values and a shared customer value proposition. The platform shows what should characterise the Group and sets a common direction in the form of:

- Strategic priorities that ensure the best possible risk-adjusted return on allocated capital
- Close customer relationships and increased customer profitability by moving from "my customer" to "our customer"
- Greater flexibility and adaptability

DNB gives priority to long-term value creation for its shareholders and aims to achieve a return on equity, a rate of growth and a market capitalisation which are competitive in relation to its Nordic peers.



MATERIALITY ANALYSIS AND INTEGRATED REPORTING

DNB established an integrated report for the first time for the 2015 reporting year. In 2016, DNB took a step further by establishing a comprehensive materiality analysis. The materiality analysis includes more than traditional social responsibility topics and shows a prioritisation of the long-term challenges facing DNB. It is intended to give an overall picture of the topics that have the greatest impact on DNB's future value creation and will also serve as input to DNB's future strategy work.

The key findings in the analysis can be grouped into three main challenges related to customers, employees and society. Ensuring profitability and financial strength is deliberately not included in the materiality analysis because the targets in these areas are well established in the Group.

Reporting is based on the prioritised topics in the materiality analysis in the annual report for 2016, as specified below.

Master the art of serving the customer

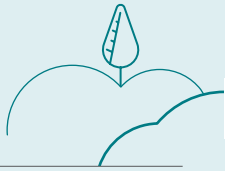
- Ensure good customer experiences
- Keep up the pace of innovation and secure the ability to meet new customer needs
- Provide ethical products and services

Have the right competencies

- Ensure engaged employees
- Promote adaptability and change capacity
- Attract and develop talents

Contribute to a healthy economy

- Promote innovation and restructuring in the Norwegian economy
- Promote financial literacy
- Integrate and promote sustainability considerations in operations
- View risks and opportunities in a long-term perspective
- Ensure openness and transparency



The materialty analysis is described in further detail on page 57.

Presence



Norway's largest **mobile bank** with more than 200 million visits per year.

A unique **distribution network** across Norway comprising branch offices, post offices and stores. Available via telephone, chat and Facebook **24/7**, 365 days a year. Loan applications are processed between 8.00 a.m. and 10.00 p.m. every day.



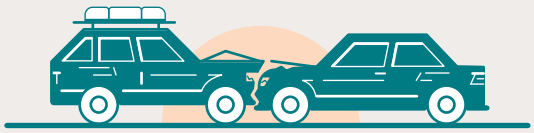
Norway's leading financial services group with 2.1 million personal customers and 183 000 corporate customers.

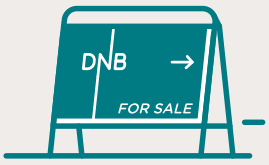
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215 667

non-life insurance customers

Provides **life insurance and pension products** to just over 1.2 million customers and has individual and group agreements with some 25 000 companies.





Norway's second largest **real estate broker**, with a market share of 19 per cent. Leading market position in Oslo.

2.1

million personal customers and 30 000 companies use the Vipps payment app. Vipps Invoice was launched in 2016.





DNB Asset Management is Norway's largest **asset management company** with close to 480 000 mutual fund customers in Norway and 103 institutional clients in Norway and Sweden. Assets under management total NOK 531 billion.



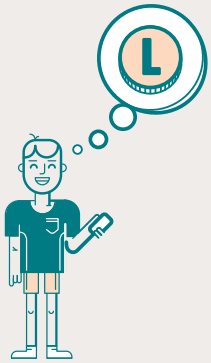
Ranked as number one within **equity brokerage** and **research** in Norway in 2016.



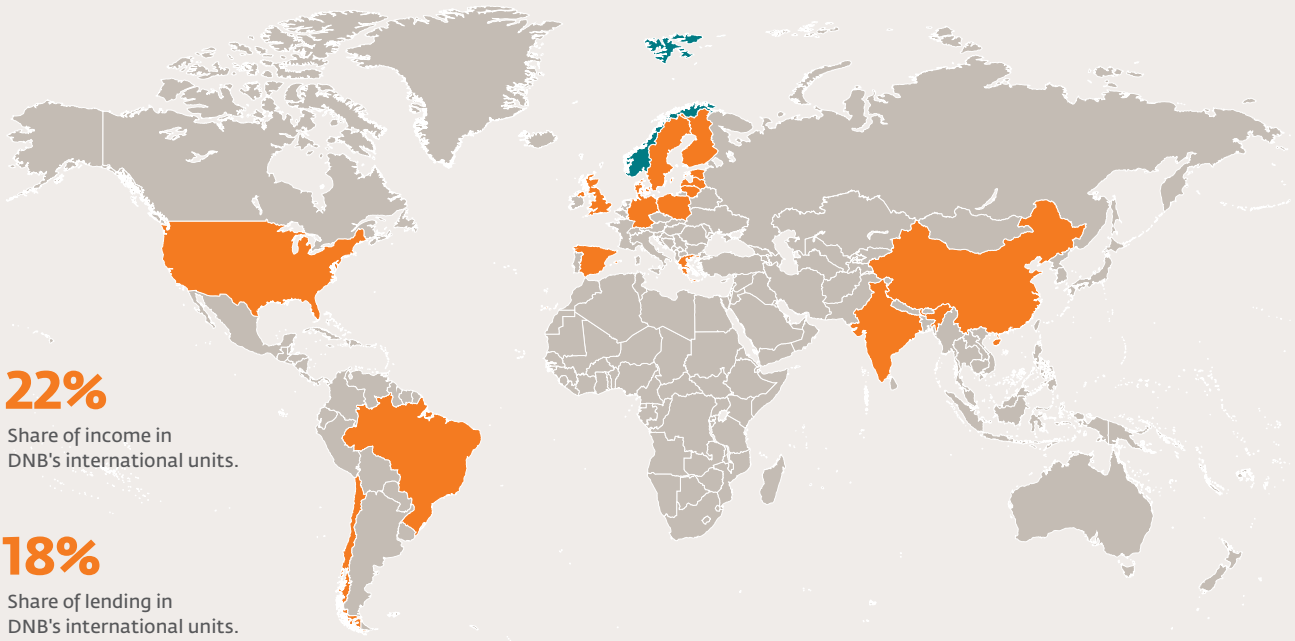
Largest arranger of **commercial paper** and **bond issues** in Norway in 2016.



Ranked as **number one** among bond issuers in Norway in 2016.



In 2016, 1 391 teachers started using **A Valuable Lesson**, and 326 **Internet banking courses** were held.



22%
Share of income in DNB's international units.

18%
Share of lending in DNB's international units.



One of the world's leading **shipping** and **seafood** banks.

A significant international player within **energy** and **healthcare** financing. 40 per cent of the financing of **water, wind and solar power** is international.

A market leader within **cash management** in Norway, a leading **trade finance bank** and an important global partner for **international customers**.





2 763
entrepreneurs received help to start **their own business** in 2016.

Market shares in Norway

Personal customer market as at 31 December 2016

25%
Loans from financial institutions

28%
Home mortgages

30%
Deposits

46%
Policyholders' funds[1)]

33%
Mutual fund investments

Corporate market as at 31 December 2016

22%
Loans from financial institutions

38%
Deposits

20%
Policyholders' funds[1) 2)]

25%
Mutual fund investments

1) As at 30 September 2016. 2) Includes the public sector.

Source: Statistics Norway and Finance Norway

DNB in society

The Group's vision is to create value for customers, shareholders, employees and society at large. As Norway's largest bank, DNB plays an important role in many people's lives. Changes in customer behaviour, regulations and technology affect both DNB and society.

Mastering the art of serving the customer and continuing to create good customer experiences so that ideas can be realised, profits generated and jobs created are key to the Group's operations.

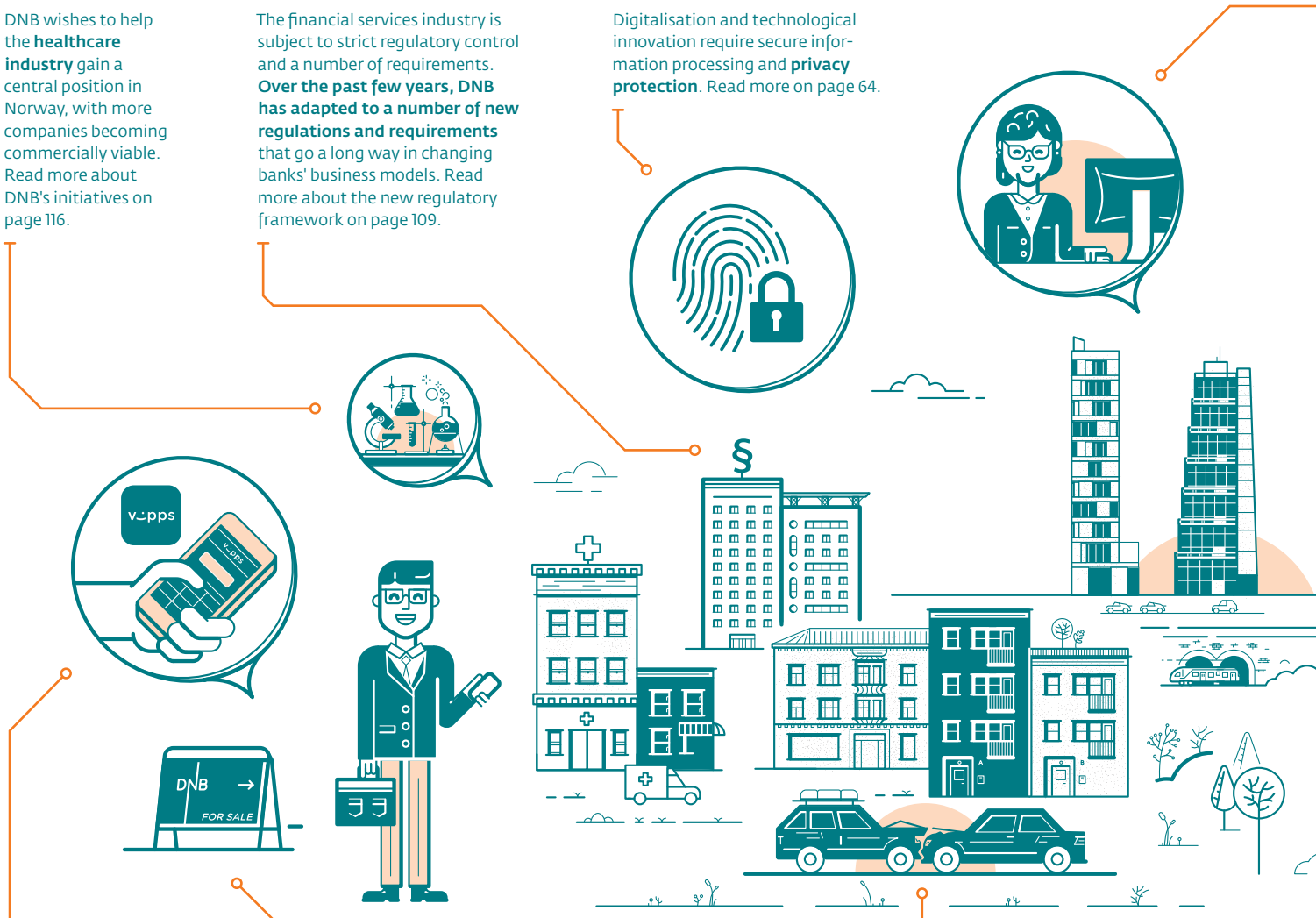
The employees are the Group's most important resource. In view of the current pace of change in society, promoting adaptability and change capacity is essential if the Group is to **have the right competencies** for the future.

As a responsible player in society, DNB wishes to c**ontribute to a healthy economy** by promoting innovation and restructuring, promoting financial literacy, integrating sustainability considerations in its operations and ensuring openness and transparency in the best interests of the Group and society.

DNB wishes to help the **healthcare industry** gain a central position in Norway, with more companies becoming commercially viable. Read more about DNB's initiatives on page 116.

The financial services industry is subject to strict regulatory control and a number of requirements. **Over the past few years, DNB has adapted to a number of new regulations and requirements** that go a long way in changing banks' business models. Read more about the new regulatory framework on page 109.

Digitalisation and technological innovation require secure information processing and **privacy protection**. Read more on page 64.



Vipps has been taken into use by 2.1 million Norwegians, and in the course of 2016, new functionality was developed, such as Vipps Invoice and in-app payment solutions for Ruter, NSB, Elkjøp and Oslo Taxi.

Not many people would be able to finance the dream of owning their own home without a bank to support them. DNB's Home Journey helps home buyers in the buying and/or selling process. DNB Eiendom is Norway's second largest **real estate broker**. Read more on page 31.

Without **non-life and life insurance** it would be difficult to cope with the consequences of accidents and secure one's closest family members financially. DNB has products for all needs and life phases.

DNB raises capital from three main sources

1) Shareholders

2) Norwegian and international institutional investors through long-term funding and securities

3) Companies and individuals through deposits, which are a core element of customer operations.

DNB Markets is Norway's leading investment firm with a product offering that includes trading in and structuring of financial instruments. Read more about Markets on page 44.

Through its **start-up pilots**, DNB has increased its focus on start-up companies in recent years. In 2016, DNB further strengthened its commitment through the launch of **DNB NXT – a meeting place for entrepreneurs and investors**. Read more about NXT on page 16.

DNB is among the world's leading banks within its international priority areas, especially the **energy, shipping and seafood** sectors. The Group has a global presence through a number of international offices and offers a full range of corporate and investment services.

DNB aims to take the position as the **leading renewable energy bank in the Nordic region** and is ranked among the 100 most sustainable companies in the world. Read more about DNB's renewable commitment on page 80.



The "**Guide to the Internet**" was launched in 2016. This is DNB's latest initiative within digital learning and particularly targets the older part of the population. **A Valuable Lesson**, a free digital learning program on personal finance for school children, has been taken into use by more than 900 schools for the 2016/2017 school year. Read more about courses offered by DNB on page 50.

DNB is among the largest companies on Oslo Børs. Through trading of the share on the stock exchange, capital is raised from investors, which is repaid in the form of returns and dividends.

DNB supports sports, culture, charitable organisations and other non-profit causes with significant amounts each year.

Important events

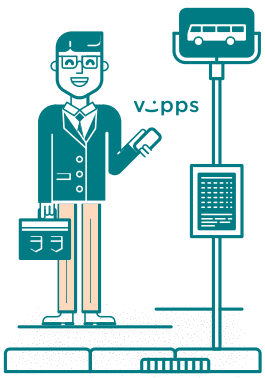
Q1

■ A number of new agreements were entered into concerning the use of the Vipps payment app. DNB, Nets and Verifone signed an agreement enabling customers to use Vipps as a means of payment in shops. DNB also entered into agreements with Oslo Taxi on the use of Vipps in their app Taxifix, with the electronics chain Elkjøp on the use of Vipps in their online shops and with NSB (the Norwegian State Railways) to integrate Vipps in the NSB app.

■ In consequence of developments in the interest rate market and the competitive situation, DNB decided in February to reduce home mortgage rates by up to 0.15 percentage points.

■ DNB Markets was ranked best in Norway within bond brokerage in Prospera's customer survey. In addition, DNB got the highest score within the category Information and Investor Relations.

■ New solvency regulations for European insurance companies, Solvency II, entered into force on 1 January.





Q2

■ To reflect changes in both markets and regulations and in line with the Group's commitment to digitalisation, cost reductions and the build-up of Tier 1 capital, 59 branch offices were closed during the first half of 2016.

■ As part of DNB's strategic focus on insurance, the campaign "Insurance from A to Z" was launched. DNB's "Travel Insurance Best" was, for the third consecutive year, ranked best in Norway.

■ DNB continued to perform well in a number of surveys. In the annual Prospera customer satisfaction survey, DNB Markets came first in almost every category. In a survey carried out by Universum, DNB was ranked the most attractive employer in Norway among business students. In addition, DNB's trainee programme topped the Career Barometer. DNB was ranked best among Norwegian companies by pension customers, and in the consumer survey Sustainable Brand Index, DNB was best among banks in Norway.

Q3

■ Nordea and DNB announced an agreement to combine their operations in Estonia, Latvia and Lithuania, aiming to create a leading bank in the Baltics with strong Nordic roots. The transaction is conditional upon regulatory approvals and other conditions, and is expected to close in the second quarter of 2017.

■ DNB set aside a special salary pool of NOK 17 million to equalise salary differences between men and women in cases where the gap is solely a consequence of gender.

■ DNB launched the concept "Guide to the Internet" to make more people, especially senior citizens, feel confident when using digital banking services and enjoy using the Internet.

■ Vipps for companies was launched, thus making it possible for customers to make payments to companies. Kolonial.no, NSB and Ruter, among others, started to use the app. In addition, DNB and Telenor entered into an agreement on the development and use of Vipps.

■ DNB announced that the bank will adopt the UN sustainability development goals 2030, and that corporate social responsibility and sustainability will be an integral part of the bank's daily operations.

■ In the wake of the Panama Papers case, the law firm Hjort was engaged to make an external review of DNB's



involvement in the matter. The report was presented in mid-September and concluded that DNB had not violated the law. On the other hand, DNB's internal guidelines had been breached, and actions have been taken regarding this matter.

■ In mid-August, the Norwegian Labour Inspection Authority published a report showing certain violations of working time regulations on the part of DNB's sub-supplier of IT services, the Indian Tata Consultancy Services, TCS. TCS has implemented measures to ensure better follow-up of working hours.

■ In a stress test conducted by the European Banking Authority, ESA, DNB was shown to have the greatest resilience to economic crises among the tested banks.

Q4

■ Vipps Invoice was launched at the start of November.

■ 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. 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 was ranked best in Norway in all categories within equity brokerage and research in a survey carried out by Prospera.

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

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

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

■ 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.

■ 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.

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



The next meeting place

How can you make sure that ideas with potential get coupled with life-giving capital? The answer is NXT. →

FACTS

DNB NXT – IDEAS MEET CAPITAL

■ DNB's entrepreneur initiative, which includes start-up pilots, the Start-up Book and extensive cooperation with a wide range of entrepreneur groups across Norway, was extended in 2016 with the NXT concept.

■ The idea behind NXT is to help companies to take the next step.

■ Through the autumn of 2016, local meeting places were set up in Stavanger, Ålesund, Trondheim, Kristiansand and Bergen.

■ In October, during Oslo Innovation Week, a national NXT event was held in DNB's premises in Bjørvika. More than 1 100 people attended: entrepreneurs, investors, DNB employees, politicians, media representatives and other interested parties, and the final round of "100 Pitches" was held.

■ DNB NXT Accelerator is the next step in DNB's entrepreneurial initiative, where selected technology companies receive financial assistance and expert advice to realise their ideas through a three-month programme. Will be implemented in the spring of 2017.



Entrepreneurial initiatives



DNB continues its commitment to entrepreneurs. Benedicte S. Fasmer, head of Corporate Banking (centre of photo), is here flanked by some of them (from left to right): Vinoth Vinaya (Hold), Mireen Fikse (Urban Cultivator), Kristoffer Lande (Gobitech) and Kimberly Larsen (Time to RIOT).

Imagine that you have one of the best ideas in the world. One which will make everyone's day a little bit easier, a little bit smarter, and a little bit better. However, you lack the money to make the idea a reality. Or maybe you run out of capital, and the world's best idea is put in a drawer.

There are thousands of such drawers containing good ideas. In 2016 alone, 4 544 bankruptcies were registered in Norway. During the same period, 61 103 new companies were established in this country, according to Statistics Norway.

Still, many ideas survive, even if it takes a long time to develop them. What often saves them, in addition to the indomitable courage of the idea's originator, is to have some supporters who not only believe in the idea, but who also can do what is necessary to facilitate access to financial backing. This basically means money on the table.

"DNB has Norway's largest network of entrepreneurs and start-up companies – and investors. It is then natural for us to establish meeting places where good ideas meet capital," says Benedicte Schilbred Fasmer, head of Corporate Banking in DNB.

PITCH AND CASH. On 19 October 2016, history was written in Bjørvika. More than 550 entrepreneurs, over 200 investors, some 140 DNB employees and more than 200 other interested parties attended DNB's very first NXT, the latest project in the bank's start-up initiative: where ideas meet capital.

One of the participants received a lot of attention that evening in Bjørvika (and for that matter afterwards too). Under the flashes of the cameras, with a gift cheque of NOK 300 000, Yngvar Pettersen was one big smile. He had just won the finale of "100 Pitches", a contest where entrepreneurs and great ideas present themselves to potential investors.

Pettersen is managing director of Home Control, a company founded on an energy-saving power socket, developed by entrepreneur and electrical engineer Per Hopsø. The company was established in 2003, but it is only over the last few years that things have taken off.

"The process of developing electrical components and getting them approved in Norway takes an awful long time," explains Yngvar Pettersen. He joined Home Control in 2013, when the company chose to invest in a platform for smart house technology rather than in individual energy-saving products.

"It is natural for us to establish meeting places where good ideas meet capital."

BENEDICTE SCHILBRED FASMER, HEAD OF CORPORATE BANKING

SMART DIY. "We want to make everyday life easier for people. We have developed a Do-It-Yourself concept where customers can remotely control the power consumption in their homes. We also develop smart alarms with sensors and smoke detectors. The concept has been launched in the market and is starting to gain momentum," says Pettersen, adding:

"We are still a start-up company, even though we have spent ten years on developing a smart power socket, and then almost three years on the concept itself. Things take longer than you think, especially when you do not have access to the public tendering market, as is the case for start-up companies without sales and security. This is where I wish that the public authorities could be more proactive and take long-term risk. There is not a very strong risk culture in Norway," says Pettersen.

PATIENT CAPITAL. Someone who likes to take long-term risk is Jan-Erik Hæreid, managing director of Alliance Venture, a seed fund. He manages what he calls 'patient capital'.

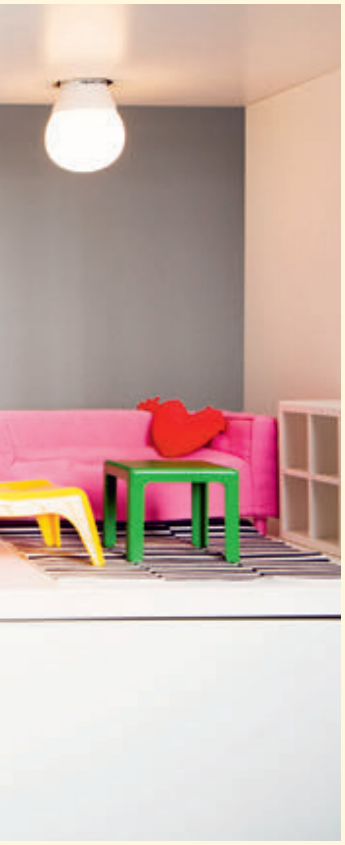
"We invest in private technology companies that are in a very early phase, so early that they do not have any financial history to refer to. Then, the challenge is to assess the three Ps: people, product and potential. We must believe in the people, in the idea and in the potential for achieving returns. One successful investment must pay for the many that fail. In the





1. Won: Yngvar Pettersen is managing director of Home Control, a company engaged in smart house technology. In October, he received a gift cheque of NOK 300 000 after having won the final round of "100 Pitches".

2. The three Ps: Jan-Erik Hæreid, managing director of Alliance Venture, always looks closely at the three Ps when he considers new investments: people, product and potential.



early phase, our role is mainly one of adviser, supporter and offering a shoulder to cry on. In addition, the time horizon for our investments is very long term," says Hæreid.

"We consider many companies, but making the cut is very difficult. We typically invest in one of every 100 companies we consider," says Hæreid.

He attended NXT in October and refers to it as a fantastic event.

"Having such a meeting place for investors and entrepreneurs is a very good thing. I think we registered 10 to 15 companies we did not previously have in our database. However, it remains to be seen whether they are worth investing in!"

THE NEXT STEP FOR NXT. Pettersen in Home Control also uses the term "fantastic" about DNB's NXT event: "DNB has put itself on the map when it comes to innovation, and the whole event had a good mix of talks and mingling. We were noticed by several investors due to NXT, and it is my hope that we will now see more concrete action in the technology industry, and that investors will actually invest in us," says Pettersen.

Benedicte S. Fasmer in DNB appreciates that the NXT event was well received by both investors and entrepreneurs: "Growth companies have expressed that they wish to have meeting places between capital and entrepreneurs, while investors want help in finding the best ideas, preferably in an informal setting. We achieved more than we could have dreamed of as so many attended NXT in October," says Fasmer.

Towards the end of 2016, DNB took yet another step in its entrepreneurial initiative, with the launch of DNB NXT Accelerator. In cooperation with StartupLab, the bank announced a programme for leading technology companies within everything from voice recognition to security and fintech. Through three months in the spring of 2017, five businesses will receive access to up to NOK 1.3 million and be followed up daily by Norwegian entrepreneurs, mentors who themselves are start-up founders and DNB's business and IT experts.

"Our entrepreneurial commitment is not just about being a good bank for start-up founders. Due to our position in the corporate market, this is also a natural way for us to contribute to the restructuring of society," concludes Fasmer.

Five entrepreneurs about DNB NXT



"Hearing other people's stories is inspiring, and I got a lot of inspiration that day."

↑

ABIRI WARD
Burrito Project

Product/idea: The Burrito Project is Oslo's first Mexican-American burrito place, whose goal is to serve high-quality fast food with unique flavours and a wide range of choices. The Burrito Project was one of several food suppliers during NXT in Bjørvika in October.

What were your expectations prior to the NXT event – and were they met? "I expected to meet people from the whole of Norway. Preferably potential investors, but also other entrepreneurs and business owners. Hearing other people's stories is inspiring, and I got a lot of inspiration that day. In addition, it was fantastic to be able to participate actively in the event with our food, and the response we received was really incredible." →



"It was great to be able to showcase our company and our progress to so many potential investors and business partners."

←

KIMBERLY LARSEN
Time to RIOT

Product/idea: Time to RIOT is a web-based market place and digital platform for creative visual services. Here, freelancers working within film, advertising, design, etc. can showcase themselves, and potential clients can find the person they are looking for to join their projects.

What were your expectations prior to the NXT event – and were they met? "Prior to the event, I mainly focused on my own role during the final round of '100 Pitches', but the whole NXT was an amazing experience. We are currently in the process of completing a private placement of shares in the company, and it was great to be able to showcase our company and our progress to so many potential investors and business partners. We are in dialogue with several of them now."

"I have had many exciting meetings with contacts I made at the event."

→

KRISTOFFER LANDE
Gobitech

Product/idea: Gobi started as a Snapchat bot, developed by and for Norwegian University of Science and Technology (NTNU) students. Today, Gobi is a way for groups, large and small, to communicate using snaps and to share everyday moments. This is a way to easily keep in touch with people you do not see very often.

What were your expectations prior to the NXT event – and were they met? "I hoped to gain valuable insight and knowledge from people who have been in the game longer than me, and at the same time network with interesting people with a similar mentality. DNB NXT was the perfect place to do this, and I have since had many exciting meetings with contacts I made at the event."





←

MIREEN FIKSE
Urban Cultivator

Product/idea: The concept is an indoor kitchen garden for homes, restaurants and caterers. In a specially designed cultivator, herbs and vegetables are grown under optimal light, heat and irrigation conditions.

What were your expectations prior to the NXT event – and were they met? "We are located in Trondheim, where DNB does a lot of good work for the local entrepreneur network. When I was invited to Oslo and NXT, my expectations were to meet like-minded people and get new impulses from many great people. A lot happens when ideas meet capital, and in Oslo, the participants were of very high quality. The event definitely met my expectations."

"A lot happens when ideas meet capital, and in Oslo, the participants were of very high quality."

→

VINOTH VINAYA AND MATHS MATHISEN
Hold

Product/idea: Hold is a mobile app that rewards students who put their mobile phone aside in favour of school work. The longer the mobile is not used, the more points are awarded. The points can be traded in for various goods and services from the app's partners.

What were your expectations prior to the NXT event – and were they met? "DNB NXT surpassed our expectations by a comfortable margin. Everything delivered before, during and after the event was of an international standard – impressive to achieve in little Norway, and good for cultivating a venture capital culture! We met with relevant investors and are now in dialogue with several of them. The event has provided us with favourable conditions for growth now that we will soon raise capital for our further expansion in Europe."



"DNB NXT surpassed our expectations by a comfortable margin."

"My goal is to give each customer such a good experience that he or she would like to stay with DNB."

JETTE GRANLI

Brand ambassador

DNB's brand ambassador programme is an internal initiative whereby DNB employees each year select 100 colleagues to be brand builders. The network of brand ambassadors will help build a culture characterised by employee engagement and customer orientation, while being a driving force of change.

Jette Granli, branch host, is one of them.

What do you think is important if DNB is to create long-term value and how can you contribute?

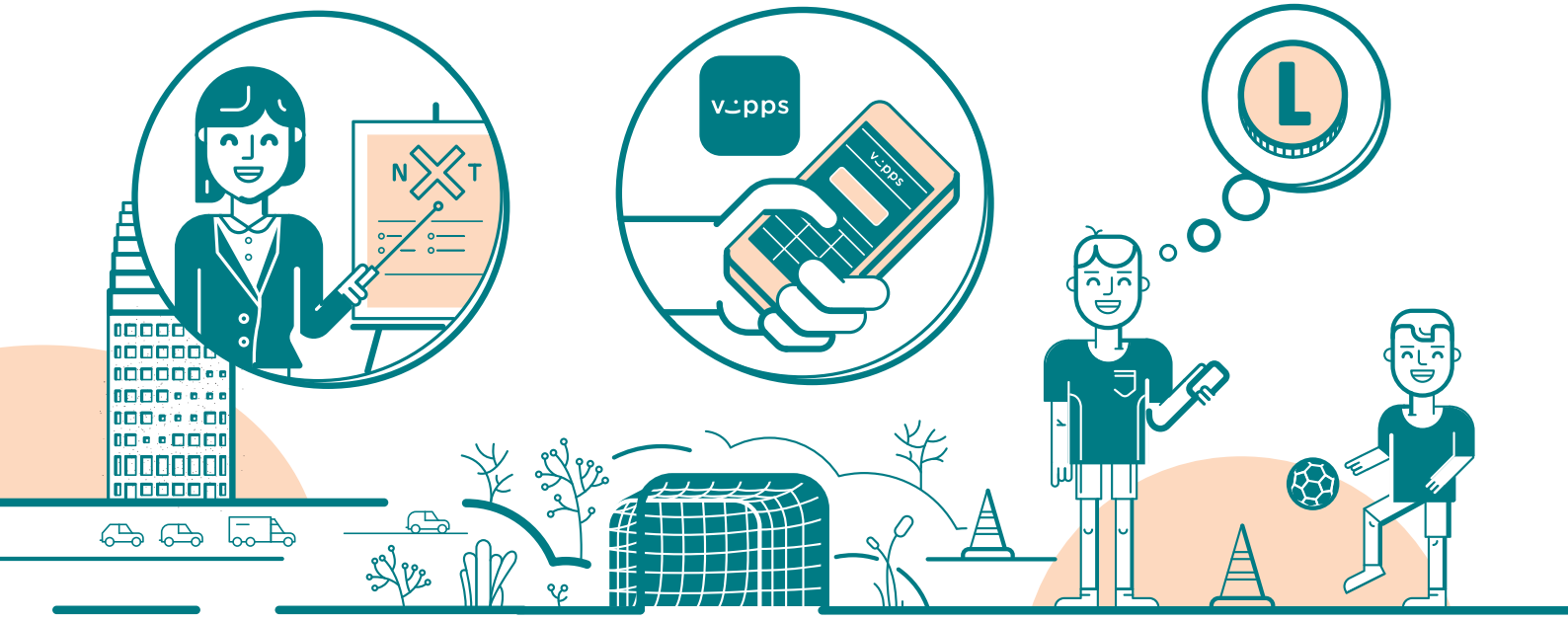
"In my role as a branch host, it is important that I see customers as early as possible, analyse their needs and give them a good experience. In addition, it is important that we employees are familiar with and adopt our new digital solutions so that we can also provide good support to customers in this field. It is also important to stay true to the DNB way of working and bring out the best in each other by giving constructive feedback."



2

Business review

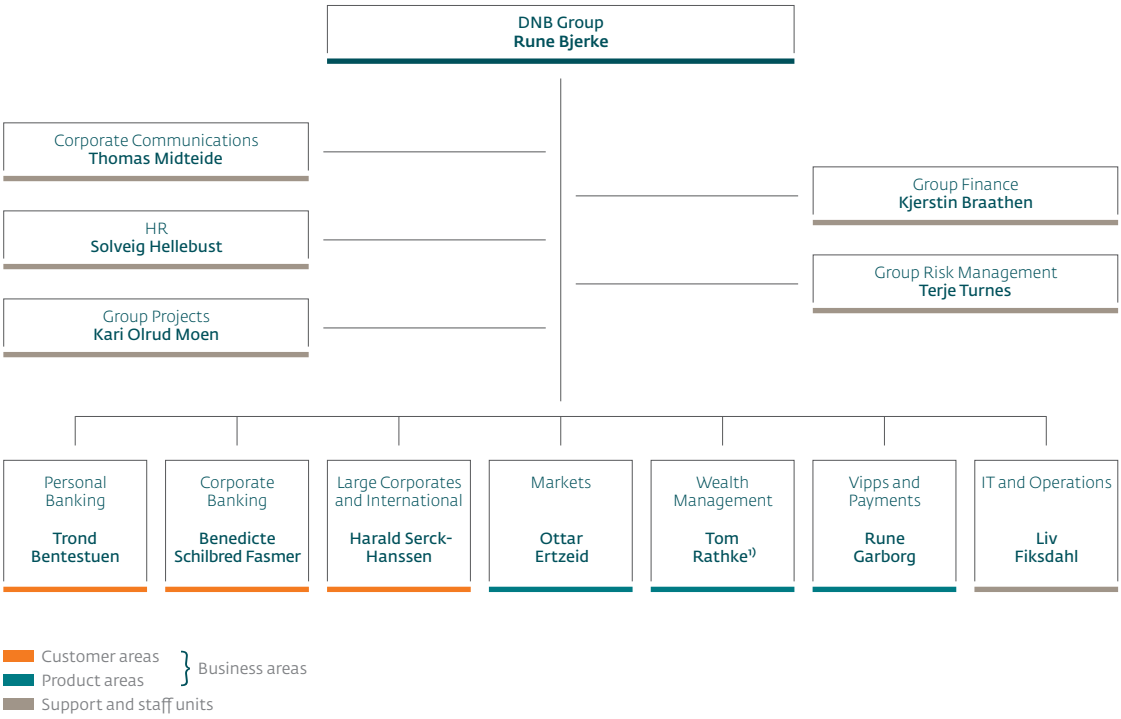
Organisation	24
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Business areas and support units	
– Personal customers	30
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– Large corporates and international customers	40
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Organisation

DNB's organisation and operational structure aim to ensure efficient adaption to changes in customer behaviour and the development of products and services tailored to customer needs.

ORGANISATION CHART AND OPERATIONAL STRUCTURE



Customer areas are responsible for customer relationships and customer service, while product areas are responsible for product development. Operational tasks and group services are carried out by the Group's support and staff units, which provide infrastructure and cost-efficient services for the business units.

The Group implemented certain organisational changes in the autumn of 2016 on the basis of changes in customer behaviour and a different market and competitive situation to just a few years ago. The new business area Vipps and Payments aspires to make DNB a winner in the market for mobile payments and to develop a competitive payment strategy for the entire Group. The new organisation strengthens the governance model, which refines the customer segments, highlights the focus on simple digital payment solutions and creates more straightforward interfaces.

1) *Bengt Olav Lund, acting head of Wealth Management since May 2016.*

REPORTING STRUCTURE

Financial governance in DNB is adapted to the different segments. The income statements and balance sheets for the segments are presented in accordance with internal financial reporting principles, according to which revenues, costs and capital requirements are allocated to the segments based on a number of assumptions. Reported figures for the different segments thus reflect the Group's total sales of products and services to the relevant segments. The follow-up of total customer relationships and segment profitability are two important dimensions when making strategic priorities and deciding on where to allocate the Group's resources.

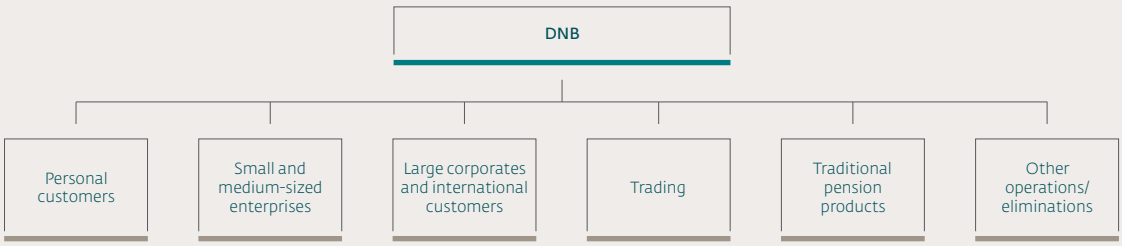
Margin income on loans and deposits is calculated using internal transfer rates based on observable market rates, which in most cases roughly correspond to 3-month NIBOR. Additional costs relating to the Group's long-term funding are also charged to the segments.

Services provided by staff and support units will as far as possible be scaled and priced according to use.

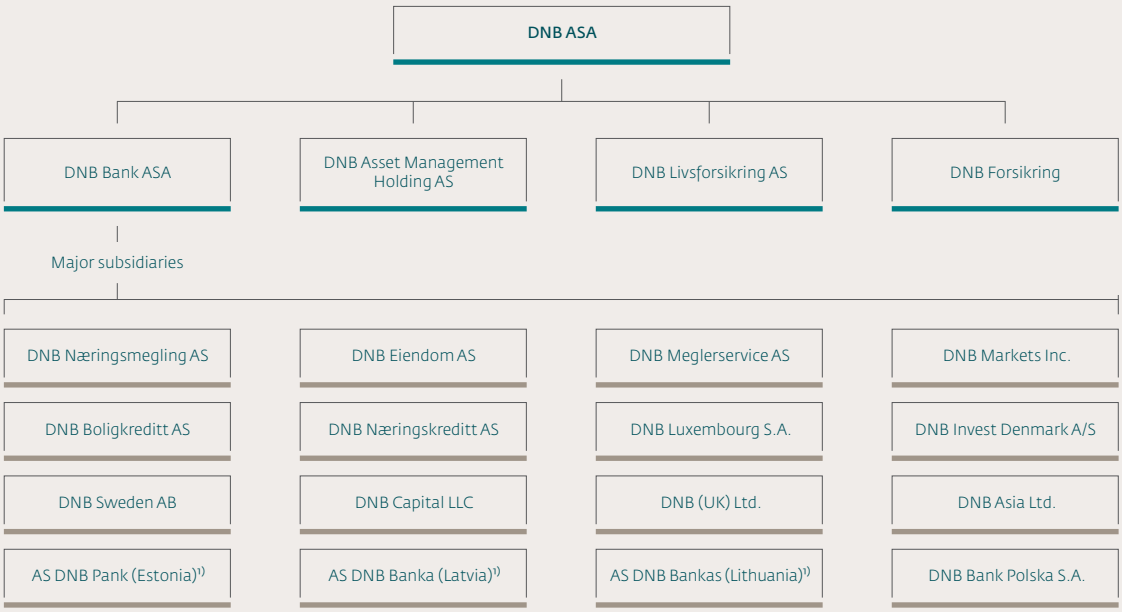
The pricing of such intra-group transactions is regulated by internal agreements based on market terms. Joint expenses incurred by group staff units and other group expenditures that cannot be debited according to use, are charged on the basis of relevant distribution formulas. Costs relating to the Group's equity transactions, including strategic investments, and direct shareholder-related expenses and costs related to the Group's governing bodies are not charged to the segments.

The Group's total common equity Tier1 capital is allocated to the segments. Allocated capital reflects the Group's long-term capitalisation ambition, and the distribution formula is based on an adaption to the Basel III regulations. Return on allocated capital represents profits after tax relative to average allocated capital.

The segment reporting is presented in note 2 to the annual accounts.



LEGAL STRUCTURE



1) *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 other conditions, and is expected to close in the second quarter of 2017. See note 40 to the annual accounts for further details.*

Group management

AS AT 8 MARCH 2017

The group management meeting is the group chief executive's collegiate body for management at group level. All important decisions are made in consultation with the group management team.



❶ **Terje Turnes**
Chief risk officer
❷ **Harald Serck-Hanssen**
Large Corporates and International
❸ **Kari Olrud Moen**
Group Projects
❹ **Ottar Ertzeid**
Markets
❺ **Kjerstin Braathen**
Chief financial officer
❻ **Rune Bjerke**
Group chief executive



❼ **Thomas Midteide**
Corporate Communications

❽ **Solveig Hellebust**
HR

❾ **Benedicte Schilbred Fasmer**
Corporate Banking

❿ **Trond Bentestuen**
Personal Banking

⓫ **Rune Garborg**
Vipps and Payments

⓬ **Liv Fiksdahl**
IT and Operations

Tom Rathke
Wealth Management
Not present when the photograph was taken.

Group management

AS AT 8 MARCH 2017

Rune Bjerke

BORN 1960

Role in DNB: Group chief executive since 2007.

Other professional experience: Former president and CEO of Hafslund ASA and president and CEO of Scancem International. Has held a number of board positions in large companies. Served as finance commissioner of the Oslo City Council and as a political adviser in Norway's Ministry of Petroleum and Energy.

Education: Economics degree from the University of Oslo and a Master's degree in public administration from Harvard University.

Number of shares[1]: 52 964

Kjerstin Braathen

BORN 1970

Role in DNB: Chief financial officer since 1 March 2017.

Prior positions in DNB: Former group executive vice president Corporate Banking Norway. Has many years' experience from Shipping, Offshore and Logistics, SOL, in Oslo. Joined DNB in 1999.

Other professional experience: Hydro Agri International.

Education: Master in Management degree from Ecole Supérieure de Commerce de Nice-Sophia Antipolis.

Number of shares[1]: 22 931

Trond Bentestuen

BORN 1970

Role in DNB: Group executive vice president Personal Banking since 2013.

Prior positions in DNB: Former head of Marketing, Communications and eBusiness. Joined DNB in 2008.

Other professional experience: Expert and Telenor.

Education: Bachelor of Arts degree in journalism and political science from Temple University, California, and training from the Armed Forces.

Number of shares[1]: 20 692

Benedicte Schilbred Fasmer

BORN 1965

Role in DNB: Group executive vice president Corporate Banking since September 2016.

Prior positions in DNB: Former head of DNB's operations in Bergen and head of Corporate Banking in Western Norway. Joined DNB in 2015.

Other professional experience: Executive positions in Sparebanken Vest, Rieber & Søn, Argentum Asset Management and Citibank. Board chairman in Oslo Børs VPS Holding and Oslo Børs ASA. Has many years' experience from board positions in various industries.

Education: Graduate of the Norwegian School of Economics.

Number of shares[1]: 2 000

Harald Serck-Hanssen

BORN 1965

Role in DNB: Group executive vice president Large Corporates and International since 2013.

Prior positions in DNB: Former head of the Shipping, Offshore and Logistics division, SOL. Joined DNB in 1998.

Other professional experience: Stolt-Nielsen Shipping and Odfjell Group.

Education: BA (Hons) degree in business studies from the University of Stirling and Advanced Management Programme at INSEAD Fontainebleau.

Number of shares[1]: 31 770

Ottar Ertzeid

BORN 1965

Role in DNB: Group executive vice president Markets since 2003.

Prior positions in DNB: Former head and deputy head of DnB Markets. Held various positions within the FX/Treasury area. Former chief financial officer in DnB Boligkreditt and head of finance in Realkreditt. Joined DNB in 1989.

Other professional experience: Board chairman in the Norwegian Banks' Guarantee Fund, board vice-chairman in the Norwegian Investor Compensation Scheme, board member in Oslo Børs VPS Holding and Oslo Børs AS etc.

Education: Graduate of BI Norwegian Business School.

Number of shares[1]: 220 140

Tom Rathke

BORN 1956

Role in DNB: Group executive vice president Wealth Management since 2013.

Prior positions in DNB: Former head of Insurance and Asset Management, DNB Livsforsikring and the investment fund company Avanse. Former board chairman in DNB Asset Management and DNB Skadeforsikring. Joined DNB in 2002.

Other professional experience: Executive positions in Vesta and If Skadeforsikring and experience from SAS and Dyno.

Education: Graduate of BI Norwegian Business School, Master's degree in business administration from the University of Wisconsin and Advanced Management Programme at Harvard University.

Number of shares[1]: 35 366

Rune Garborg

BORN 1969

Role in DNB: Group executive vice president Vipps and Payments since September 2016.

Prior positions in DNB: Former head of Marketing and Category Management in DNB and head of Marketing in DNB Eiendom. Has been in charge of DNB's digital payment solution Vipps. Joined DNB in 1995.

Education: Graduate of the Norwegian College of Marketing.

Number of shares[1]: 10 931

Liv Fiksdahl

BORN 1965

Role in DNB: Group executive vice president IT and Operations since 2013.

Prior positions in DNB: Head of Operations since 2007. Has held various executive positions within operations and administration. Head of Bank Production in Corporate Banking and Payment Services. Customer-oriented positions in Gjensidige NOR Sparebank. Joined DNB in 1998.

Other professional experience: Customer-oriented positions in Handelsbanken and Fokus Bank.

Education: Educated at Trondheim Business School.

Number of shares[1]: 25 858

Solveig Hellebust

BORN 1967

Role in DNB: Group executive vice president HR since 2009.

Other professional experience: Former vice president of Human Resources and Communications at Pronova BioPharma ASA. Several years' experience from HR at Telenor and at BI Norwegian Business School as an associate professor in economics.

Education: PhD in international economics from the Norwegian University of Life Sciences, an MSc in agricultural economics from the University of Illinois, and an MSc in business and economics from BI Norwegian Business School.

Number of shares[1]: 17 560

Terje Turnes

BORN 1963

Role in DNB: Chief risk officer since 2015.

Prior positions in DNB: Former head of DNB's Baltic operations and head of DNB's London branch, prior to which he headed both the Manufacturing Industry Section and the Energy Section in Corporate Banking. Joined DNB in 1989.

Other professional experience: Business controller in Swedish Match and STORA.

Education: Educated at Trondheim Business School and the Norwegian School of Management.

Number of shares[1]: 21 375

Thomas Midteide

BORN 1974

Role in DNB: Group executive vice president Corporate Communications since 2013.

Prior positions in DNB: Former executive vice president External Communication. Joined DNB in 2009.

Other professional experience: Head of Communications in SAS Norge, communications officer in VISA Norway and TV reporter and presenter in the Norwegian Broadcasting Corporation, NRK.

Education: Journalist degree from Oslo University College. Subsidiary subject in political science and criminology at the University of Oslo.

Number of shares[1]: 7 928

Kari Olrud Moen

BORN 1969

Role in DNB: Group executive vice president Group Projects since September 2016.

Prior positions in DNB: Former head of Products and the Corporate Centre. Joined DNB in 2005.

Other professional experience: Former state secretary in the Ministry of Finance, consultant in McKinsey & Co, adviser for the Conservative Party's parliamentary group and consultant in the Budget Department in the Ministry of Finance.

Education: Graduate of the Norwegian School of Economics and an MBA from the University of California, Berkeley.

Number of shares[1]: 23 440

1) *Shareholdings in DNB ASA as at 31 December 2016. Shares held by the immediate family and companies in which the shareholder has decisive influence are also included.*

Personal customers

DNB is a market leader in the Norwegian personal customer market and has more than 2 million personal customers in Norway. Customers are offered a wide range of services through a modern distribution network, which comprises mobile solutions, 24-hour telephone and Internet banking, branch offices and real estate broking.

RESPONSIBLE AND PROFITABLE GROWTH, SIMPLIFICATION AND DIGITALISATION

The personal customer segment delivered a sound financial performance in 2016 in a market characterised by low interest rates, rapid changes in customer behaviour and strong competition within home mortgages and digital payments. The positive profit trend primarily reflected a satisfactory income development in a challenging market, strict cost control and cost reductions resulting from fewer branch offices and employees, low impairment losses in consequence of the sound quality of the loan portfolio and a high level of customer activity.

INNOVATION

Home mortgages are one of the main products in DNB's personal customer operations, and in 2016, a new solution was launched where customers can extend their existing home mortgages in a fully automated process. The launch puts DNB right at the forefront of global digital development in this area. Digital home mortgages give customers a better experience while providing more efficient credit processes of higher quality.

Refinancing is the start of the digital home mortgage journey. The goal for 2017 is a fully digital home mortgage process also for new mortgages, and by the end of 2017, the ambition is that at least 40 per cent of all home mortgages are fully digital, from application to loan disbursement. DNB's goal is to strengthen its position as the global champion of digitialised secured loans in the years to come.

Vipps is DNB's biggest digital success ever. The ambition behind Vipps is that it will solve all payment needs. Vipps has had an incredible journey, from the launch of a peer-to-peer payment service in 2015 to over two million active users by year-end 2016.

DNB continues is committed to continually streamline, simplify and improve distribution and self-service customer solutions.

KEY FIGURES

Personal customers

70
Customer satisfaction score

899
NOK 899 billion
Exposure at default (EAD)

2.1
million personal customers

855 000
Number of active mobile bank users[1)]

2.1
million Vipps users

1) An active mobile bank user is defined as a unique customer who logged into the mobile bank via a browser or app at least once during 2016.

HERE FOR YOU

Customer contact in digital channels is increasing. DNB had almost 350 million digital meeting points with customers in 2016. More than 200 million of the digital meeting points were via mobile phones, 65 million were in the form of text message services and more than 83 million were in DNB's Internet bank. In addition, customers called the 24-hour customer centre 4 million times and took contact via chat more than 1.3 million times.

Customers are changing their behaviour and increasing their use of self-service solutions. This means that advisers can spend less time on simple banking services and more time on fulfilling customers' individual financial needs. The need for physical branch offices is also less than in the past. DNB has taken the consequences of this and reduced the number of branch offices from 116 to 57 in the first half of 2016. At the same time, the number of employees with direct customer contact was reduced by just under 400 full-time positions in 2016.

In addition to strong growth in digital customer contact, DNB also has a unique physical presence through its branch offices, in-store banking outlets, post offices and in-store postal outlets. 16 of the branch offices have extended opening hours.

DNB will continue to customise how the bank is present for its customers in a world which is becoming increasingly digital, with more self-service solutions.

Strategic targets

100%
100 per cent of all ordinary loan applications to start digitally by year-end 2017

40%
40 per cent of all loans to be fully digital, from loan application to loan disbursement, by year-end 2017

1
NOK 1 billion in cost reductions by year-end 2019

100%
100 per cent increase in the number of mutual fund savings schemes from 2015 to year-end 2018

47%
47 per cent increase in annual premiums within personal risk and non-life insurance, from NOK 2.6 billion in 2016 to NOK 3.9 billion at year-end 2019

DNB Eiendom

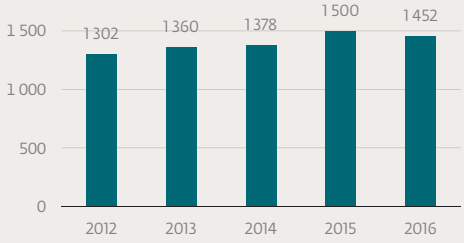
DNB Eiendom is organised in Personal Banking in DNB and offers services related to the sale of residential and holiday properties and housing projects, as well as advisory services in connection with the sale of other real estate. The company is one of the country's largest real estate companies and had a market share of 19.1 per cent in 2016.

Over the last few years, DNB Eiendom has built up an important position as a market leader in Oslo. The company's market share in Oslo rose from 14.7 per cent in 2012 to 18.7 per cent in 2016. This is a good starting point for further growth in Norway's most important housing market.

DNB Eiendom aims to create good customer experiences and offer high-quality brokerage services. Customers can rest assured that the company carries out its operations in accordance with prevailing legislation and regulations when interacting with both buyers and sellers.

DNB Eiendom's ambition is to be best at helping customers change homes in Norway by offering attractive and relevant products where customers are – both digitally and physically. The real estate business is being challenged by known and unknown market entrants, and new business opportunities and models are constantly popping up. DNB Eiendom will streamline and digitise the process of buying and selling property, emphasise the benefits of using an estate agent and establish new income streams for the company. DNB has designated dedicated employees who work with "the future of real estate broking" to be best at helping customers buy homes also in the years ahead.

Operating income
NOK million



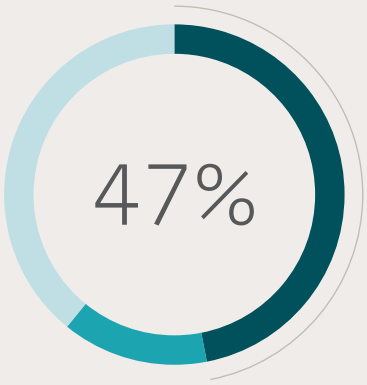
Financial performance
Personal customers

Income statement in NOK million	2016	2015	2014
Net interest income	13 269	13 697	13 540
Net other operating income	4 920	4 895	4 673
Total income	18 189	18 593	18 213
Operating expenses	(8 698)	(8 877)	(8 492)
Pre-tax operating profit before impairment	9 491	9 716	9 721
Net gains on fixed and intangible assets	0	0	(3)
Impairment of loans and guarantees	392	939	(110)
Pre-tax operating profit	9 883	10 655	9 608
Taxes	(2 471)	(2 877)	(2 594)
Profit from operations held for sale	(1)	2	0
Profit for the year	**7 411**	**7 780**	**7 014**
Average balance sheet items in NOK billion			
Net loans to customers	701.7	690.5	660.7
Deposits from customers	400.5	381.6	356.8
Key figures in per cent			
Lending spread[1)]	1.74	2.08	2.37
Deposit spread[1)]	0.38	0.01	(0.45)
Return on allocated capital[2)]	18.4	23.0	23.7
Cost/income ratio	47.8	47.7	46.6
Ratio of deposits to loans	57.1	55.3	54.0

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

Portfolio composition as at 31 December 2016[1)]

DNB Group
Total exposure at default: NOK 1 898 billion



Personal customers, 47%
SMEs, 14%
Large corporates, 39%

Personal customers
Exposure at default: NOK 899 billion



Home mortgages
Other exposures

1) The diagram shows portfolio composition in terms of exposure at default (EAD).

Developments in loans, deposits and net interest income

NOK billion

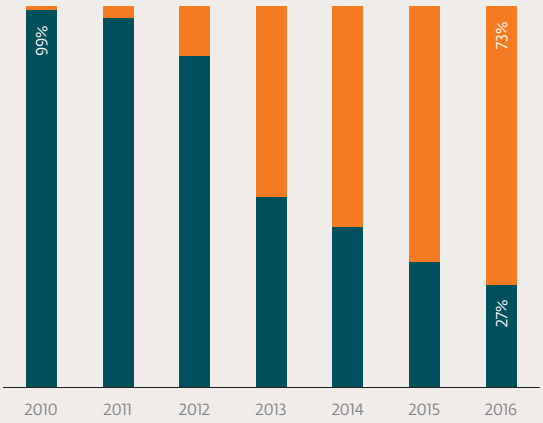


Net loans to customers (average per year)[1)]
Customer deposits (average per year)
Net interest income

1) A portfolio of fixed-rate loans amounting to around NOK 20 billion was sold from DNB Boligkreditt to DNB Livsforsikring in 2015. This had an effect on net loans to customers of approximately NOK 2 billion in 2015.

DNB's mobile bank is Norway's largest banking platform and was visited by customers more than 200 million times in 2016

Per cent



Mobile bank
Internet bank


INTERVIEW
TROND
BENTESTUEN
Head of Personal Banking

The art of serving the customer digitally

"In 2016, we demonstrated that we are capable of changing quickly. In the year ahead, we will become even better at serving our customers in a digital world," says **Trond Bentestuen**, head of Personal Banking.

Personal customers are served by the Personal Banking business area.

1 What are the most important opportunities and risks for your business area during the coming year?

The world is changing faster than ever before, which means that we must also change. We are facing new technology, new competitors and new regulations. This opens up opportunities, but we must be able to seize them.

In 2016, we demonstrated that we are capable of changing quickly, and we implemented some key initiatives to become a more digital bank. In the year ahead, we are going to be even better at serving our customers in a digital world. One of our challenges is to make sure that digitalisation makes us more personal when we meet our customers, not less. This requires new skills and expertise, for example how to use customer insight and digital communication with our customers.

In 2017, we must prepare for PSD2, the payment services directive which will come into force in 2018. This entails both risks and opportunities for the banking industry – and a battle between existing and new market participants to give customers the best experience possible.

2 What are you doing in your business area to have the right competencies?

Changes in our industry require new skills and expertise, but also affect how we work together. Vipps and digital home mortgages were developed by people from all over DNB sitting in the same room and working across various disciplines and business areas. We must do more of this in the future.

As the world is changing faster, we need to attract new skills and expertise, but we also need to make sure that we retain and develop the competencies we have. We must highlight the talent and potential of every single employee. We attach importance to performance management, constructive feedback and close follow-up from managers. Involvement and accountability motivate individuals to take responsibility for their own development.

Twice a year, we take the pulse of our organisation through the employee survey PULSE. The results in 2016 confirm that involving each individual employee increases motivation and engagement. The PULSE results show that we have very engaged employees who are well satisfied with the feedback they get from their immediate superiors. The results also confirm that the input and opinions of the employees are taken into account, which means that we benefit from their expertise. This is important for the individual employee and for the entire organisation.

3 How will you contribute to securing a healthy economy for Norwegian businesses?

We see it as our social responsibility to contribute towards a better understanding of personal finance. Therefore, we are cooperating with the Norwegian Red Cross on A Valuable Lesson, a digital personal finance program for primary schools. In 2016, 1 562 teachers registered to use A Valuable Lesson to teach their pupils about saving, spending, wages and tax.

DNB would like to get more people to join the digital evolution. Most of our customers are pretty good at using self-service solutions and can carry out banking services on their PCs, tablets or mobiles, but this does not apply to all. However, it is not just banking that is becoming digitalised. The buying and selling of travel and transport services and contact with public authorities now take place almost exclusively online. We must be able to help those who do not yet master the digital world. This is why we have launched the "Guide to digital banking services", held courses at our branch offices and taken the initiative to launch the "Guide to the Internet".

As Norway's largest bank, we have a responsibility to avoid irresponsible accumulation of debt in Norway. We must have responsible lending practices and, not least, we must give our customers sound and reasonable advice when they wish to take up a loan.

4 What are you doing to further cultivate initiatives related to the art of serving the customer?

We refined the art of serving the customer digitally in 2016, and this will become even more important over the next few years. We will continue to launch new digital self-service solutions, and help customers to perform basic banking services themselves. This will give our advisers more time to help customers when they really need sound, professional advice.

One of the most important things we did to improve customer experiences in 2016, was to launch digital extension of existing home mortgages. Here, we automatically collect data about each property, automatically read the income tax return uploaded by the customer, and fill out most of the application for the customer based on the information given. It only takes a few minutes to apply for an extension, and many of the applications are also processed completely automatically. DNB is one of the first banks in the world – maybe the first – to make mortgages 100 per cent digital. We are now working to digitise several types of mortgages and make more of them fully automated.

Based on customer surveys and feedback, we see that customers are, on the whole, satisfied when they meet us, whether this is at a branch office, on the phone or via our online chat service. However, the scores we achieve in customer satisfaction surveys are too low. Declining customer satisfaction reflects decisions which directly affect customers, but also individual cases which have reinforced negative associations to the DNB brand. In order to meet these challenges, we must prove that we act in the best interests of our customers. We will offer relevant products and services, make it easy to be a DNB customer, and be there for our customers every day and when it matters the most.

Small and medium-sized enterprises

DNB promotes the development of active and well-functioning businesses in Norway. Small and medium-sized enterprises are the bedrock of the Norwegian business community and contribute to significant value creation for society. DNB's ability to support innovation and restructuring in the Norwegian economy will become even more important in the years ahead.

STRONG PROFIT PERFORMANCE AND SOUND POSITION

As in preceding years, there was a strong increase in both net interest income and other operating income in 2016. The rise in net interest income was due to growth in the loan and deposit portfolios, combined with wider deposit spreads. A wide range of products and a higher focus on cross-selling also gave a significant boost in other operating income, particularly within payment transfers and capital market services. Operating expenses increased from the previous year, reflecting higher activity levels as well as costs related to restructuring and IT development projects. Net impairment losses on loans remained at the same level as in 2015. A significant portion of the impairment losses related to individual loans, while other impairment losses were on a level with the preceding year. The quality of the loan portfolio is generally considered to be satisfactory.

The needs of companies are changing quickly in step with new technology. Over the last few years, there has been a reduction in manual corporate services in branch offices and an increase in the use of digital tools and channels. Changes in customer behaviour, combined with increasing digitalisation, set other requirements to DNB. Corporate customers expect the bank to:

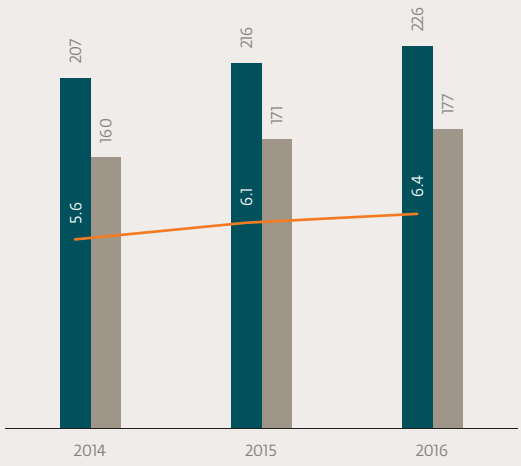
- help their companies to make more money
- ensure seamless integration between the bank and the company's systems
- serve as a meeting place for customers and other partners
- be there for them – always and everywhere

Customers with basic banking needs are increasingly served well, and more efficiently, through the bank's digital channels. Customers appreciate that DNB is always accessible and develops products that make everyday life easier.

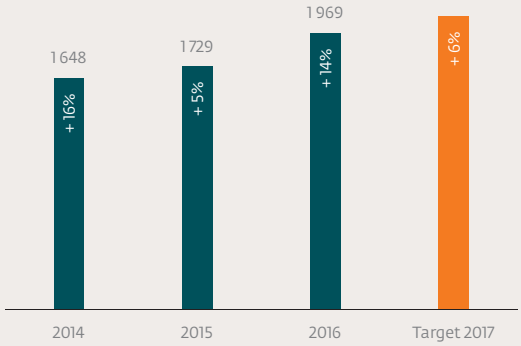
To contribute to innovation and restructuring, DNB has increased its focus on start-up companies in recent years. Close to half of all people who decide to establish a limited liability company, now choose DNB as their bank. The bank's start-up pilots, DNB's service for guiding those who would like to start a business, helped 2 779 entrepreneurs in 2016. In addition to helping those who start their own business, it is important to promote growth and further develop existing companies. DNB NXT was launched in 2016 and is a conference and a meeting place to bring together ideas and capital. This is a long-term initiative to help ensure that more private capital is invested in exciting growth companies. Read more in the chapter Responsible operations, under Contributing to a healthy economy, and about NXT on page 16.

DNB will achieve more satisfied and loyal customers by taking initiative, providing relevant advice and having leading expertise about the companies and the industries in which they operate. Holistic thinking provides opportunities to increase the sales of more products adapted to customer needs, including interest rate, foreign exchange, pension and leasing products.

Developments in loans, deposits and net interest income
NOK billion



Development in net other operating income
NOK million



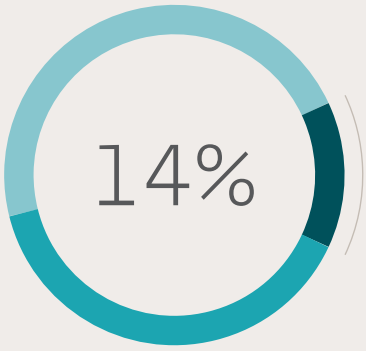
Financial performance
Small and medium-sized enterprises

Income statement in NOK million	2016	2015	2014
Net interest income	6 359	6 131	5 643
Net other operating income	1 969	1 729	1 648
Total income	8 327	7 860	7 292
Operating expenses	(3 356)	(3 078)	(3 042)
Pre-tax operating profit before impairment	4 971	4 782	4 250
Net gains on fixed and intangible assets	2	(2)	42
Impairment of loans and guarantees	(1 082)	(1 068)	(869)
Profit from repossessed operations	6	3	(23)
Pre-tax operating profit	3 896	3 715	3 401
Taxes	(974)	(1 003)	(918)
Profit for the year	**2 922**	**2 712**	**2 482**
Average balance sheet items in NOK billion			
Net loans to customers	226.0	216.0	206.6
Deposits from customers	177.3	171.4	159.8
Key figures in per cent			
Lending spread[1)]	2.47	2.43	2.55
Deposit spread[1)]	0.42	0.27	(0.05)
Return on allocated capital[2)]	11.9	12.7	12.4
Cost/income ratio	40.3	39.2	41.7
Ratio of deposits to loans	78.4	79.3	77.4

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

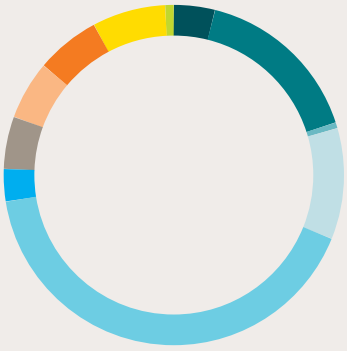
Portfolio composition as at 31 December 2016[1)]

DNB Group
Total exposure at default: NOK 1 898 billion



- SMEs, 14%
- Large corporates, 39%
- Personal customers, 47%

Small and medium-sized enterprises
Exposure at default: NOK 265 billion



- Services
- Residential property
- Mortgages and other exposures, personal customers
- Other corporate customers
- Commercial real estate
- Energy
- Public sector
- Fishing and fish farming
- Trade
- Manufacturing
- Technology, media and telecom

1) *The diagram shows portfolio composition in terms of exposure at default (EAD).*

INTERVIEW

BENEDICTE SCHILBRED FASMER

Head of Corporate Banking



"We will deliver innovative solutions that make everyday life easier for customers."

In uncertain economic times, **Benedicte Schilbred Fasmer**, head of Corporate Banking, is committed to ensuring that DNB is a good partner for small and medium-sized enterprises and notifies more digital solutions.

Small and medium-sized enterprises are served by the business area Corporate Banking.

1 What are the most important opportunities and risks for your business area during the coming year?

2017 will offer both opportunities and challenges for Corporate Banking. New technology and new customer behaviour are factors that affect both us and our customers. New regulations, such as the Payment Services Directive, PSD2, mean that we, and the rest of the financial industry, are facing tougher competition and a pressure on spreads on traditional banking products. The markets will continue to be challenging for a number of industries in Norway, and sound portfolio quality will remain important in the period ahead.

New technology enables us to increase the cost-efficiency of our operations and to create innovative and simple solutions for our corporate customers. More than two million Norwegians have started to use the Vipps payment service, and in 2017, we will develop new solutions for corporate customers so that it will be possible to use Vipps to pay invoices, and as a means of payment in physical stores and e-commerce.

We will become better at using customer insight and customer data to create good services.

2 What are you doing in your business area to have the right competencies?

When the world changes, DNB must change. Having a higher pace of innovation and understanding customer needs and behaviour is more important than ever. Relational and sales expertise will still be key qualities we will need in the future, but technological expertise and an understanding of the opportunities afforded by new technology will also be very important. We work to continually develop the skills and expertise of our employees, and at the same time attract and bring in new expertise that we need to fulfil our customers' expectations.

3 How will you contribute to securing a healthy economy for Norwegian businesses?

Over the past few years, the decline in oil investments and the lower oil price have had an impact on parts of the Norwegian economy. It is gratifying to see that the Norwegian business community shows a great willingness and ability to restructure itself, either by finding more effective ways to operate or by using expertise in other ways or in other industries. We in DNB will be a long-term partner for the Norwegian business community and we have the capital to lend to good projects, also in challenging times.

Simultaneously, a strong entrepreneurial movement is starting to spread across Norway. The number of new businesses is increasing. Entrepreneur communities are being established across the entire country, and according to the statistics, more than 1 million Norwegians are harbouring a dream to start for themselves. These businesses are important for tomorrow's value creation and employment.

Over the past few years, DNB has increased its commitment to focus on startups and growth companies, and the feedback has been very encouraging. Customers place their trust in us and this must be safeguarded. Many entrepreneurs struggle to find capital, while many investors are hunting for the best ideas to invest in. We have Norway's largest network of entrepreneurs and investors, and provide a meeting place where these can get in contact with each other. We contribute not only with capital to the Norwegian business community, but also with our network and expertise.

4 What are you doing to further cultivate initiatives related to the art of serving the customer?

We will continue to keep in close contact with our customers and be proactive and strategic advisers, whether our customers are facing restructuring or growth. We will use what we know about the customers and the industries in which they operate to provide good advice.

We will create new digital services that make everyday life easier for our customers, and that make it even easier for them to receive good advice and reach us whenever they wish to. Wework out these solutions in close cooperation with our customers.

Our customer value proposition is to be present every day and when it matters the most. We will be there for everyone who wants to start a business. We will be there for everyone who aims to grow. And we will be there for those who are making a difference.

KEY FIGURES

Small and medium-sized enterprises

265
NOK 265 billion
Exposure at default (EAD)

183 000
Active small and medium-sized enterprises in Norway[1)]

2 763
Companies that received help from DNB's start-up pilots

1) Active customers are defined as customers who have a minimum of NOK 1 000 in loans or deposits or have carried out at least one transaction during the last three months. 34 000 customers were transferred from Personal Banking to Corporate Banking in 2016.

Large corporates and international customers

The segment includes the Group's largest Norwegian corporate customers, the public sector, all international customers, as well as financial institutions. DNB's ambition in the large corporate segment is to maintain its number one position in Norway, and to strengthen its leading position within selected industries internationally. The large corporate segment is characterised by strong customer relations and sound banking and industry expertise. High-quality customer service is assured through DNB's financial strength, a broad international network, competitive services and the ability to adapt quickly to new customer needs.

SOUND UNDERLYING OPERATIONS, BUT HIGH LOSSES

Large Corporates and International (LCI) has a diversified portfolio, and major parts of the portfolio showed strong profitability in 2016. However, the year was characterised by turbulent markets in offshore and oil-related operations, and net impairment losses related to these industries rose significantly from 2015. Consequently, the return on equity for 2016 was below the target. There was a decline in income due to lower exposure within the exposed industries, resulting in lower net interest income. At the same time, there was a slight increase in the sale of non-lending products.

Profitability in the large corporate segment must be strengthened in a market where there is strong competition for the most attractive customers. Through active prioritisation, capital and resources are channelled to sectors, customers and transactions which, over time, give an acceptable risk-adjusted return. Large Corporates and International, LCI, will also continue the process that began in 2015 to rebalance its portfolio, while ensuring higher capital turnover with increased sales of non-lending products.

DNB will continue to be competitive across the full range of financial services and aims to be a strategic adviser for a growing number of large corporate customers and capitalise on the Group's wide industry expertise, products and services. Customers who are served by the business area continue to have a strong relationship with the bank and with their relationship managers. This is shown in the annual Greenwich customer survey, which compares the quality and market position of the banks with which DNB competes. DNB retained its clear number one position in the Norwegian market in 2016 despite the ever-intensifying competition from international banks. The annual employee survey also continues to show high engagement among the employees in the large corporate units.

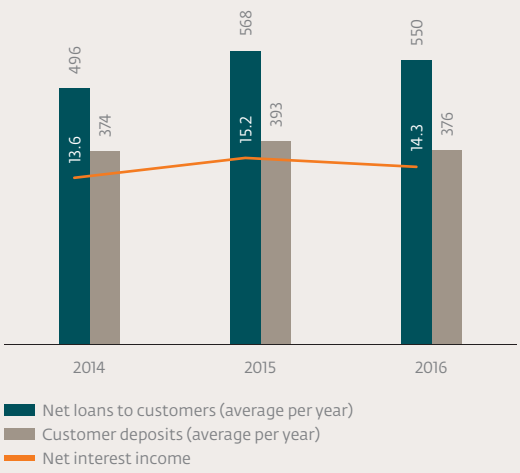
STRATEGIC TARGETS

In order to help the Group reach its ambition of a return on equity above 12 per cent, LCI has set the following targets:

- A continued reduction in risk-weighted assets
- Rebalancing the loan portfolio between sectors
- Stricter prioritisation of customers
- Increased turnover of capital
- A return to normalised loan loss levels

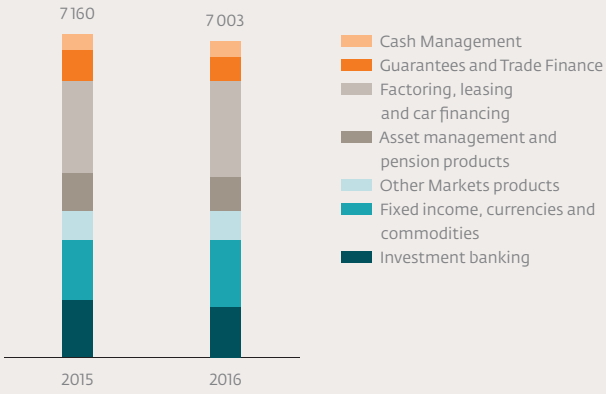
Developments in loans, deposits and net interest income

NOK billion



Income from cross-sales

NOK million



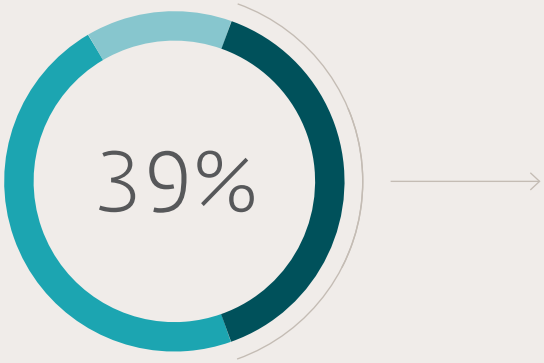
Financial performance
Large corporates and international customers

Income statement in NOK million	2016	2015	2014
Net interest income	14 301	15 198	13 551
Net other operating income	6 143	6 083	5 721
Total income	20 444	21 280	19 271
Operating expenses	(7 856)	(8 053)	(7 264)
Pre-tax operating profit before impairment	12 588	13 227	12 007
Net gains on fixed and intangible assets	24	53	21
Impairment of loans and guarantees	(6 734)	(2 108)	(674)
Profit from repossessed operations	8	(67)	(102)
Pre-tax operating profit	5 886	11 105	11 252
Taxes	(1 589)	(3 221)	(3 488)
Profit from operations held for sale	3		2
Profit for the year	**4 300**	**7 885**	**7 766**
Average balance sheet items in NOK billion			
Net loans to customers	550.4	568.1	496.2
Deposits from customers	375.8	393.0	373.6
Key figures in per cent			
Lending spread[1)]	2.23	2.18	2.20
Deposit spread[1)]	(0.06)	(0.09)	(0.14)
Return on allocated capital[2)]	5.0	11.1	13.9
Cost/income ratio	38.4	37.8	37.7
Ratio of deposits to loans	68.3	69.2	75.3

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

Portfolio composition as at 31 December 2016[1)]

DNB Group
Total exposure at default: NOK 1 898 billion



Large corporates, 39%
Personal customers, 47%
SMEs, 14%

Large corporates and international customers
Exposure at default: NOK 733 billion



Energy
Healthcare
Public sector
Fishing and fish farming
Trade
Manufacturing
Technology, media and telecom
Services
Residential property
Mortgages and other exposures, personal customers
Other corporate customers
Commercial real estate
Shipping
Oil, gas and offshore

1) *The diagram shows portfolio composition in terms of exposure at default (EAD).*


INTERVIEW
HARALD
SERCK-HANSSEN
Head of Large Corporates and International

"Our customers still have a strong relationship to LCI and to their relationship managers."

The Large Corporates and International business area has come a long way in restructuring many companies in an offshore industry under pressure. In 2017, **Harald Serck-Hanssen**, head of LCI, will focus on a higher turnover rate and a higher return on capital in the large corporate segment.

Large corporates and international customers are served by the Large Corporates and International business area.

1 What are the most important opportunities and risks for your area during the coming year?

We see opportunities within digitisation to make everyday life easier also for large corporate customers. We have launched Vipps Invoice, Vipps eCommerce and Vipps inApp with extensive coverage in the transport sector. Within our own business area, we are also looking at opportunities to further streamline operations through digital solutions. At the same time, we need to prioritise capital better and use it more effectively to ensure better profitability in the large corporate segment.

Both political and economic uncertainty represents risks that we need to take into account in the period ahead. There is still uncertainty surrounding the price of oil and volatility in the currency market. In LCI, we have a diversified industry portfolio where we see opportunities in some industry sectors and higher risk in others. For a number of industries in Norway, such as seafood, a lower exchange rate has contributed to sound profitability and a rise in investments, while the offshore and oil service industry is still in a challenging phase. We are now seeing the importance of our close customer relations and strong industry expertise so that we, together, can try to find good and balanced solutions.

2 What are you doing in your business area to have the right competencies?

We have a very competent organisation that went through many changes in 2016, and this will continue in 2017. The organisation has shown a great ability to adapt in the face of new challenges. Looking ahead, we need to focus even more on attracting people who have the skills we believe will become relevant in a more digital world. The Group has therefore established a graduate programme that replaces the former trainee programme and is more tailored to the individual business area. It is also important for us to have a good understanding of what is happening in international markets, and we can become even better at drawing on the knowledge and expertise in our international operations. Our presence outside Norway provides us with excellent opportunities to exchange knowledge and information across national borders.

KEY FIGURES

Large corporates and international customers

733
NOK 733 billion
Exposure at default (EAD)

80
Customer satisfaction score

46
NOK 46 billion[1)]
Loans to the renewable sector

1) Figure for the entire Group

3 How will you contribute to securing a healthy economy for Norwegian businesses?

We have customers in most industries in Norway, and we make sure that it is the most robust companies that receive financing. In order to be a good bank for our Norwegian customers that have operations abroad, it is important that DNB also has an extensive international presence within industries where Norway is an important player. We assist Norwegian companies with international operations through a far-reaching global network. We also focus strongly on combating money laundering and on Know-Your-Customer to promote a healthy business community which competes on equal terms.

4 What are you doing to further cultivate initiatives related to the art of serving the customer?

We have started an internal academy for our employees. This is where our relationship managers are trained to become better strategic advisers who are able to find the best financing solutions for our customers. We are also focusing on putting together customer teams with representatives from various relevant parts of the Group. The management of working capital is also increasingly important for many of our customers, and we have therefore established a separate unit with a stronger focus on this.



Markets

Interview with **Ottar Ertzeid**, head of Markets

1 **How would you describe 2016 for Markets?**

After a weak start, 2016 turned out to be a year with significant growth in income and profits for both customer and trading activities.

Our position as the leading investment firm in Norway was strengthened. We have a leading position in equities, bonds and commercial paper with respect to both market shares and customer satisfaction. The advice from our analysts within equities, credit, fixed-income securities, oil and macroeconomics hit the mark, and in 2016, our customers ranked us best at equity analysis. In Sweden, customer satisfaction and income continued to develop favourably.

The positive trend on the stock exchanges contributed to a record influx of new equities customers and high activity levels. Large fluctuations in exchange rates, interest rates and commodity prices contributed to the rise in customer demand for hedging instruments and increased income from all risk management products. In addition, our own trading activities showed a positive development.

Capital market activities related to arranging equity and debt capital and merger and acquisition advisory services also showed a strong trend. The build-up of international distribution capacity for securities enabled us to raise capital for a number of customers.

There was an increase in customers' use of digital self-service solutions within securities and foreign exchange trading.

Continued capital-efficiency measures helped ensure high returns on equity in Markets.

2 **What are the most important opportunities and risks for your business area during the coming year?**

Macroeconomic and political events are expected to give continued volatility in the markets. This entails that corporate customers require advisory services and hedging transactions within foreign exchange and commodities.

Due to continuing low interest rates, customers are seeking alternative investment opportunities, including equities and bonds.

On the other hand, large market fluctuations may have a negative effect on capital raising activities. Nevertheless, we still expect market growth, since strict capital and liquidity regulations for the banking industry make it profitable for large companies to seek funding in the capital markets.

Over the next few years, further EU regulation relating to financial instruments will be introduced. This may contribute to high volatility and reduced liquidity in the markets. Consequently, sound risk management will be an important priority for our customers and our trading activities.

Good cooperation between Markets and the other business areas in the DNB Group contributed to the positive development in 2016 and will continue to play an important role.

FACTS

Markets

Markets offers investment banking services, including risk management, investment and financing products in the capital markets to the Group's customers. By working in customer teams and applying good digital solutions, the employees provide advice and develop tailor-made solutions for the various customer segments. Markets' market making and other trading support customer activities with products and prices.



3 **What are you doing in your business area to have the right competencies?**

Human capital is important for investment firms, and we have succeeded in attracting talented employees. We need to have an appropriate mix of skills and relevant expertise.

Changes in markets, regulations, technology and customer behaviour mean that being flexible and adaptable is important. Recruiting the best external candidates is combined with developing our existing employees.

4 **How will you contribute to securing a healthy economy for Norwegian businesses?**

By raising equity and debt capital for our customers, we are an important contributor to value creation for Norwegian businesses.

We provide advice on restructuring, and mergers and acquisitions. Thus, we contribute to growth and restructuring in a time of significant change in the business community.

Furthermore, we help businesses manage risk and volatility in exchange rates, interest rates and commodity prices.

5 **What are you doing to further cultivate initiatives related to the art of serving the customer?**

Customer satisfaction surveys are used actively to refine our product offering to our customers.

Advisory and research services to our customers are being further developed and extended both in and outside Norway.

Our customers are becoming more digital and have new requirements. We will develop digital self-service solutions and research products adapted to customer needs.

Digital services are important for customers' business activities, and integration with customers' internal management systems helps simplify their lives. New financial regulations also have an impact on our customers, and we will deliver solutions that help customers meet the new regulatory requirements.



Wealth Management

Interview with **Tom Rathke**, head of Wealth Management

1 What are the most important opportunities and risks for your area during the coming year?

The low interest rate level and the fact that people are living longer lead to an increased need for private long-term savings. The total savings volume in Norway will rise in a market where we are experiencing fierce competition, with price pressure on both mutual funds and pension products.

We have called 2017 "The big savings year". During the spring, DNB will offer its customers a digital savings and investment adviser via their mobile phones. This solution will include an overview of each customer's wealth, savings towards a goal and individual advisory services. It will also be possible to trade mutual funds and equities via this solution. We are also in the process of creating a good solution for a share savings account where individual savers will have the opportunity to use the tax exemption method for capital gains without having to establish a separate investment company. Small-scale savers will have a platform from which to buy shares and mutual funds without having to realise the values from purchases and sales, which will make it easier and more favourable to invest in mutual funds and shares.

Private Banking is launching active discretionary management in the market for large management customers. We will continue to expand our product offering within mutual funds, individual products and alternative investments.

2016 was a year characterised by fierce competition within pensions and employer's liability insurance, and we expect market competition to remain tough and intensive in 2017. Pensions are known to be a challenging topic for most people to understand, and it is therefore important for us to be able to offer good and simple solutions in order to become the preferred provider within pension savings. We have launched the life cycle mutual fund "Live More". This fund automatically selects the combination of equities and fixed-income securities which is best suited to the age of each customer.

In addition, we follow Finance Norway's language standard and simplify all communication to make it easier to understand a topic that many find complex.

2 What are you doing in your business area to have the right competencies?

We are looking for employees who have a strong desire to create good customer experiences, combined with the ability to follow through, and who are focused on profitability and growth. In addition to expertise within asset management, savings and pensions, it is vital to have an understanding of how technological advances and new business models will change the financial services industry. There is a high tempo, and it is important to be adaptable and curious. A streamlined organisation with employees who put their pride in delivering with quality, is a prerequisite for retaining existing and attracting new customers.

FACTS

Wealth Management

Wealth Management (WM) offers investment products, mutual funds and pension products to all DNB customers. WM also serves DNB's high-net-worth customers through its Private Banking unit. WM aims to strengthen DNB's position in this fast-growing segment and in the market for long-term savings and asset management.



3 How will you contribute to securing a healthy economy for Norwegian businesses?

Through our investment operations, we want to contribute to ensuring that customer savings are invested in an appropriate and sustainable manner. Responsible investments reduce risk and can give investors a better return. We spend a lot of time on assessing companies in our investment universe. In addition, we are active owners and work to influence the companies we invest in. Read more about active ownership in the chapter Responsible operations.

A service we are experiencing growing interest for in the pensions market is "senior calls", where we contact people who are approaching retirement age. We offer advice on how to plan and prepare for retirement in the best possible way. This and other skills upgrading services have been well received in a pension market where individuals have far more choices to consider than just a few years ago.

4 What are you doing to further cultivate initiatives related to the art of serving the customer?

With increased digitisation, parts of our advisory services are being moved from personal contact to digital arenas, and personal expertise will be combined with advanced digital tools. We have therefore launched a new digital savings and investment adviser. In addition to physical meetings, we use digital tools to analyse customer data and develop customer insight, in close cooperation with the other business areas. We use the skills we have about customers and industry sectors to communicate in a relevant, timely and professional manner.

Digital Business Development is a newly established division in WM. It is important for us to prioritise this area and capitalise on our potential to take part in technological advances in the future. Customer needs are changing, and we must constantly make sure that we are a professional and forward-looking adviser. By increasing our focus on new and simpler solutions, we will be able to retain existing customers and win new ones. We look forward to the "savings year 2017" where we can implement further initiatives to increase our digital expertise and deliverables in our contact with customers. We will make savings easier!



HR

Interview with **Solveig Hellebust**, head of Human Resources (HR)

1 What are the most important opportunities and risks for your area during the coming year?

In the past, DNB has proven to have a great ability to adapt to changes in the markets, our competitive situation and our regulatory framework. We have succeeded in changing our skills and expertise, and applying the experience we have built up. The speed and complexity of the changes we are now facing are challenging our ability to be fundamentally innovative.

We are convinced that the extensive changes resulting from the digitalisation of our industry, represent at least as many opportunities as challenges. As an organisation, our knowledge and experience provide us with a fantastic starting point. The extent to which we will succeed in realising the opportunities will depend on how we are able to mobilise and develop both our organisation and our employees.

There are many questions that remain unanswered. What is the most important thing we need to do to retain and strengthen our competitiveness? To what extent should we hire people with new skills, and to what extent can we train those who already work here? How can we use external business partners that give us access to new insight? What will we be able to automate? There is uncertainty surrounding what kind of knowledge and skills will be needed in the future, so it is crucial to create an organisation that succeeds in adapting to change.

The rapid pace of change means that employees at all levels of the organisation must be proactive to ensure that they remain relevant for tomorrow's demands. It is obvious that our overall digital competence must be improved. As an example, this means that everyone must understand how we relate to our customers on new platforms and must also have a good understanding of our digital services. In addition, we need to understand and use the opportunities offered by new technology within our own field of activity. For most of us, this means learning new skills – and wanting to learn.

2 What are you doing in your area to have the right competencies?

Our job is both to make sure that we are able to contribute in the best possible way as an HR unit and to ensure, on behalf of the whole of DNB, that our employees and organisation represent a competitive advantage. If HR is to continue to be a strategic partner for the rest of the organisation, we in HR must also refine our competencies. We are becoming more specialised and must reflect the Group's needs for digital skills. DNB is in the middle of a competence shift.

FACTS

HR

HR's role is to contribute to developing the organisation and its employees and managers. The Group's vision, values and leadership principles form the basis for HR's work. HR plays a key role in building DNB's corporate culture, employee competencies and leadership skills, and administers MBO (management by objectives) and remuneration processes, pension and insurance schemes, DNB's personnel bank and other employee benefits. In addition, HR is responsible for recruitment, restructuring and job transition management, as well as for following up absence due to illness and health, safety and environment (HS&E).

We will continue to capitalise on what has traditionally been our core expertise parallel to getting on board even more employees with an IT, design or technology background. More than ever, we are dependent on getting business and technology to work together if we are to succeed.

At the same time, it is not enough to have the right people. We must also work together in a way which solves challenges faster, and which makes us able to create new and innovative customer solutions. We have gained a lot of valuable experience from the work in our own Vipps organisation. In the future, it will be even more important to find more flexible ways to work together.

3 How will you contribute to securing a healthy economy for Norwegian businesses?

DNB is one of Norway's largest employers. We are committed to being a decent and professional employer that sets a good example in areas such as diversity and women in management. We also wish to contribute actively to minimising the negative consequences of restructuring and change. We have, for example, an internal job centre, whose aim is to give employees who no longer have a job, new opportunities either in or outside the bank. This is about both giving each individual new opportunities and ensuring that we contribute to the restructuring society is now going through.

4 What are you doing to further cultivate initiatives related to the art of serving the customer?

As a staff and support function, everything we do in HR should help increase DNB's ability to deliver new and better customer experiences.

"The digitalisation of our industry represents at least as many opportunities as challenges."



Vipps and Payments

Interview with **Rune Garborg**, head of Vipps and Payments

1 What are the most important opportunities and risks for your business area during the coming year?

Payments is one of the areas within banking and finance that is undergoing the most rapid development both nationally and internationally. New technology and new regulatory parameters allow for increased competition from both traditional and new market entrants. In parallel to this, competition is becoming more international.

The increase in competition will come from traditional banks, major international brands and fintech companies. The introduction of the EU directive PSD2 will be very beneficial for customers, giving them a wider choice of alternatives and making it easier to compare prices and other terms and conditions. For payment service providers, PSD2 implies that all market participants get access to the same customer data, provided that the customers have consented to the use of such data. This is expected to result in increased competition over customer data by offering customer-friendly and secure solutions.

We therefore expect competition to intensify further, though this will also open up new opportunities. It is also anticipated that the speed of development will increase considerably through 2017. Compared to 2016, the number of new product launches in 2017 will be far higher.

In the course of 2016, Vipps took a leading position within peer-to-peer payments, with more than two million active users. More than 30 000 SMEs and clubs and associations have registered as "Vippsers". Awareness of the Vipps brand has surpassed 92 per cent in Norway, and young people place Vipps at the top of all the Norwegian brands they use and value. "To vipps" has become a part of everyday speech among Norwegians. We will now make Vipps available in far more payment situations, including e-commerce, invoices and physical stores. In the course of 2017, it will be possible to pay without the use of bank cards or cash in many thousands of stores in Norway.

Nevertheless, we have only just started. Our goal is to be able to offer Vipps in absolutely all payment situations. Together with our new partners, more than 100 Norwegian banks, we will develop the best and most convenient digital wallet for Norwegian customers[1)].

How quickly Vipps will succeed within a wider range of payment areas will depend on the user-friendliness of the solutions we develop. E-commerce currently looks very promising, where a large number of customers prefer to pay with Vipps. The potential for increased income lies within corporate payments.

1) *The agreement is subject to approval by the Norwegian supervisory authorities.*

FACTS

Vipps and Payments

Vipps and Payments is responsible for drafting and tailoring the strategy for future payment solutions in DNB. This includes responsibility for the mobile payment solution Vipps.

2 What are you doing in your business area to have the right competencies?

We are looking for employees who thrive when there is little predictability, and who find rapid change inspiring in a unit where the reordering of priorities is a natural part of the working day. Those who succeed best in our area are those who are able to simplify complex problems and turn these into simple and forward-looking solutions for our customers.

We wish to have diversity in expertise and backgrounds where the absolutely most important common denominator is the desire to work with talented colleagues to develop the next generation of competitive products.

We are constantly searching for the best people, those who are passionate about developing simple and straightforward solutions. We have started to hold idea competitions, both internally and externally, to highlight both ideas and employees. In addition, we have a very good HR team that helps us to find the expertise and personal qualities to complement and strengthen our current team.

3 How will you contribute to securing a healthy economy for Norwegian businesses?

First and foremost, by contributing to simplifications that increase the profitability of our customers. An example of this is payment solutions for e-commerce. A high percentage of customers (29 per cent) do not complete a shopping process online due to complicated payment solutions. Another example is Vipps Invoice. In 2016, 164 million paper invoices were issued in Norway with an estimated social cost of NOK 21 billion. This is time-consuming and costly for both companies and customers. Vipps Invoice also contributes to many more customers paying on time and saves companies significant costs.

4 What are you doing to further cultivate initiatives related to the art of serving the customer?

Our aim is to make things easier for customers and companies. In addition, we will contribute to more cost-effective solutions.

Within payments, there is a wide range of areas which can be simplified. We have replaced customer identification numbers, account numbers, card verification values, paper invoices and cash with mobile numbers and Finger ID. We will set new standards for simple payments in 2017 within retail trade and further refine the market's simplest solution for invoice payments. We look forward to a year with many innovative simplifications and a clear leading position within mobile payments.



IT and Operations

Interview with **Liv Fiksdahl**, head of IT and Operations (ITOP)

1 What are the most important opportunities and risks for your area during the coming year?

ITOP is the spearhead and driving force for much of the growing digitalisation that is taking place in DNB. The market is changing rapidly, and we are moving from being a bank to becoming a technology company.

In 2017, we will increase the pace of development, create more innovation, make bold technological choices and explore non-traditional forms of cooperation with fintech companies. Together with Innovation Norway and StartupLab[1], we have started DNB NXT Accelerator to establish new and exciting partnerships that can provide commercial opportunities for both start-up companies and DNB.

We will complete the new API Platform[2], where the main purpose is to pave the way for the EU's revised Payment Services Directive, PSD2. The Directive requires banks to give third-party providers access to customers' account information and initiate payments directly from the third party's own systems. This represents challenges, but also great opportunities to develop new products, services and business models given that we can also act as a third-party provider.

When we start with cloud-based operation of Vipps, we will get the opportunity to upscale faster and think bigger.

The increasing use of Big Data, which makes it possible to analyse larger and more complex amounts of data faster and more accurately than before, will create opportunities for better customer insight. This will also pave the way for cooperation with Pboth other business areas and external market participants.

Moreover, we have started exciting initiatives related to automation and the use of robots. These will be important contributions to reducing costs.

We will continue to develop Digital Floor, our digital "dream factory", to automate and digitise IT processes and projects.

ITOP's greatest challenge in 2017 is to combine the very high and faster pace of IT development with stable operations and high-quality products. It is important to recruit and retain the most competent people to stay ahead in the digital race. In step with the development of new services, we work continually to make information and services more secure against cyber-attacks and other Internet crime.

1) *Norway's largest incubator for technology-based startups.*
2) *Application Programming Interface, API, is a digital interface that allows external systems to communicate with our internal systems in DNB.*

FACTS

ITOP

ITOP is a support unit that administers DNB's entire IT portfolio and operates all the services offered by the bank to its customers. The unit is also responsible for the development of new digital services and products.

2 What are you doing in your area to have the right competencies?

The most important thing we are doing to attract the best people, is to showcase our technology, innovation and the digitalisation we do in ITOP, and we are working strategically with branding and recruitment. IT skills are a scarce resource in both a Norwegian and global context, and we need people with different professional backgrounds and experience. Both those we have and those we are on the look-out for, will be vital for how we meet the digital shift.

At events like Digital Challenge and Vippsathon, we invite students to work out ideas on our Digital Floor. ITOP invests a lot of time and resources in "summer interns" and "internship". We see clear results from taking in and developing young IT people in strategically important projects. Last year, we climbed one more place on Universum's list of attractive IT employers, and achieved fifth place at year-end 2016.

We think outside the box and use many different recruitment initiatives, such as 'speed dates', tips campaigns, social media and fintech collaboration.

To retain our competent people, we have, among other things, ongoing skills development, and have established systems to find manager talents. In addition, we are working closely with our strategic suppliers to build internal expertise.

3 How will you contribute to securing a healthy economy for Norwegian businesses?

When oil exploration is no longer the main engine in the Norwegian business community, we must look for opportunities for growth in the digital economy. When we build digital expertise and technology for the future, we are helping to create jobs and contribute to a positive restructuring of the Norwegian economy.

ITOP has a great responsibility to ensure information security and make DNB a safe and secure financial institution for customers and our business partners.

ITOP's role is also to maintain stable operations and a secure infrastructure in Norway's largest bank.

ITOP's suppliers must comply with DNB's clear social, environmental and governance requirements. We require and follow up that our suppliers meet prevailing standards for labour and human rights, the environment and ethics. Through this work, we wish to contribute to improvements and ensure long-term and sustainable deliverables of high quality.

4 **What are you doing to further cultivate initiatives related to the art of serving the customer?**

ITOP is a key facilitator in the development of user-friendly solutions for our customers. Digital Floor is the heart of customer-focused development and provides customers with the opportunity to give feedback in the early phases of projects. When we speed up our development activities, we also reduce the time it takes before customers get new, good experiences from DNB. With increased investment in innovation related to customer insight and robotics (automation), we are helping to ensure that both DNB's business areas and our customers get better and more tailored services.

"In 2017, we will create more innovation and make bold technological choices."

"We will continue to develop Digital Floor, our digital 'dream factory'," says Liv Fiksdahl, here in conversation with Kate Blichfeldt Andresen.



Kari in all channels

Not only has Kari Wellerop (81) become a hotshot at doing her digital daily banking, she now surfs, 'snaps' and posts in all channels. All thanks to DNB's online banking course. →

FACTS

SOME OF THE COURSES OFFERED BY DNB

■ During 2016, some 3 000 seniors who were not active users of the Internet bank or the mobile bank, were contacted directly and invited to a branch office to attend a course based on DNB's **"Guide to digital banking services"**.

■ DNB has also developed **"Guide to the Internet"**, where experienced Internet users share their best tips with novices.

■ **"Kortlappen"** is a digital program for children which teaches them about debit and credit cards and that money must be earned or saved and put into an account in the bank before a card can be used.

■ **A Valuable Lesson** is a digital learning program and is relevant for many of the competency targets within mathematics, social studies, Norwegian and English and tailored to fifth graders, but can also be used for older children.





Kari Wellerop has been a DNB customer for almost 60 years. It has been quite a journey.

"Most things are digital these days and I think a large number of senior citizens are like me: a bit scared about not keeping up with the times, while feeling that there is so much more we should know before we start to use all these new things. When I heard that DNB had closed down several of its branch offices in Norway, I mentioned to my local branch in Asker that they should teach us old people how to use the Internet bank," explains Wellerop.

After just a few days, she received an invitation from DNB in her letter box to attend a course. Wellerop had used the Internet bank for some time, but she still gained a lot from the course.

"There are so many new products and services, such as eInvoices and autogiros (automatic debit transfers), and I am always frightened about doing something wrong. The people who held the course were marvellous and now I feel that I master the basics," smiles Wellerop.


1

"The people who held the course were marvellous and now I feel that I master the basics."

KARI WELLEROP

OVERWHELMING RESPONSE. Even though many seniors are adept at using the Internet bank and browsing the Internet as if they had never done anything else all their lives, there are still many who feel shut out of the digital community.


2

According to Statistics Norway, 820 000 Norwegian adults state they have weak digital skills, and the elderly constitute a large part of this group.

Last year, all of DNB's senior customers who were not active users of the Internet bank, were invited to a branch office to attend a course on digital banking services.

"We have offered Internet bank courses for many years, but what we did differently in 2016, was to take direct contact with all our 'non-digital' customers and invite them to a course. Some 3 000 customers attended one of our courses last year," says Trond Bentestuen, head of Personal Banking, adding.

"The response has been overwhelming. The use of the Internet and new technology can help make daily life easier and prevent loneliness. Based on the feedback we have received from our courses, older adults are becoming increasingly keen to try out new things. In addition to learning

1. Delighted: Kari Wellerop has been on a DNB course and can now safely surf the web, also on her mobile phone.

2. Primus motor: Trond Bentestuen, head of Personal Banking, here talking with Berit Bergersen, emphasises the importance of older adults learning more about digital banking services.

3. Internet surfing: It is not only digital banking services that older adults can benefit from learning about. Buying and selling and information sharing increasingly take place online.



how banking services can be done online, we are seeing clear signs that many older adults will greatly benefit from learning more about the Internet in general and about the doors it opens," says Bentestuen.

DNB has played an important role in Norway's digital development.

"Today, our customers have become pretty good at using self-service solutions and can perform banking services on their PCs, tablets and/or mobiles. However, it is not just banking services that have become digitised. Buying and selling travel tickets, whether holidays or public transport, is now done almost solely online. Public authorities also assume that citizens are digital and able to use self-service solutions," says Bentestuen.

A SOCIAL RESPONSIBILITY. According to the Norwegian National Institute for Consumer Research, 63 per cent of older adults wish to become better at using a computer and the Internet. This is why DNB is the first bank in the world which has taken this one step further and developed the "Guide to the Internet".

"The guide explains how you can use the Internet to book holidays, listen to music and the radio, watch TV and films, keep in touch with family and friends, and much more. The purpose of the guide is to explain new digital services so that it is easy to understand what they are, what functions they have and how they replace former solutions or add something new," says Bentestuen.

The "Guide to the Internet" was made by DNB via social media, first and foremost using Facebook, inviting web-savvy customers to give their best tips and advice to those who have little experience in using the Internet. The user's guide is available in both a digital and a print version.

"We regard it as a social responsibility to include people in the digital community. It is not okay to be left outside of an increasingly digital world," says Bentestuen.

LARGE UNTAPPED POTENTIAL. According to the Norwegian Daily Banking Survey 2016, the percentage of customers in Norway over 66 years of age who use the Internet bank, has increased from 53 per cent to 75 per cent in the course of the last four years. The percentage using the mobile bank has increased from 9 to 19 per cent in the same period. However, according to figures from Seniornett, a Norwegian association promoting the learning of digital skills to seniors, as many as 400 000 Norwegians have never been on the Internet.

"Even though more older adults are using digital services, there is still a large untapped potential here. In our experience, age is not the defining factor in mastering our new digital lives, but experience, interest in and access to help," says Bentestuen.

Vipps, which today is used by more than 2.1 million Norwegians, is an example of a simple digital banking service that still has untapped potential in the older part of the population.

According to Trond Bentestuen, people over the age of 60 is the Vipps user segment that will grow the most.

OTHER COURSES OFFERED BY DNB:

Children's banking licence

From an early age, children go shopping with their parents and see that they pay with plastic cards. DNB wishes to help teach children where money comes from and that it is not a never-ending resource, and therefore recommends that children take "Kortlappen" a sort of banking licence, before they start using their first debit card. Children can have their first debit card in the bank from the age of ten if their parents agree.

Find out more about Kortlappen here: DNB.KORTLAPPEN.NO

A Valuable Lesson

More than 900 schools have included the digital learning program A Valuable Lesson as part of their curriculum in 2016/2017. The purpose of A Valuable Lesson is to ensure that children learn money management skills, thereby preventing payment problems being passed down from generation to generation.

A Valuable Lesson is a digital learning program developed by DNB with support from the Norwegian Red Cross, which is quality-assured by the University of Agder. The content is relevant for many of the competency targets within mathematics, social studies, Norwegian and English from the fifth to seventh grade (9 to 12 year olds).

Check out LÆREPENGER.NO for more information about the digital learning program.

Courses organised by DNB Markets

Markets offers courses via webinars and web TV broadcasts for private individuals. Courses offered are on topics ranging from equity trading, research, market updates and macro events to company presentations. In addition, Markets teaches companies and institutions about foreign exchange, fixed-income securities and commodities and holds topic seminars about markets, products, risk management and regulations.

"If we are to successfully promote innovation and entrepreneurship, we must be innovative ourselves."

HENRIK JACOBSEN



Brand ambassador

DNB's brand ambassador programme is an internal initiative whereby DNB employees each year select 100 colleagues to be brand builders. The network of brand ambassadors will help build a culture characterised by employee engagement and customer orientation, while being a driving force of change.

Henrik Jacobsen is one of them. He works as a start-up pilot for entrepreneurial companies.

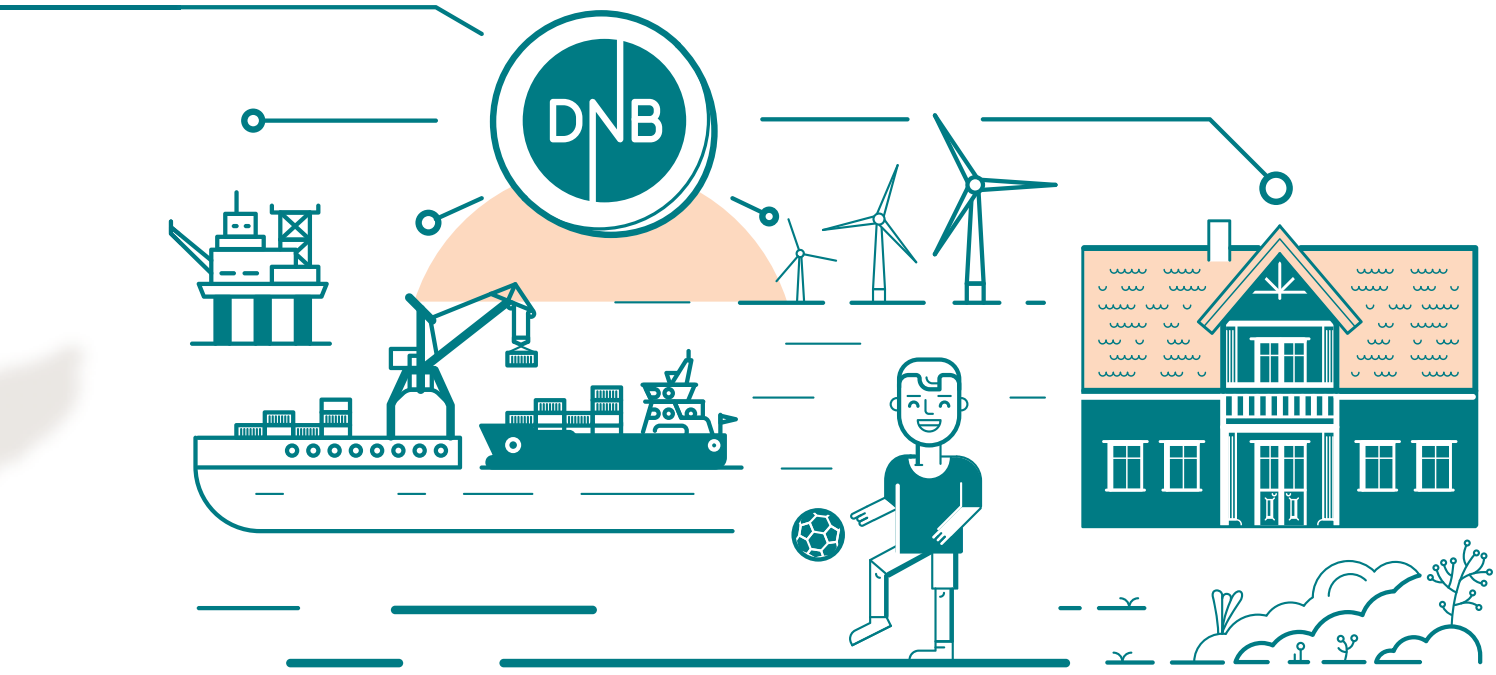
What do you think is important if DNB is to create long-term value and how can you contribute?

"DNB can offer so much more than banking products, and we have to be innovative about how we can use our position and expertise to help entrepreneurs. As a start-up pilot, I have a fantastic opportunity to put budding entrepreneurs on the right track and perhaps help more of them succeed. At the same time, I can help establish DNB as a reliable partner, one which accompanies both the person and the company through their entire journey."

3

Responsible operations

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Materiality analysis

DNB is dependent on trust and a good reputation. Trust is built when the Group's stakeholders have confidence that DNB, over time, will create value for both the Group itself and for society.

The Group's key stakeholders: customers, public authorities, shareholders, employees and society at large, have expectations regarding how DNB exercises its role in society through, among other things, its product and service offering, infrastructure and role as an employer. DNB will build trust by being open about how it works to meet stakeholder expectations.

INTEGRATED REPORTING

DNB established an integrated report for the first time for the 2015 reporting year, whereby the stand-alone corporate social responsibility report was integrated in the annual report. The goal was to give a holistic picture of DNB's value creation. For the reporting year 2016, DNB has taken a step further by establishing a comprehensive materiality analysis that includes more than traditional social responsibility topics. It shows a prioritisation of the long-term challenges facing DNB and is intended to give an overall picture of the challenges that have the greatest impact on DNB's future value creation. The materiality analysis replaces the materiality analysis from 2014 and is the basis for DNB's responsible operations and input to DNB's future strategy work.

The work on the materiality analysis in 2016 is based on the framework for integrated reporting established by the International Integrated Reporting Council, IIRC. The framework has helped to clarify which input factors and associated challenges are important to ensure long-term value creation for DNB and for DNB's stakeholders.

DNB's challenges have been defined based on the following input factors (types of capital):

- Financial assets and values
- Systems and processes which enable effective management
- Employees and their skills and motivation
- Customers' loyalty and perception of DNB
- The status of the society in which DNB operates, and relations to key players

Based on the input factors, an analysis was prepared of the challenges the Group must resolve to ensure long-term value creation. The following topics were the basis for the analysis:

- Regulatory requirements
- DNB's strategic platform
- Feedback from external and internal stakeholders
- Global and national challenges
- DNB's support to global initiatives
- Specialist literature and best practice analyses

THE TOPICS THAT FORMED THE BASIS FOR THE ANALYSIS

The analysis was first presented to a number of external and internal stakeholders in a structured dialogue where they were given the opportunity to speak freely about the challenges. The challenges were thereafter ranked in order of priority based on their relative importance to long-term value creation for DNB and for society. Contributions from the stakeholders were weighted differently. Customers and shareholders were given the highest weight, then the authorities, employees and society at large. The stakeholders were particularly concerned about how DNB safeguards its role in society. As Norway's largest bank, DNB plays a key role in filling the social role of the financial services industry. Few industries have so many contact points with the Norwegian population as the financial services industry. In addition, the Group's largest shareholder, the Norwegian government, represented by the Ministry of Trade, Industry and Fisheries, expects DNB, as a Norwegian bank, to take a particular responsibility towards the Norwegian population.

The complete analysis and the most important challenges have been considered and approved by the group management team and the Board of Directors and provide the basis for the work on and reporting of the Group's responsible operations. The updated materiality analysis has been prepared in accordance with the GRI 4 guidelines. The key findings in the analysis can be grouped into three main challenges related to customers, employees and society, and are the basis for the further division of this chapter:

- **Master the art of serving the customer:** is about customers being given what DNB promises, and preferably more. This entails that the Group must deliver future-oriented and responsible products and services.
- **Have the right competencies:** is about having committed employees who know that they are helping to fulfil DNB's role in society. This means that the Group must attract and develop people with the abilities and the knowledge needed to contribute to the changes facing the financial services industry.
- **Contribute to a healthy economy:** is about how DNB can use its competencies and resources to help solve long-term social challenges. As Norway's largest bank, DNB has a particular responsibility for promoting a financially sustainable Norwegian society.



Ensuring profitability and financial strength is deliberately not included in the materiality analysis because the targets in these areas are well established and communicated, and are a prerequisite for success in the other areas.

BACKGROUND FOR THE ANALYSIS

DNB's strategy

DNB's strategic platform consists of the Group's vision, values and a shared customer value proposition. The strategy emphasises capital efficiency, customer experience and corporate culture. Read more about this in the chapter DNB in brief on page 7.

DNB's stakeholders

The financial services industry is changing and facing new requirements from a variety of stakeholders. Feedback from stakeholders will therefore be an increasingly important part of the work to ensure long-term value creation in the years to come.

Having a dialogue with stakeholders and integrating their input in the decision-making processes that affect them is an ongoing part of the Group's operations.

See an overview of DNB's stakeholder dialogue in 2016 in the sustainability library (link below).

Regulatory requirements

Section 3-3 c of the Norwegian Accounting Act sets requirements for reporting related to human rights, labour rights and social conditions, the external environment and the fight against corruption in business strategies, daily operations and in relation to stakeholders. Section 3-3 a of the Norwegian Accounting Act also sets requirements for the reporting of non-financial and key performance indicators, including environmental requirements, equal opportunities and discrimination. DNB meets regulatory requirements for reporting through its integrated annual reporting and through reporting according to the Global Reporting Initiative (GRI).

Support to global initiatives

DNB has chosen, in addition to following Norwegian standards, to support and participate in a number of global initiatives and international guidelines to ensure responsible operations. Such initiatives are important for learning, knowledge sharing and influencing. They also provide input to DNB's long-term value creation.

Read more about all the initiatives DNB supports and participates in at dnb.no/en/about-us/corporate-social-responsibility.html

One of the new initiatives joined by DNB in 2016 is the United Nations' 17 sustainable development goals. When identifying the most important challenges for long-term value creation (the materiality analysis), development goals and their impact on DNB's value chain were evaluated.

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The United Nation's 17 Sustainable Development Goals



DNB ASA supports the United Nations' Sustainable Development Goals.

→ Three of the development goals are particularly relevant to the Group's challenges relating to long-term value creation and to how DNB can make a difference:

Goal 4. *Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all.* DNB will contribute through the learning program "A Valuable Lesson", which aims to give children and young people a basic economic understanding regardless of social background. Read more about DNB's various training programmes on page 50.

Goal 8. *Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.* DNB will contribute to increasing economic productivity by arranging capital for innovation and restructuring in Norway, among other things by supporting entrepreneurs. Read more about how DNB connects ideas with capital on page 16.

Goal 13. *Take urgent action to combat climate change and its impacts.* DNB will counteract, adapt to and reduce the impacts of climate change, as well as strengthen knowledge and awareness of this, which includes arranging green bonds, green mutual funds and investments in renewable energy. Read more about DNB's renewable commitment on page 80.

GLOBAL AND LOCAL DEVELOPMENT TRENDS

Both global and local development trends influence the DNB Group's strategy, value creation and business model today and in the period ahead. The changes represent both risks and opportunities for the Group and require that DNB adapts its operations. The most important changes include:

Changes in customer behaviour

- The new banking reality is digital, and the mobile phone is the technological winner. Today, very few customers visit the physical branch offices.
- Customers are the driving forces behind digitalisation, and their key requirements are simplicity, availability, quality and user-friendliness.
- Technological developments have made the journey from idea to product launch very short.
- Digital information is personalised and adapted to each individual customer.
- New solutions are offered to everyone, also to non-customers.
- Competition is increasing as new players are challenging the most profitable product areas, and the toughest competition is now coming from companies outside the traditional banking sector.

Regulatory framework

- Stricter capital adequacy requirements mean that DNB must have more capital behind every krone lent to its customers.
- The supervisory authorities (national and others) require more complex and frequent reporting.
- DNB operates in a sector with strict regulatory requirements, but new players that are not comprised by the same type of regulations, may enter this market.
- The EU's payment services directive, PSD2, requires that banks give third party providers access to customers' account information and the opportunity to initiate payments directly from the third party's own systems.

Macroeconomics

- In periods of recession, corporate earnings are volatile, there is higher unemployment, more bankruptcies and a rise in impairment losses for the banks.
- Effective communication, mobility and information sharing are making the world smaller, while the division of economic power is changing.
- Greater political agreement on measures to limit the emission of greenhouse gases increases the risk of regulatory, commercial or technological shifts which may influence DNB customers' business operations.
- Urbanisation and demographic and social developments change the lifestyle of private individuals and result in a new competitive situation for companies. Higher life expectancy and longer education increase the dependency burden on the productive part of the population, which leads to greater interest in saving for retirement and elderly care.
- The global increase in wealth creates a larger middle class with special requirements and expectations.

Link to the sustainability library:
DNB.NO/EN/ABOUT-US/CSR/SUSTAINABILITY-LIBRARY.HTML

A responsible investor

How investment helps to make the world a better place

Every minute around the clock, shares are bought and sold worldwide. Like a bounding pulse, graphs rise, peak and fall as the value of commodities, companies and industries is defined with red or black numbers in a complex interconnected market where everything from politics to nature affects the direction of the graphs.

Almost anything can be bought and sold on the world's stock exchanges. But is this right?

This is one of the questions Janicke Scheele, head of responsible investment in Wealth Management in DNB, considers every single day.

"DNB has its own guidelines for ethical investments. These follow, on the whole, best practice in the market, as defined by the Government Pension Fund Global," says Scheele.

Climate trend. DNB's guidelines are to ensure that the Group does not invest in companies which contribute to serious violation of human and labour rights, grave harm to the environment, unacceptable greenhouse gas emissions and serious corruption. Mining companies or power producers which largely base their operations or income on thermal coal, may also be excluded. DNB also steers clear of companies which manufacture controversial weapons, tobacco and pornography.

"As an asset manager, we have three policy instruments we can use to be a responsible investor: exclusion, positive screening and active ownership," says Scheele.

At year-end 2016, 129 companies were on DNB's exclusion list. 21 of them had breached DNB's environmental criteria.

"The interest in climatic problems has grown over the past year, and in the wake of the Paris Agreement and the UN's Sustainable Development Goals, customers expect that sustainability is part of a company's profile. We have long had two environmental mutual funds: DNB Grønt Norden and DNB Miljøinvest. The first fund actively excludes companies with direct exposure to fossil energy and actively includes companies with an environmental profile. DNB Miljøinvest invests globally in renewable energy and energy efficiency," explains Scheele. As a step in reducing climate risk and carbon →



Sustainability and a long-term perspective are guiding stars in DNB's work to promote responsible investment. Janicke Scheele, head of the Responsible Investment Department in Wealth Management.



"Climate is currently a key subject for the financial services industry, offering tremendous opportunities for investors," says Martin Skancke, chairman of the board of the UN-supported Principles for Responsible Investment, PRI.

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footprint, and according to best practice, DNB chose, in January 2016, to introduce climate and coal criteria in its guidelines for responsible investment.

Sustainability integrated in corporate governance. Martin Skancke, chairman of the board of the UN-supported Principles for Responsible Investment, PRI, confirms the climate trend:

"Climate is currently one of the most central topics for the financial services industry. It is not just about getting rid of fossil energy sources, but about developing renewable energy. There are tremendous opportunities for investors, but also risks, as some companies profit from restructuring, while others succumb to the changes. Investors have to ask themselves what their responsibility is. What can they do that serves the interests of both their customers and society? PRI's aim is to get sustainable reporting integrated in financial reporting. Only then can potential investors assess how robust the companies actually are," explains Skancke.

In the autumn of 2016, he participated in a dialogue the bank had with external stakeholders, together with some of Norway's most prominent journalists and business leaders. DNB's goal was to gather input on how the bank should develop further, and Skancke contributed with his extensive experience from the field of responsible investment. He points out:

"Those who have power must also take responsibility. And we can ask ourselves how responsible the financial community is for creating a better world."

How responsible is DNB?

"DNB is a large institution, and we can probably say that it has a greater responsibility than many others. DNB's success depends on a generally healthy Norwegian economy. The bank reflects the Norwegian society. DNB should, therefore, always think holistically as an investor," says Skancke.

"We believe that we do this," says Janicke Scheele and elaborates: "For example, it is not always best to exclude companies. As active owners, we can invest in and influence companies that are in the process of becoming sustainable. In this way, we contribute towards greater accountability and good returns. We are often in dialogue with a company's management throughout the year, and we use our voting rights actively in general meetings."

Read more about DNB's work within responsible investment on page 74.

Master the art of serving the customer

ENSURE GOOD CUSTOMER EXPERIENCES

WHY THIS IS MATERIAL

Customers are some of DNB's most important stakeholders. To deliver good customer experiences every single day is necessary in order to gain trust, high customer satisfaction and loyalty, and is critical to DNB's existence. Customers increasingly expect good experiences, driven by the pace of change and innovation in other industries and by new market entrants in the financial services industry.

Positive customer experiences make DNB more attractive to both existing and new customers and are therefore important for loyalty and new sales. DNB's aim is that customers shall have such good experiences that they talk positively about and recommend the bank to others. This is how DNB will give its customers extra value among market participants offering the same prices and terms and conditions. It should be easy to become and remain a customer of DNB, and customers should experience that the bank is there for each one of them, and is trustworthy and helpful. The individual business areas are responsible for ensuring good customer experiences in their own sphere of responsibility. The brand management division in Corporate Communications is responsible for brand experience at group level and supports the business areas' work.

POLICY AND APPROACH

To find out whether DNB takes the right choices for its customers, it is important to involve the customers themselves. Measuring how satisfied customers are gives a picture of whether or not DNB is succeeding in the market. However, this does not necessarily provide the answers to what the Group has to do differently to better succeed. Therefore, it is becoming increasingly common to involve customers in product development and to make adjustments based on their feedback. Based on this, DNB has, among other things, employed service designers who work with product development in all of the bank's customer segments. The designers are hired for their ability to design simple, easy-to-use solutions that meet customer needs. More service designers will be employed in the period ahead.

DNB measures preference towards the Group and perceived customer experiences based on a number of target indicators among own customers and non-customers. The two key target indicators in 2016 were the customer satisfaction index, CSI, which measures how satisfied DNB's own customers are, and the reputation score, which measures how the population perceives DNB as a company and as a brand. These are seen in the context of other overarching preference and loyalty targets. Insight from customer satisfaction and reputation surveys is key to the further development of DNB and for the priorities that must be made. Based on the results of the surveys, concrete action recommendations are developed, which are considered quarterly at group level and in the various customer segments. The results of the customer satisfaction index and the reputation survey are published in the Group's quarterly reports.

In addition, customer satisfaction is measured by following up customers straight after they have been in contact with the bank. Customers who have taken out a home mortgages, purchased savings or insurance products, called the customer centre, visited a branch office, been through a claims process or used DNB's online chat service, answer questions to give feedback on the specific experience or service. In addition, advertising campaigns, events and other specific customer initiatives are evaluated. A variety of systems and methods are used, which are adapted to each channel, service or customer segment.

The solution that gives the highest number of responses from customers is a text message service which DNB has developed in cooperation with Telenor, and is sent to customers who have contacted DNB by phone. Negative feedback in this survey is followed up manually by the managers working in the customer centre.

If customers have complaints, the aim is to always address these at the first point of contact. Nevertheless, there are cases where the complaint must be dealt with by DNB's complaints departments. The people who work in these departments aim to turn negative customer experiences into something positive.

In order to understand customers' evaluations and gain more insight in customer needs, the Group conducts a number of different surveys. Overarching surveys of underlying drivers and in-depth analyses of customer segments and product areas are carried out to understand customer needs related to, for example, a service or channel/interface. A range of methods, both qualitative and quantitative, are used to understand the underlying needs that are essential to meet to ensure good customer experiences.

EVALUATION OF RESULTS IN 2016

The target for the reputation score in 2016 was 70 points, while it was 80 points for the customer satisfaction index. The reputation surveys showed a negative trend in 2016. Customer satisfaction among personal customers was 73 points at year-end 2015, whereas it was 67 points in the fourth quarter of 2016. The reputation score was 70.1 points at year-end 2015 and 64.0 points in the fourth quarter of 2016. The main reason for the decline in both the customer satisfaction index and the reputation score was single

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major issues and measures which had a direct impact on perceived customer value for the individual customer. Panama Papers and the Dakota Access Pipeline must be mentioned among these issues, while price changes, such as fees for ATM withdrawals, negatively affected perceived customer value. The Greenwich Quality Index showed that customer satisfaction increased in 2016 among the bank's large corporate customers, and DNB received the best score among the banks in Norway in this survey. The Personal Banking business area also reported positive feedback due to good customer experiences at contact points such as the Group's customer centre and customer advisers, general availability and digital contact points, such as Vipps and chat.

AMBITIONS

In 2017, the evaluation of total customer experiences will be extended to include many of the new contact points. The target for 2017 is a customer satisfaction index of 78 points and a reputation score of 70 points. In order to further improve customer satisfaction and reputation, it will be important to deliver good customer experiences that prove that customers can have confidence in DNB, that the Group delivers relevant products and services, and that it is simple to be a DNB customer. The bank must prove to its customers that it acts in their best interests through its actions and product and service offerings.

Read more about customer experiences below and in the section "Provide ethical products and services". Information on customer satisfaction for large corporates and international customers can be found in the business review on page 40.

KEEP UP THE PACE OF INNOVATION AND SECURE THE ABILITY TO MEET NEW CUSTOMER NEEDS

WHY THIS IS MATERIAL

DNB, like the financial services industry in general, is experiencing rapid changes in its surroundings. There is a steady stream of new technological solutions and new market entrants from other sectors, customer expectations are changing, and DNB is facing new requirements due to changes in regulations. The changes entail challenges, but also offer new opportunities. The digital shift in society is affecting all of DNB's business areas and support units, and it is necessary to deliver swiftly and meet new customer needs in order to survive as a bank in the long term. DNB must effectively identify and realise new business opportunities, while continually improving and automating existing operations.

POLICY AND APPROACH

The pace of innovation and the ability to deliver on new customer needs is about developing future-oriented solutions that keep up with customer habits and needs, changes in the market and the regulatory framework and new offerings from new and traditional competitors. DNB must capitalise on existing and new customer data to increase sales, profitability and customer satisfaction through increased relevance and personalisation.

The Board of Directors defines, together with the group management team, the most important strategic initiatives to reach ambitions and goals in light of the digital shift. These are operationalised in the business areas and support units, and development needs are defined to realise goals and plans. IT presents the proposals to the group management team on a quarterly basis for approval of related IT investments. Important strategic clarifications in connection with goals and plans are also elevated to group management on an ongoing basis. Based on guidance from the Board of Directors about what will be important for the bank in the future, group management has approved and initiated seven group projects. The projects comprise, among other things, better use of customer insight, a faster pace of innovation and preparation for compliance with the Payment Services Directive, PSD2. Each of the projects is directly owned by a group executive vice president, and since many of the consequences of the projects will affect the entire Group, the entire group management team represents the Steering Committee.

During 2016, DNB worked to increase its capacity within digitalisation and innovation. One of the measures was to establish the Digital Floor. This floor is used for time-limited digitisation activities such as design sprints, scoping and solution workshops in projects, as well as high-priority digitisation projects. In addition, dedicated employees (service designers, sprint facilitators and innovation specialists) are hired and trained to facilitate and drive these activities forward.

Another initiative is to implement new working methods such as agile, devops[1)] and design-driven product and service development. All development of new customer functionality is now based on one or more of these methods, and the result is better customer experiences and faster time-to-market.

DNB has started an internal academy to train account officers in the corporate customer units to become better strategic advisers within total financing solutions. DNB is also planning to put together more integrated customer teams with representatives from various relevant parts of the Group. The management of working capital is also increasingly important for many customers, and a separate unit has therefore been established with a stronger focus on this.

EVALUATION OF RESULTS IN 2016

In 2016, Vipps and home mortgage digitisation were the largest projects that were delivered in this way. The result is that the areas of application for Vipps have expanded rapidly, such as "split a bill", e-commerce payments to companies, in-app purchases and invoice payments. In 2016, DNB achieved an even stronger position in the Norwegian market, entailing a four-fold increase in usage,

1) *Development methodology with ongoing releases up until production, based on close collaboration between development and operational resources and a high degree of automation.*

with 1.1 million new Vipps customers in 2016. Vipps Invoice was launched in 2016.

Within home mortgage digitisation, DNB has so far, probably as the first bank in the world, managed to achieve a fully digitised process for extending existing mortgages, from application to payment on account. The new refinancing solution is far simpler and faster for customers. In addition, the proportion of digital refinancing applications has increased, while the processing time has been reduced due to the new solution. DNB Markets is experiencing an increase in the use of digital self-service solutions within securities and foreign exchange trading.

Innovation and development affects everyone in the Group, which is why this is reported on in the quarterly employee surveys. Employees' perception of the innovation status in the organisation gives an indication of how well this is rooted in all parts of the Group. In the latest survey, in the fourth quarter of 2016, the score was 82 points. No target was set for this score in 2016.

Cooperation with start-up companies was also an important factor within innovation in 2016. DNB started NXT Accelerator and will eventually launch the DNB Fintech platform to identify possible cooperation opportunities with promising Norwegian fintech and technology companies. As the bank becomes even more of a technology company, it will be natural to use the same methods as the world's leading technology companies to drive innovation. These companies constantly identify and acquire promising companies with technology which fits well into their strategy, with the intention to improve, further develop or innovate the company's business model. DNB sees it as an opportunity to partner with technology companies to swiftly create the best customer experiences. Read more about DNB NXT Accelerator on page 16.

To retain existing customers and attract new customers in both the personal and corporate markets, it is important that DNB continues to invest in better customer experiences. The companies that win customer loyalty in the long run, are those who manage to solve customers' problems in the best manner. This means putting customer needs first and seeing the profitability of a product/service in a longer perspective. An example is person-to-person payments, where the launch of Vipps has helped to make everyday life easier for customers. Even though the bank does not make money through this Vipps service, it has created a user base which DNB can capitalise on through other solutions, such as Vipps Invoice.

AMBITIONS

In the personal customer market, the main ambition for 2017 is to be able to offer all of the bank's services wherever the customer is. This means on mobile phones, via the 24/7 chat service with immediate response, personalised advice and services, and swift responses to applications and requests. The main channels will be Vipps, the mobile bank and chat. The aim is that Vipps Invoice will be adopted by an increasing number of personal and corporate customers.

In the corporate market, the focus is on neutralising the lead the Group's main competitors have in the field of cash management, offering digital versions of existing manual advisory services, contributing to the full digitisation of customer processes (such as digital signing of all documents), as well as offering better credit services (for example, proactive overdraft facility when the bank sees that a company is heading into a short-term liquidity squeeze, and invoice purchases). In addition, real-time payments will be implemented for all customer segments and key currencies, and customers will be offered better and more automated accounting and ERP[1)] functions through cooperation and competition with accounting and ERP suppliers.

PROVIDE ETHICAL PRODUCTS AND SERVICES

WHY THIS IS MATERIAL

DNB has a responsibility to help ensure that the banking industry delivers ethical products and services and has to make conscious choices related to what should be offered, how this is delivered and to whom. The choices DNB makes affect individuals, society, companies, industries and financial stability in Norway, and will in turn affect the confidence the surrounding world has in DNB. DNB's existence is dependent on trust from all of its stakeholders. Trust is earned or damaged when DNB delivers products and services that surpass, or deviate from, what is expected.

POLICY AND APPROACH

DNB's group policy for corporate social responsibility is normative for all product and service development. Under the policy, DNB is committed to take into account sustainability and ethics in all its activities, including the development of products and services, advisory services and sales. The group guidelines for product development are part of the risk management framework. In addition, Norwegian laws and regulations and expectations from stakeholders must be observed. The group guidelines for ethics (the code of ethics) are intended to contribute to increasing the awareness of and compliance with the high ethical standards which are required to be observed by DNB employees. A fundamental principle is open, clear and truthful communication which safeguards customer interests in connection with sales and advisory services. Both the group policy for corporate social responsibility and the code of ethics are approved by DNB's Board of Directors of DNB. Read more about this under Corporate governance from page 88.

DNB requires that its employees comply with high ethical standards. This is of value both for the Group as a whole and for the individual employee, and is regarded as part of the responsibilities DNB has as a player in Norwegian society. Ethical topics are emphasised in all parts of the organisation, something which is regarded

1) *Enterprise Resource Planning systems: systems that are used for resource management, planning, budgeting, goods flow and inventory management.*

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→ as a considerable contribution to maintaining the necessary trust from the outside world. DNB is working together with other players in the financial industry to promote a marketing standard for the industry with respect to credit cards and consumer loans to clarify the significance of responsible credit card use.

An important task is to implement ongoing measures aimed at all employees in Norway and in the organisation's international operations to ensure the right attitudes. Based on a risk-based approach, targeted initiatives are implemented in those parts of the organisation which are deemed to be most exposed to ethical challenges and potential breaches of the law. This applies particularly to those parts of the large corporate and SME business areas that have considerable exposures in countries with a higher level of corruption or lower protection of the environment or labour rights etc., as well as to the units in DNB which buy products and services from such countries.

Training and other activities are tailored so that employees know what is expected of them. The implementation of such training is mandatory for all employees, both in and outside Norway, and managers have a particular responsibility for following up their employees in this respect. In addition, ethics is a key topic in the introduction programmes for new employees and new managers.

In the personal banking market, it is important that DNB offers products and services which are tailored to the individual customer, and that the customers get the information they need to make the best possible choices. In cooperation with the rest of the financial services industry, DNB has supported three measures which will have effect in the short term: a common Norwegian debt register, an industry standard for the marketing of credit cards and consumer loans, plus better invoicing practices in the industry. The debt register is expected to be in place in 2018, while the marketing standard and invoicing practices will be introduced in 2017.

DNB works to increase awareness among consumers through the A Valuable Lesson project, which is aimed at children in fifth to seventh grade (10–12-year olds). See more in the chapter "Promote financial literacy". A new DNB strategy for credit cards and consumer loans is also currently being drafted.

Conduct risk can be described as non-compliance with ethical principles and generally reprehensible conduct. DNB is strongly aware of the risk that may arise due to the Group's conduct in sales processes and business practice to help ensure that legal disputes such as the so-called Røeggen and Eiendomsinvest cases do not occur in the future. An updated framework for risk management is currently being drafted. This will clearly define the importance of the topic of conduct risk. Ethical dilemmas and assessments related to conduct risk will be integrated in various parts of the Group's compliance training.

DNB has an internal notification procedure whereby employees can report their concerns about unethical or unlawful behaviour, or other reprehensible matters that are at odds with organisational integrity. There is a link to the internal notification web page on the Group's intranet. The web page is in several different languages and internal notifications are sent by email to DNB's group chief audit executive. All employees are informed about the notification mechanism through the Group's ethics training. DNB's employees are protected from reprisals or the like resulting from notifications. This is described in the code of ethics. In 2016, the group chief audit executive received fewer than 20 notifications. This was at approximately the same level as the year before.

EVALUATION OF RESULTS IN 2016

As a consequence of the review of DNB's internal notification procedure after the so-called Panama Papers case, the Board of Directors has initiated a process to establish a solution for anonymous, electronic notification to an external party, in addition to the internal notification procedure. Notification is being expanded to include external employees. Read more about the Panama Papers case in the Group chief executive's statement (page 4) and "The Board of Directors actively followed up the Panama Papers case" on page 89 and in the stakeholder dialogue table in the sustainability library (link below).

In the second half of 2016, new group guidelines and procedures for the approval of products and services were drafted. This measure was implemented as compliance with the existing guidelines and policies in this field have not been good enough.

DNB did not receive any fines related to marketing or product and services branding during 2016. The Norwegian Consumer Council notified in January 2016 that they would bring a civil action against DNB related to the management of the DNB Norge funds, and DNB received the writ of summons in June. DNB is of the opinion that the DNB Norge funds have been actively managed and created significant value for the unit holders. DNB's calculations show that over the past ten years, two of three customers have received higher returns than if they had invested in an index fund. The court hearing is expected to take place in the course of 2017. See note 52 to the annual accounts.

AMBITIONS

The new group guidelines for the approval of products and services will be implemented in 2017 and will:

- include a wide range of assessment and decision points for the approval, but also for the ongoing monitoring of products and services (including social responsibility, ethics and reputation, etc.)
- ensure that the assessments of products and services always take into account the customer segment to which they are offered
- support development processes with swift time-to-market and rapid changes in products and services after the launch
- clearly place the responsibility for products and services offered to the various customer segments

In order to succeed in the future, it is important to monitor the implementation of the new routines for the approval and follow-up of products and services. In addition,

competence enhancement must continuously be on the agenda. It is important to have knowledge about what it takes to be a responsible provider of financial products and services in the markets where DNB operates, where changes occur rapidly and where stakeholders set clear requirements. Ever-new combinations of technology and financial services are challenging the established norms related to responsible products and services, for example privacy protection, information security and availability. In order for DNB to act ethically and sustainably in a long-term perspective, it is necessary to challenge the organisation with respect to potential changes.

ENSURE PRIVACY PROTECTION AND INFORMATION SECURITY

WHY THIS IS MATERIAL

DNB handles large amounts of customer data of both a personal and business nature. The quantity of information increases in step with the offering of digital products and services. New technological solutions and an increasingly complex threat scenario require that employees understand relevant risks and how customer information should be managed in a secure manner. This is crucial in preventing information from going astray and in maintaining customer confidence. In 2016, the digital threat scenario and incidents aimed at DNB were characterised by various forms of fraud, the development of Internet bank viruses and attempts at digital espionage. The challenges facing DNB are the same that are hitting the entire financial services industry, in Norway and internationally.

POLICY AND APPROACH

Privacy protection comprises the fundamental rights of individuals, such as the right to privacy, and the right to be able to decide over one's own personal data. The processing of personal data affects customers' confidence in DNB. DNB is working actively to ensure that personal data is processed in accordance with the requirements laid down in the EU's new General Data Protection Regulation (GDPR). This privacy protection regulation is expected to come into force in the form of a new Norwegian Privacy Protection Act in May 2018. DNB has a privacy protection ombudsman who is responsible for processes related to the right of inspection, the right of protection, privacy protection inquiries, as well as notifications to the Norwegian Data Protection Authority in the event of any unauthorised disclosure of personal data. DNB reports and follows up deviations in accordance with prevailing regulations. The existing process for deviation management will be revised as part of the action plan for privacy protection for the period 2017–2018.

In addition, DNB has a separate security policy governing the Group's work within this area. To support the security policy, the Group has guidelines and rules on information security and the handling of personal data which shall be taken into consideration in all system solutions, products, processes and services.

After the Group's requirements related to information security and management thereof were revised in 2015, DNB implemented the changes in 2016. Risk related to information security is reported each quarter to the group management team and the Board of Directors. An annual review of DNB's threat scenario is submitted to the group management team.

EVALUATION OF RESULTS IN 2016

DNB is heading towards more automation and digitalisation, and the field of information security is no exception. In 2016, an action plan was established for information security, and progress is reported to the group management team. Great emphasis has been placed on technical safeguards to prevent fraud in a better and more effective way, and this will continue in 2017. Following up IT suppliers is also an important part of the security work.

DNB wishes to help customers to become better protected against cybercrime. In 2016, DNB held customer seminars where advice was given on information security. Customers have access to information and advice on the safe use of the Internet bank, bank cards, the mobile bank and other services on dnb.no. Customers are notified if they have an Internet banking virus on their computers.

DNB cooperates with private and public institutions, both in Norway and internationally, to prevent crime. DNB has been an initiator of and contributor to FinansCERT, an organisation which contributes to the handling of security incidents across the industry. Furthermore, DNB cooperates closely with, among others, the National Criminal Investigation Service and reported several incidents to the police in 2016. On account of its security measures, DNB is a safe and secure financial services institution for its customers and business partners.

AMBITIONS

Having the required expertise and sufficient awareness among the Group's employees is a key factor in risk mitigation. In 2016, an interactive training program was developed and distributed to all employees. As in previous years, National Security Month events were held in October. This is a comprehensive campaign across the entire Group covering various topics within the field of information security. The activities are measured and evaluated, and DNB will continue to work strategically with security communication and training in 2017.

At the end of 2016, DNB established a group-wide privacy protection plan of action for the period 2017–2018. The action plan comprises improvements in governing documents and rules and regulations, and will contribute to quality improvements in the processing of personal data in the Group's processes and the related IT infrastructure. In addition, DNB will increase awareness and knowledge of privacy protection among its employees.

Read more about targets and measures under the topic "The art of serving the customer" in the sustainability library.

Link to the sustainability library:
DNB.NO/EN/ABOUT-US/CSR/SUSTAINABILITY-LIBRARY.HTML

Have the right competencies

ENSURE ENGAGED EMPLOYEES

WHY THIS IS MATERIAL

The financial services industry is in a period of rapid change when innovation, technology, competitiveness and customer insight are becoming increasingly important. Employees must therefore meet new requirements, and this affects, not least, how DNB puts together the Group's collective expertise. In order to meet the needs of tomorrow, DNB has to both attract new competencies and develop what the Group already has. Tomorrow's employees will also have different requirements which their employers will have to meet. These factors must be taken into account when organising various tasks and to ensure that the Group will continue to be an attractive employer.

POLICY AND APPROACH

To achieve its business goals and succeed with the vision "the art of serving the customer", DNB is dependent on having engaged and motivated employees. HR has the main responsibility for this. The direction of the DNB organisation's cultural and competence development is determined by the group strategy and is also affected by the increasing pace of digitalisation. The group policy for people and organisation is guiding for the work to promote adaptability and change capacity. The policy is elaborated on in the guidelines for attracting and appointing new employees and the guidelines for leadership and competence development.

The group policy for people and organisation states that competence development is based on the Group's strategic and business targets and should enable the individual employee to capitalise on his or her talents. Managers must ensure that employees have clearly defined goals for their work and that each individual sees the connection between his or her work and the Group's value creation. DNB facilitates professional and personal development so that employees are stimulated and given the opportunity to develop their competencies.

DNB's variable remuneration scheme is in compliance with the Group's guidelines and supports its strategy, financial targets and values. The total remuneration should be competitive and cost-effective and not expose the Group to unwanted risk. The Group's total limit for variable remuneration is determined annually by the Board of Directors' Compensation Committee. Individual remunerations are awarded within defined limits in each unit based on a total evaluation of the individual employee's pre-agreed financial and non-financial goals.

EVALUATION OF RESULTS IN 2016

One of the measures which particularly contributed to a high level of engagement and a sound understanding of the Group's strategic direction in 2016 was the introduction of the interaction platform @work (Facebook for companies), a vital tool in ensuring increased information sharing, transparency and engagement in the organisation. Another important initiative was the Brand Ambassador programme, which highlights employees who can be used as role models in the way they are present for customers and colleagues, and creates engagement and positivity about and in DNB.

In the future, the employees' expertise will become an even greater competitive advantage. Each employee is expected to take responsibility for making him/herself relevant when competency needs change. In DNB, employees can improve their skills through internal and external training activities and, not least, through knowledge sharing at work. Opportunities for competency development are crucial for both employee engagement and long-term value creation.

In 2016, learning and development activities for the Group's managers placed particular emphasis on change management and innovation through mass communication, manager seminars and management development programmes. The Group's prerequisites for change, innovation and employee engagement are measured three times a year through the PULSE employee survey.

DNB has initiated a programme for managers called Performance Management, which is specifically aimed at enhancing performance among employees who work in the personal banking market. The programme has three focus areas: clear targets, close follow-up of employees and constructive feedback. It is confirmed through the employee satisfaction surveys that the involvement of individual employees increases motivation and engagement.

However, the most important arena for learning and ensuring that the Group has the right competencies is each employee's daily work tasks. To ensure that all employees can deliver to the best of their ability, a system is in place to ensure a regular dialogue between managers and employees. It is expected that everyone in the organisation has a minimum of two annual meetings related to their targets and development. 94 per cent of employees reported that the performance dialogue was carried out in 2016.

In order to attract and retain individuals with critical expertise, the business areas may have remuneration schemes adapted to market practices which deviate from the Group's other schemes. It is a guiding principle in DNB is that all remuneration should be based on an overall assessment of the individual employee's contri-

bution to the attainment of the Group's, the unit's and individual goals. The remuneration schemes of DNB's international offices and subsidiaries are adapted to local labour markets and regulations.

Throughout 2016, periodic PULSE surveys were conducted which comprised all of the Group's employees. The results showed that there is a high level of employee engagement and that managers communicate well. The PULSE surveys for 2016 paint a picture of a robust organisation that has fared well through significant restructuring. The low sickness absence rate is also an indication that the employees are engaged in their work. In 2016, sickness absence was 4.5 per cent, compared with 4.4 per cent in 2015. In 2017, efforts to maintain a stable, low sickness absence rate will continue.

AMBITIONS

As of 2017, change and innovation constitute a target that both the Group and each business area and support unit will be measured and followed up on. The target in the period up until 2019 is still to ensure motivated employees. This means improving the engagement index in the annual employee survey, strengthening the corporate culture through new initiatives and following up managers' quarterly management communication results.

PROMOTE ADAPTABILITY AND CHANGE CAPACITY

WHY THIS IS MATERIAL

In the past, DNB has proven to have a great ability to adapt to change, be it in the markets, the competitive situation or the regulatory framework. The Group has succeeded in changing its competencies and capitalising on past experience. The speed and complexity of the changes are now challenging DNB's ability to be fundamentally innovative.

Due to digitalisation within most areas in the Group, there is a need for new competencies and fewer resources in the future. Automation will displace work tasks, and changes in customer behaviour make it vital to have expertise in new technology and other working methods, products and services.

POLICY AND APPROACH

The group policy for people and organisation is guiding for the work to promote adaptability and change capacity. The policy is elaborated on in the guidelines for the restructuring and placement process, leadership and competence development and international assignments. All employees in units which are affected by restructuring processes involving redundancies are invited to mapping/guidance interviews.

Learning takes place primarily through the employees' daily tasks, i.e. by performing challenging tasks and projects, as well as through feedback on performance. Structured and targeted training programmes are also offered as a supplement. Managers are responsible for facilitating learning and ensuring that competence acquired is used in the best interests of the individual and the DNB Group.

DNB's Job Centre has been established to, among other things, help and support the employees in the resulting change processes. The purpose of a stay in the DNB Job Centre is to help employees become aware of their own skills and enable them to search for relevant vacant positions internally or externally. They can receive guidance and coaching in connection with the choices they need to make, and internal and external periods of secondment are facilitated so that they can acquire new skills. Employees who, for various reasons, are unable to continue in their positions are also offered alternative tasks or necessary adjustments. By cooperating with humanitarian organisations, the Job Centre has been able to offer meaningful tasks in several areas.

EVALUATION OF RESULTS IN 2016

Through 2016, a total of 212 employees visited the Job Centre to receive help and support. 28 employees left the Group, while 78 employees were offered a new job in DNB. The Job Centre assisted 188 employees with health-related challenges. The turnover for the DNB Group was 5.4 per cent. There were no significant differences between women and men. 816 new employees were recruited. See the key figures table below for more information.

Competence and talents must also be nurtured well in the business areas, and the Group has a range of training measures.

In 2016, new group principles for competency development were developed. They emphasise the responsibility of each person to stay updated and the importance of everyone acquiring digital skills. Through the year, further emphasis was placed on making training measures as effective and accessible as possible through the use of digital training programs.

AMBITIONS

It will be challenging to implement adequate internal organisational adjustments in the future. The Group's competency needs cannot be covered solely through internal competence development, and external recruitment will be necessary. As other companies and industries are experiencing the same challenges, the job market will be demanding in the period ahead.

ATTRACT AND DEVELOP TALENTS

WHY THIS IS MATERIAL

In an industry with a high pace of change, the Group is also being challenged with respect to its total competence profile. While the greatest emphasis used to be placed on traditional financial expertise, it is now necessary to further develop the organisation's digital skills. This will affect those who are already working in DNB and also require that the candidates the Group wishes to attract, have a different competence profile. DNB must become a more attractive employer for people with special skills who do not necessarily have banking as their preferred sector.

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POLICY AND APPROACH

The group policy for people and organisation is guiding for the work to promote adaptability and change capacity. The policy is elaborated on in the guidelines for attracting and appointing new employees and the guidelines for leadership and competence development.

In order to establish a clearer profile towards digital professionals, DNB has gone new ways to attract employees in the fields of technology and innovation. Two competitions, DNB Digital Challenge and Vippsathon, were held in 2016 and have resulted in the appointment of new graduates, part-time employees and summer interns.

EVALUATION OF RESULTS IN 2016

DNB is one of the most attractive employers in Norway and in 2016 was ranked number one by business students in Universum's survey for the second year in a row. Furthermore, DNB was for the first time voted the country's most attractive employer in the category "Business" by "Professionals", i.e. persons who have a few years of work experience.

DNB has also increased its attractiveness among IT students and was ranked as the fifth most attractive workplace. This shows that DNB benefits from a very attractive position when it seeks new employees outside the Group. 67 students were on a summer internship in DNB in 2016.

In 2016, DNB recruited seven new candidates with different backgrounds and experience to its group trainee programme. During the two-year programme, the trainees work in five different units, including three months at one of DNB's offices outside Norway. The candidates follow an individually tailored programme and are assigned a mentor at management level.

DNB is also committed to retaining competent employees and search for potential in each individual manager and employee. Talent reviews are conducted on an ongoing basis where performance and potential are considered in order to develop managers and employees to make them able to meet new challenges and tasks.

DNB's managers play a vital role in employee development and in ensuring that DNB achieves its goals. Leadership in DNB is based on three principles: create results, develop individuals and teams, as well as set direction and drive change. The principles are described in DNB's governance principles.

DNB offers business-critical training through four professional academies in the fields of credit, savings, insurance and cash management to the entire Group. Among other things, the academies offer training in accordance with industry requirements determined by Finance Norway governing the sale of non-life insurance and savings products. 2 468 employees participated in training through DNB's academies in 2016. 9 471 employees completed group-wide training measures through @work, which is close to a doubling from 2015. NOK 2 339 was spent on competence development measures per employee, which is on a level with 2015. DNB attaches great importance to strengthening employee knowledge and awareness of ethics, anti-money laundering, counter financing of terrorism and information security. DNB is dependent on having good access to both specialist professionals and good managers who succeed in creating change and developing their own units. DNB has facilitated development programmes aimed at both management talents and top executive talents, and the participants have taken on greater responsibilities both during and after the programmes.

AMBITIONS

In 2017, DNB will appoint approximately 100 employees with IT expertise. DNB will continue to be the most attractive employer for students.

ENSURE EQUALITY AND DIVERSITY

WHY THIS IS MATERIAL

The DNB Group is committed to being a fair and professional employer which sets a good example in areas such as diversity and women in management. The reason why DNB has put this high on the agenda is that gender balance and diversity in ethnic and formal backgrounds in senior executive positions will help ensure that DNB delivers better results. Since DNB is Norway's largest bank, what happens in the Group will also be significant for equal opportunity initiatives in the financial services industry.

POLICY AND APPROACH

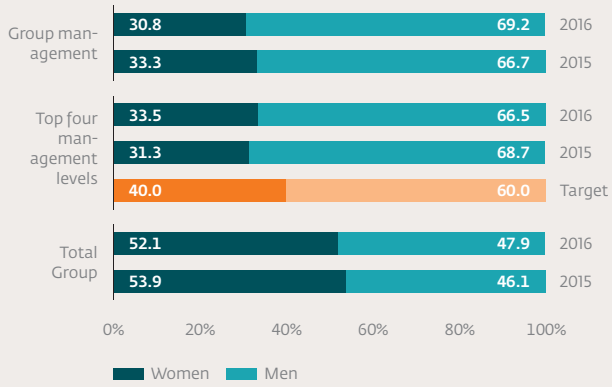
DNB is committed to equal pay, regardless of gender, for the same work and performance. The Group will continue to differentiate pay based on performance, but the ambition is to correct historical imbalances. In 2016, the bank set aside an 'equal pay pool' of NOK 17 million to equalise imbalances that cannot be explained by factors other than gender. A plan of action for equal pay has been drafted in cooperation with the trade unions, summarising various initiatives in the Norwegian part of the Group. The action plan addresses, among other things, equal participation, a balanced gender ratio as one of the job assignment criteria in restructuring and employment processes, internal mentor and network schemes for women, mapping and analysis of pay levels and pay differences in units, equal pay guidance and quality assurance in salary and bonus settlements.

The Group's recruitment guidelines help ensure quality, diversity and non-discrimination in selection processes. Local regulatory requirements are complied with and DNB has a zero-tolerance approach to discrimination in recruitment processes.

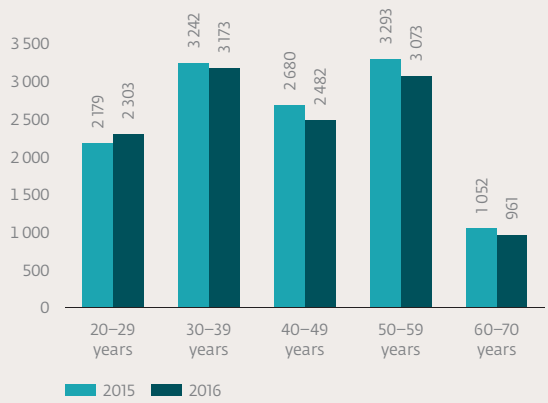
There is great ethnic and national diversity in the Group's international operations, and concrete measures have been initiated to increase diversity in the Group's Norwegian operations. In recruitment initiatives targeting students, gender and ethnic background are emphasised. DNB is also working actively to attract employees from a broad selection of educational institutions and disciplines.

Employees in figures

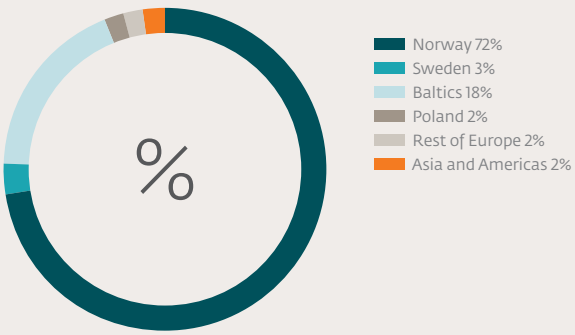
Gender distribution
Per cent



Employees according to age
Number



Employees according to country
Per cent



DNB has set several targets to ensure sufficient access to talented women managers: minimum 50 per cent female representation in internal management development and talent programmes, and minimum 40 per cent women candidates on lists for succession planning. Managers are required to identify potential talented women managers and use performance dialogues to motivate these to seek management challenges. Internal mentor and network schemes for talented women managers have also been established. In recruitment processes for management positions, the best qualified male and female candidates must be identified before the final choice is made. When recruiting managers, procedures must be in place to ensure that female candidates are identified, and these should be actively encouraged to apply for the positions. A balanced gender ratio should be one of the job assignment criteria in restructuring processes. When changing the composition of management teams, particular emphasis should be placed on achieving a better gender balance.

EVALUATION OF RESULTS IN 2016

DNB has set a female representation target at the top four management levels of minimum 40 per cent. The Group has implemented various measures to achieve this target. At the end of 2016, the percentage of women in senior management positions was 33.5 per cent, a rise from 31.3 per cent in 2015. The targets in this important work have not yet been reached, but DNB is making good progress. The Group focused on the measures to improve the gender balance at the various management levels in 2016, and they are well established in the business areas. The organisation is positive to the implementation of these measures, which has become reinforced by the positive attention received both in the media and from other businesses and research institutions. DNB received the annual equal opportunity award from the Norwegian Confederation of Vocational Unions (YS) for its work to improve equal pay and equal opportunities in its operations.

AMBITIONS

DNB will increase its initiatives to promote individual development of leadership skills among selected women managers and management talents, and ensure a gender balance among managers and profiled key persons who speak on behalf of the company internally and externally. Important future targets will be to develop strategies and measures to ensure equal opportunities for men and women, and to increase diversity among employees and managers. This will apply in particular to the Norwegian part of the Group's operations since there is already great ethnic and national diversity in the Group's international units. In all parts of the Group's operations, there is a zero-tolerance approach to discrimination on the basis of, for example, ethnic background, functional ability or gender, and DNB shall ensure good working standards in all countries where the Group has operations.

DNB will adjust its operations in line with changes in pensions and the retirement age in Norway, among other things, through a review of the Group's senior policy.

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Key figures

	2016	2015
General		
Total number of employees in the Group	11 459	11 840
– number of employees in Norway	8 244	8 666
Engagement index	84	84
Recruitment and mobility		
Total number of external employees recruited	816	745
– number of women	401	337
Total number of external employees recruited in Norway	641	584
– number of women	306	260
Average age of new employees	30.0	31
Number of employees who changed jobs within DNB in Norway	642	515
Number of employees who left DNB due to natural attrition in Norway	409	506
Percentage of employees who left due to natural attrition in Norway (%)	4.7	5.6
Organisational adjustments		
Reduction in the number of full-time positions from the previous year	(373)	(263)
Number of severance packages	583	271
Number of employees transferred to the Job Centre	135	85
Sickness absence and an inclusive workplace, Norway		
Sickness absence (%)	4.51	4.42
Sickness absence in the form of man-days	83 608	80 122
Average retirement age	60.2	61.4
– including severance packages for employees over the age of 62	62.0	64.7
Number of employees under the age of 62 retiring on a disability pension	38	42
Equality and diversity		
Average age, men	42.5	43.0
Average age, women	41.7	42.4
Percentage of women (%)	52.1	53.9
Percentage of women among employees working part-time (%)	68.9	72.9
Average salary in Norway, women (part-time positions are converted to full-time)	568 952	548 994
Average salary in Norway, men (part-time positions are converted to full-time)	707 309	687 614
Female representation in the group management team (%)	30.8	33.3
Female representation at management level 3 (%)	29.3	26.9
Female representation at management level 4 (%)	34.9	32.2
Female representation at management level 5 (%)	34.9	35.4
Female representation at management levels 1–4 (%)	33.5	31.3
Female representation at management levels 1–5 (%)	34.2	33.4

SAFE WORKING CONDITIONS AND A POSITIVE WORKING ENVIRONMENT

WHY THIS IS MATERIAL

Measures to improve the working environment aim to prevent and reduce health-related problems arising from the work situation. Safety measures aim to prevent and reduce the harmful effects of occupational injuries. Health, safety and environment (HS&E) are therefore important elements in the group policy for people and organisation. DNB is committed to preventive working environment measures that promote employees' safety, health, well-being and job satisfaction.

POLICY AND APPROACH

The governing document is the group policy for people and organisation. The policy is elaborated on in the group guidelines for health, environment and safety. Cooperation between management and employees should ensure that efforts to improve the working environment are future-oriented and an integral part of daily operations.

All DNB managers must be updated on HS&E issues and new managers must complete HS&E training which complies with the Norwegian Working Environment Act and DNB's internal HS&E requirements. Safety representatives receive HS&E training in accordance with the guidelines for the financial industry. A total of five managers and 35 safety representatives completed HS&E training in 2016. The training is aimed at the Group's Norwegian operations. In addition, managers are trained in how to handle sickness absence. First aid expertise is continually assured among the employees through courses and films.

DNB places importance on having an inclusive working environment. DNB's targets specified in the inclusive workplace agreement are: sickness absence reductions, special adaptation for employees with reduced capacity for work and an increase in the average retirement age. The targets are regularly discussed with the Norwegian Labour and Welfare Administration (NAV). The agreement applies until the end of 2017.

In DNB's operations in Norway, the physical and ergonomic working environment is surveyed annually, together with knowledge related to the Group's environmental goals and physical security. Through the HS&E survey, the employees have the possibility to influence their own working environment so that measures can be implemented.

To counteract the consequences of sedentary work, there is good access to adjustable height desks and the possibility for ergonomic advice via the company health service. In Oslo, Bergen and Trondheim, facilitating physical activity by having DNB training and exercise classes is an important preventive measure.

Special adaptations are made for employees with reduced capacity for work. The number of disabled parking spaces has been adapted to the actual requirements in each building. The Group has guidelines on harassment, bullying and other improper conduct. The guidelines shall ensure that a reported event is assessed swiftly, predictably and consistently.

The risk of robbery has been practically eliminated due to the transition to cashless branch offices. Consequently, courses on how to deal with robberies are no longer held in the Norwegian part of the organisation. 569 employees participated in courses on threat management, security and fire protection during the year. 37 employees in the Norwegian part of the Group were exposed to threats. In 2016, witness support was given to two employees who testified in a court case.

EVALUATION OF RESULTS IN 2016

In 2016, 13 evacuation drills were carried out in DNB's operations in Norway. 13 accidents and injuries were registered during working hours or in connection with travel to or from work, but none were of a serious nature. Workplace accidents are registered in the Group's event database and reported as occupational injuries to the Norwegian Labour and Welfare Administration (NAV). The incidents are reported to the group working environment committee, and serious incidents are reported to the Norwegian Labour Inspection Authority. In addition, criminal acts involving violence or force are reported to the Group's security department for further action.

AMBITIONS

DNB will continue its work to develop and implement preventive working environment initiatives which contribute to employee health, safety, job satisfaction and well-being. @work (Facebook for companies) and nano-learning (short and intensive courses) will be increasingly used to develop corporate culture, in ergonomics training and to give general training within HS&E.

Read more about targets and measures within the topic "Have the right competencies" in the sustainability library.

Link to the sustainability library:
DNB.NO/EN/ABOUT-US/CSR/SUSTAINABILITY-LIBRARY.HTML

Contribute to a healthy economy

PROMOTE INNOVATION AND RESTRUCTURING

WHY THIS IS MATERIAL

As Norway's largest bank, DNB has an ambition to promote the development of an active and well-functioning business sector in Norway. DNB's most important contribution to promoting innovation and restructuring and contributing to long-term value creation in Norway is to act as a competent partner which provides good advice, helps companies gain access to equity and debt capital and ensures efficient settlement solutions.

Today, there are approximately 500 000 small and medium-sized enterprises (SMEs) in Norway. They are the bedrock of the Norwegian business community, representing 99 per cent of all companies in the country and accounting for half of all value creation. In order to be a good bank for Norwegian customers with operations outside Norway, it is also vital that DNB has a broad international presence within the industries where Norway is a key player.

SMEs are very important growth engines and a major driving force behind restructuring and innovation in the Norwegian business sector. Although most of them remain small, a few grow to be strong, and these create many jobs. Each year, several thousand companies disappear and are replaced by at least as many new ones. The new companies grow faster and have higher productivity than the companies they replace. This leads to change, growth and higher productivity.

POLICY AND APPROACH

The pace of change in society is escalating, and the average life span of companies has been reduced considerably over the past few years. At the same time, new and innovative companies create growth and new jobs. This is why entrepreneurs play an increasing role in maintaining today's welfare society. 50 000 new companies are established in Norway each year, and about three of ten of these survive past the first five years. For DNB, it is important to be there from the start and ensure that as many start-up companies as possible succeed. DNB aims to help more people dare to take the plunge and succeed in creating jobs for themselves and others. DNB has helped entrepreneurs and start-up companies over many years. The focus has mainly been on making things easier for them and on being a good sparring partner and adviser. The commitment to promoting innovation and restructuring in the Norwegian economy must be shared by the entire Group. For example, the DNB NXT and DNB NXT Accelerator initiatives involve several business areas and support units across DNB, and will be important for the entire DNB Group in the years ahead.

Most important measures:

- The Start-up Book: a free guide for entrepreneurs containing useful information, tips and tricks on how to start your own business. About 100 000 books have been distributed since May 2014.
- The start-up pilots: a specialist team that is organised under the corporate market segment in DNB. The pilots give guidance to those who wish to start for themselves and help upcoming business owners with everything they have to make up their minds about during the idea, start-up and growth phases. The service is free and nationwide. In 2016, 2 763 potential entrepreneurs received help from the specialist team, and since the start of the service in 2014, the start-up pilots have helped more than 8 000 start-up and entrepreneurial companies. The start-up pilots make webinars, hold courses and are present at entrepreneurial events nationwide. The users are very satisfied with this service.
- Special web pages under dnb.no target start-up companies and emphasise knowledge sharing.
- Close collaboration with entrepreneur and start-up communities nationwide.

EVALUATION OF RESULTS IN 2016

As Norway's largest bank, DNB has an important role to play in helping the Norwegian business community gain access to capital. Business loans are an important source of growth and profitability for companies. DNB increased its loans to SMEs by 5.3 per cent from 2015 to 2016 (3.7 per cent in 2014–2015). DNB's lending growth is higher than the market in general, where the 12-month growth in gross debt to non-financial enterprises in Norway was 2 per cent in December 2016.

The restructuring in Norway also requires that private capital is put to work to promote future growth and value creation. DNB has Norway's largest network of entrepreneurs and start-up companies. At the same time, the Group has the largest network of investors. DNB wishes to facilitate venues where these parties can meet. It is when ideas and capital meet that future value and jobs are created. This is why DNB launched, in 2016, DNB NXT, a long-term strategy to help ensure that more private capital is invested in exciting growth companies.

Towards the end of 2016, the Group launched DNB NXT Accelerator. DNB and StartupLab invited promising start-ups to DNB NXT Accelerator, a three-month programme for technology companies. The purpose of the accelerator programme is to help the selected companies launch their products in the market. The programme provides financing, expertise, networks, advisory services and support. Read more about DNB NXT on page 116.

DNB develops solutions to make everyday life easier for customers and companies. Simplifications and more cost-effective solutions strengthen the companies' profitability. Payments is one of the areas within banking and finance that is experiencing the most rapid development. DNB's payments app, Vipps, has more than two million users, and

in the course of 2016, more than 30 000 small companies, clubs and associations became registered "Vippsers". DNB will now make Vipps available in far more payment situations, including e-commerce, invoices and physical stores.

Vipps Invoice is an example of a more effective solution launched by DNB. In 2016, 164 million paper invoices were issued in in Norway with an estimated cost to society of NOK 21 billion. This is time-consuming and costly for companies and customers. At the end of October 2016, invoice payments were launched through the Vipps app. In less than three months, 500 000 users accepted Vipps Invoice. Vipps Invoice helps ensure that many more customers pay on time and saves companies significant costs. Another example is simpler payment solutions for e-commerce. A high percentage of customers do not complete a shopping process online due to complicated payment solutions. The development of simple solutions is important to increase online sales, and Vipps' ambition in this area is to become the preferred solution. In the course of 2017, it will be possible to pay without the use of bank cards or cash in many thousands of stores in Norway. Read more about Vipps on page 47.

AMBITIONS

DNB's ambition is to assist everyone who starts their own business and facilitate that more people will do the same. DNB plays an important role as an intermediary between ideas and capital. DNB can highlight promising entrepreneurial companies and help ensure that they get the best growth conditions. Some of these will be customers for years to come, others will become business partners, and some may perhaps become future competitors, but all will make a positive contribution to society. However, DNB also acknowledges that the Group does not have all the solutions itself, and it is therefore important that new forms of alliances and cooperation are formed.

The Board of Directors and DNB's group management team follow the start-up initiatives and participate in the social debate about what are the correct and important measures to promote innovation and restructuring. Reports are regularly sent to the group management team and the Board of Directors on the measures initiated. The group management team actively participates in arenas and events which are relevant for entrepreneurs and for companies that are in a restructuring or growth phase.

PROMOTE FINANCIAL LITERACY

WHY THIS IS MATERIAL

With two million personal customers in Norway, DNB has a special responsibility to ensure that as many people as possible have the possibility to make good financial decisions. Research shows that poor financial habits are passed down from one generation to the next, and DNB regards it as its social responsibility to teach, particularly children, good financial habits at an early age. Customers who are financially literate are also able to make good financial choices. This is beneficial for society, customers and DNB.

POLICY AND APPROACH

The responsibility for promoting financial literacy is embodied in the group policy for corporate social responsibility, which states that the bank shall support useful objectives and secure important social values in those areas and industry sectors where the Group operates. The bank's main initiative to promote financial literacy in 2016 was the learning program A Valuable Lesson, developed in partnership with the Norwegian Red Cross. A Valuable Lesson is a digital learning tool consisting of five modules within personal finance. The program complements the learning targets for the fifth to seventh grade (10 to 12-year-olds). DNB believes it is important that children learn about personal finance at an early age so that they can make sound financial choices, irrespective of background. The Red Cross also meets many who are not taught about personal finance at home and therefore meets a need. The division for Corporate Social Responsibility and Political Affairs is responsible for A Valuable Lesson.

In a society that is becoming increasingly digitalised, and where manual services are gradually being removed and/or becoming fee-based, it is important for the bank's customers to have a minimum level of knowledge about digital banking services in order to be able to manage their own financial affairs. DNB has therefore developed a course in digital banking services to give non-digital customers sufficient knowledge to be able to carry out basic banking services in the Internet and mobile bank. Customers learn to check account balances, pay invoices, create direct debits/e-invoices, transfer money between own accounts and more.

The courses started as an initiative for customers living near a branch office that was about to be closed. The purpose of the course was to make customers able to perform the services they would otherwise have received help to do from the bank. Employees at the branch offices who have held the courses have received positive feedback from the participants. It was later decided to offer these courses nationwide, whether branch offices were to close or not.

To simplify the learning process for customers and enable them to be able to use the knowledge at home, a "Guide to digital banking services" was launched, both for the Internet bank on PCs and tablets and for the mobile bank. Course participants have been given this guide, and it has also been made available to all customers in all branch offices across Norway and distributed in the post if requested by calling DNB's customer centre. No plan has been made for further courses in 2017, but the "Guide to digital banking services" is being further developed. DNB is also in dialogue with various stakeholder groups to consider opportunities to enter into partnership to offer such courses.

In addition to these specific measures, DNB regularly holds seminars for customers to help them make better financial choices. This may be seminars on pensions, shares, savings or macroeconomic trends. Read more about courses offered by DNB on page 50.

EVALUATION OF RESULTS IN 2016

Parallel to the development and launch of A Valuable Lesson, DNB has worked politically to get the topic of personal finance into the school curriculum. In 2016, DNB continued the dialogue with politicians, educational institutions and teachers to make the topic of personal finance a more promi- →

→ nent part of the curriculum of primary schools. In report to the Storting 28 (2015–2016), "Fag – Fordypning – Forståelse – En Fornyelse av Kunnskapsløftet" ("Disciplines – Deeper understanding – A renewal of the knowledge promotion"), personal finance was given more attention than has been the case in the past. It was proposed that personal finance should be included in the curriculum under the multidisciplinary theme "public health and life control".

When the Norwegian parliament (Stortinget) discussed the report in the autumn of 2016, it became clear that the parties had heeded the signals to focus on personal finance, and the importance of having knowledge about personal finance and private consumption was emphasised.

During 2016, people outside the target group of A Valuable Lesson expressed that they wanted to use the concept. This shows that the content is of interest for a wider group than just 10 to 12-year-olds and that there is further potential in making small adjustments that can make it relevant for other target groups.

In 2016, 260 courses in digital banking services were held where customers received a personal invitation in the post. It has been up to each branch office whether or not to hold courses based on demand. A total of 355 courses were arranged throughout Norway.

AMBITIONS

In 2017, it will be important for DNB to measure the effect of A Valuable Lesson. A large group of teachers have used A Valuable Lesson, and to be able to say that it is a success, DNB wishes to examine in 2017 to what extent A Valuable Lesson helps children to actually improve their knowledge of personal finance. It is also interesting to expand the concept to include tools which parents and children can use at home, to raise the general awareness of personal finance among families. A total of 1390 teachers registered on lærepenger.no. To ensure that A Valuable Lesson delivers the best possible tools for teachers, an evaluation will also be made of the content.

2017 has been established as a "Savings Year" in DNB, where particular importance is placed on giving customers access to products and services which make it easier to save. It is therefore natural that A Valuable Lesson in 2017 includes tasks about saving in particular and how children can learn more about how to save smart.

INTEGRATE SUSTAINABILITY CONSIDERATIONS IN OPERATIONS

DNB ensures that sustainability considerations are safeguarded in the Group's investment, credit and insurance operations through, among other things, the development and management of policies, guidelines and principles, and the operationalisation of these. In a social perspective, DNB aspires to contribute towards the viability of the Norwegian economy by providing capital for sustainable development.

In addition to specific measures within the Group's investment, credit and insurance operations, products and services are developed to provide environmental benefits to society. Green car financing (car loans and leasing) in Norway totalled NOK 2.3 billion in 2016 and represented 26 per cent of DNB's total car financing. Within renewables, direct loans to wind, water and solar energy totalled NOK 45.6 billion, which is 24 per cent of total loans to the energy/offshore sector. Read more about DNB's results and targets within renewable energy in the key figures table in the sustainability library (link below).

RESPONSIBLE INVESTMENT

WHY THIS IS MATERIAL

Responsible investment implies taking environmental and social conditions into account and ensuring sound corporate governance in investment management. The main purpose is to achieve long-term returns with an acceptable level of risk, contribute to sustainable development and avoid contributing to the violation of fundamental rights. Customers on behalf of whom DNB makes investments, expect the Group's investment activities to be responsible. Responsible investment is important for DNB's life insurance company and for the Group's equity investments, management of mutual funds and the active management of investors' portfolios of financial instruments.

POLICY AND APPROACH

There are special guidelines for DNB's investment operations to ensure that the Group does not contribute to the infringement of human and labour rights, corruption, serious environmental harm or other acts which can be perceived to be unethical. The guidelines for ethical investments cover all asset classes and financial investments through DNB Livsforsikring, the Group's equity investments and DNB Asset Management.

Responsible investment in DNB is based on internationally recognised principles. The measures used are mainly positive screening, active ownership through dialogue and voting, negative screening and exclusion. DNB does not invest in companies if they themselves or through the entities they control produce tobacco or pornography. Nor does DNB invest in companies involved in anti-personnel mines or cluster weapons, as described in the Anti-Personnel Mine Ban Convention and the Convention on Cluster Munitions, or in companies which develop and produce central components for use in weapons of mass destruction[1)].

DNB has an Ethical Investment Committee that monitors compliance with the guidelines. If a company is involved in controversial weapons, tobacco or pornography, or violates the coal criterion, all securities will be sold, and the company will be excluded from the investment universe. When a company is suspected of violating other criteria in the guidelines, DNB will principally try to influence the company through active ownership and dialogue. In cases where companies in which DNB has holdings on behalf of customers are suspected of acting contrary to DNB's guidelines and internationally recognised standards and conventions, DNB will encourage them to correct their actions. Companies that act contrary to DNB's guidelines or over time show no willingness to rectify the situation may be excluded from the Group's investment portfolio.

DNB's ambition is to offer its customers equity funds investing in companies which excel within environmental and social

1) *Weapons of mass destruction are defined as NBC weapons (nuclear or atomic, biological and chemical weapons).*

performance and corporate governance. DNB puts considerable resources into ensuring that the Group's responsible investments are of high quality. The work is undertaken by a team consisting of a manager and two analysts who work closely with both investment management and the companies. Their assessments are supported by two external consulting firms that monitor companies in the portfolio, prepare sustainability analyses and engage in dialogue with companies in cooperation with and on behalf of DNB and the Group's customers. The purpose of the dialogue is to influence the companies in a positive direction. The contact with the companies is often triggered by special issues relating to environmental and social aspects and ownership administration, but may also reflect a wish to improve the companies' general sustainability performance. Event-based dialogue is based on the severity of the suspected violation of the guidelines, the size of the Group's holding in the company and the probability that the dialogue will influence the situation. DNB also takes an active stance on selected topics. These topics are under continual review, and in 2016, corruption was one of several important topics in the dialogue with companies.

EVALUATION OF RESULTS IN 2016

As a step in reducing environmental and climate risks and carbon footprint in the portfolios, climate and coal criteria were included in DNB's guidelines for ethical investments in 2016. According to the coal criterion, mining companies and power producers which themselves or consolidated with entities they control derive 30 per cent or more of their income from thermal coal, or base 30 per cent or more of their operations on thermal coal, may be excluded from the investment universe. The use of "may" implies that the company's strategy and future allocation between coal and renewable operations will be taken into consideration. In 2016, 44 companies were excluded based on this criterion. An additional 15 companies were excluded in January 2017.

DNB exercises active ownership primarily through dialogue with individual companies and by using its voting rights. During 2015, DNB's responsible investment analysts had 72 meetings with 53 companies to discuss various environmental and social issues and sound corporate governance. In many of the meetings, various topics relating to environmental and social issues and corporate governance were also discussed. Through GES Investment Services, DNB conducted 113 dialogues with 86 companies concerning seemingly reprehensible incidents or suspected breaches of international standards or conventions. The dialogues are structured processes with clear targets for the desired outcome. In addition, milestone attainment is measured.

In 2015, DNB voted at 122 general meetings in Norway. At 26 of these meetings, voting was contrary to recommendations made by the board of directors. DNB is in continuous dialogue with the companies to be able to influence them so that cases presented at general meetings are in line with what the Group considers to be good corporate governance.

AMBITIONS

DNB will continue to refine processes to include environmental and social aspects, as well as topics related to corporate governance in investment operations. The Group will focus on further integrating environmental and social aspects and ownership administration in investment decisions, focusing on dialogue, in the period up to 2018. Equity funds which invest in companies which distinguish themselves in this respect will be developed.

See a complete overview of excluded companies and read more about ethical investment and company dialogue in the sustainability library (link below).

RESPONSIBLE CREDIT

WHY THIS IS MATERIAL

DNB wishes to contribute to sustainable development in society. Responsible business operations that emphasise environmental and social aspects, corporate social responsibility and business ethics are essential to DNB. The Group's resources shall be used to meet customer needs without violating the law, international conventions, rules or prohibitions. This is done because it is morally and ethically correct, but also because it represents sound risk management. The financing of activities in legal or ethical grey areas represents unacceptable risk.

POLICY AND APPROACH

DNB's credit policy states that environmental risk factors shall be analysed on a par with other possible risk drivers and be of decisive importance with respect to whether or not applications for credit should be approved.

DNB has separate guidelines for corporate social responsibility within credit activities for corporate customers. The guidelines describe how DNB's business areas should assess corporate customers' CSR performance and risk associated with environment, social and governance factors (ESG risk). The guidelines shall ensure that DNB considers CSR/ESG risk for all customers and contributes to promoting responsible and sustainable business operations.

In 2016, several changes were made to the guidelines. Among other things, DNB's expectations to all corporate customers were made more clear. Customers must comply with relevant laws and regulations in the countries where they operate, but also act in accordance with international conventions and guidelines. DNB requires that human and labour rights are respected and that customers take into account the environment through responsible management of their environmental footprint. Customers are also expected to take into account relevant challenges for their operations as a result of actual and expected climate changes. In addition, it was clarified which activities DNB will refrain from financing and examples were given within industries/subjects such as protected/vulnerable natural habitats, defence/controversial weapons, energy, logistics/transportation, seafood and fisheries, forestry as well as metals and mining.

DNB has adopted the Equator Principles. According to the Group's credit guidelines, all advice in connection with project financing, project-related corporate loans and bridge loans laid down in the criteria principles shall be assessed based on the Equator Principles. The principles are a common set of guidelines used by the majority of large international financial institutions for managing environmental and social issues in →

Measuring the greenhouse gas emissions of mutual funds relative to reference indices

As part of efforts to reduce exposure to companies with high climate risk, in 2016 DNB started to measure the carbon footprint of all equity funds. Carbon footprint, also called carbon intensity, is the measure of a company's greenhouse gas emissions relative to the company's turnover and is one of several factors that says something about the company's climate impact. After identifying the carbon risk in the portfolios, there are different approaches to reducing the risk.

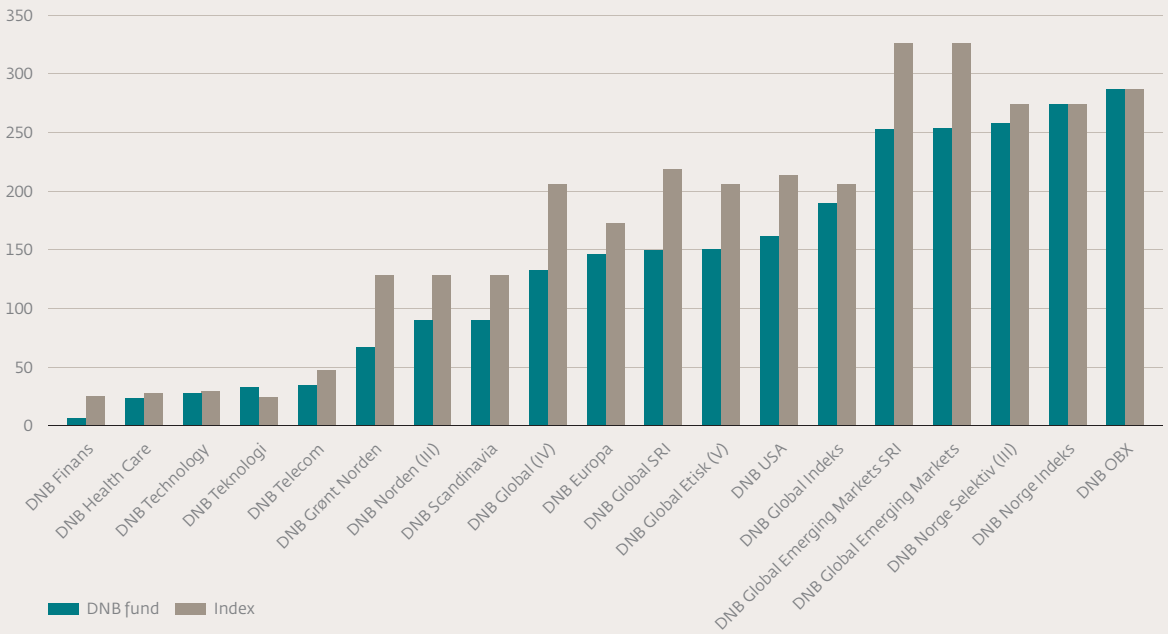
DNB uses information from MSCI ESG Research about companies' greenhouse gas emissions. The companies' carbon footprint is weighted by the respective holding in the portfolios. The same is done for the index. In the calculation, any cash in the portfolios is distributed proportionately between the other companies. For companies without emission data, the average figure for companies in the portfolio with emission data has been used in the calculation. DNB reports CO2 equivalents that include scope 1 and scope 2 emissions, as defined by the Greenhouse Gas Protocol. Scope 1 includes direct emissions from sources that are owned or controlled by the organisation, scope 2 includes indirect emissions associated with purchased energy, while indirect emissions associated with purchased goods and services that fall in under scope 3, are not included. The method for reporting greenhouse gas emissions is under development and could be subject to change.

The graph shows 19 equity funds and their respective indices where data on greenhouse gas emissions for more than 90 per cent of the funds' investments are specified. These funds represent about 83 per cent of the total market value of all of DNB's equity funds. Some funds are not included due to the lack of emission data. The graph is a snapshot of the portfolio as at 31 December 2016 and shows that compared with the respective indices, the majority of the funds had a lower or equal carbon footprint.

There is great uncertainty surrounding data on greenhouse gas emissions. Firstly, practices for the reporting of such emissions vary considerably, while some companies do not report their emissions, and estimated figures are used where data is missing. Despite the uncertainty, DNB is of the opinion that greenhouse gas emissions are an important factor to use in analyses of companies' climate risk and impact.

Greenhouse gas emissions from DNB's mutual funds relative to reference indices

Tonnes of CO_2 equivalent for every USD 1 million of revenue



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project finance. Financial institutions which have adopted the principles, have undertaken not to provide project-related financing to customers who do not wish to or are unable to comply with the principles. By adopting and following up the Equator Principles, DNB ensures that projects financed by the Group develop and are operated in an environmentally friendly and socially responsible manner.

In DNB, each customer team first evaluates whether a project complies with the Equator Principles. DNB's internal equator team reviews the summary, follows up and clarifies any outstanding issues and unidentified risks and determines the final risk category. A memo and minutes from the equator team's meeting are attached to the credit case when it is due to be considered by the relevant credit committee. As part of the annual loan review, compliance with the Equator Principles should be evaluated and reported to the relevant credit-approval body for each credit commitment.

EVALUATION OF RESULTS IN 2016

DNB acknowledges that some industries may have a greater negative impact on the environment, people, health and nature than others. This could lead to financial risk, legal risk and in some cases to conflicts of interest. DNB has therefore developed special sector guidance notes for CSR/ESG to ensure that decisions are well-founded and in accordance with DNB's corporate social responsibility policy and commitment to deliver responsible financial services. In 2016, such sector guidance notes were introduced for the following industries/sectors: energy, weapons and defence, seafood, metals and mining, as well as forestry. In 2017, DNB will consider establishing a further one or two sector guidance notes.

DNB has previously had two different processes for considering CSR/ESG risk in credit activities – one for large corporates and one for SME customers. In 2016, a common risk-based assessment process was developed for all corporate customers. A risk-based approach implies that customers and cases with serious potential consequences and a high probability of negative impacts on the environment and people require an extended review and documentation. The guidelines for corporate social responsibility in credit activities are available in the sustainability library (link below).

A special CSR/ESG risk assessment tool has been developed, including discussion points, to be used in cases where such risk is considered to be medium or high. Discussion points have been prepared on the following topics: environmental issues, climate change, human and labour rights, corruption and ethics, as well as corporate governance and transparency. In addition, industry specialists in the relevant corporate customer sections in the business area Large Corporates and International must be consulted.

CSR/ESG risk must be assessed, where this is relevant, for all corporate customers and incorporated in the decision-making basis in the credit approval tool for customers. The CSR/ESG risk assessment of the individual customer must be documented and included as part of the decision-making basis for considering whether or not to approve credit applications.

In 2016, a total of seven projects were processed in accordance with the Equator Principles. A list of these can be found in the sustainability library (link below).

AMBITIONS

DNB will continue to develop the processes to integrate ESG risk in credit assessments. Among other things, the method and structure for assessing the consequences and probability of CSR/ESG risk will be adapted to the group-wide risk process adopted in 2016. The framework will be adjusted and updated based on feedback from users and other stakeholders. Efforts to make it easier to report and monitor environmental and social risks in the credit process will continue. Processes and systems will be adapted whereby the estimated consequences and the probability that CSR/ESG risk will occur can be recorded, stored and used for reporting.

The development of e-based training in the new guidelines was started in 2016 and will be completed during the first quarter of 2017. Thereafter, basic e-based training will be available to relevant employees and managers who work with credit applications for DNB's corporate customers. Specialised and topic-based training will also be developed and implemented as needed.

Initiatives will also be taken to acquire one or more common sources for neutral and independent information about the CSR/ESG risk relating to companies, projects, sectors, countries and regions. This will increase the competence and awareness of such risks among relevant parties. Supplementing own assessments with assessments made by external experts will increase the quality of internal analyses of customers' CSR/ESG risk.

In 2017, an e-based training program for Equator Principle assessments prepared by the Equator Principles Association will be made available to relevant employees and managers in DNB.

RESPONSIBLE INSURANCE

WHY THIS IS MATERIAL

Sustainability considerations in the field of insurance are mainly related to environmental aspects. Climate change is resulting in more single, large claims of greater scope. DNB aims to offer products and services which are relevant and transparent for customers. DNB Forsikring offers both property insurance and personal insurance to customers in the personal banking market in Norway. Non-life and personal insurance products cover important needs in people's lives by protecting their material values in the event of damage and unforeseen circumstances, such as illness or accidents. Insurance operations in DNB are organised in DNB Forsikring AS, a separate limited liability company.

POLICY AND APPROACH

The operations are governed by DNB's group policy for corporate social responsibility and underlying guidelines, and the company aims not to contribute to the infringement of human and labour rights, corruption, serious environmental harm or other acts which could be regarded as grossly unethical. DNB's guidelines on combating corruption state that DNB has zero tolerance for corruption and is to have a robust defence against corruption based on openness and verifiability. DNB Forsikring is committed to preventing corruption and fraud, and this is a continual process.

The sale of insurance products in Norway primarily takes

→ place through personal contact with customers at physical offices, on the telephone, or in connection with sales processes for the insured objects. DNB has adopted the approval scheme for sellers/advisers in the non-life insurance industry. This is a national scheme to promote and ensure that sellers and advisers have the necessary knowledge and skills and the right attitudes. It is important for DNB Forsikring to ensure the quality of its sales and advisory services so that customers can make the right choices.

DNB Forsikring has a number of agreements with suppliers of insurance services which are offered to customers. It is important for the company that it is as certain as possible that the suppliers with whom it enters into agreements act in an ethical and sustainable manner. When entering into supplier agreements with DNB Forsikring, suppliers must sign DNB's code of responsible business conduct for suppliers. This document contains requirements for environmental management, ethical business practices, human rights and labour standards on a par with other contracts entered into in the Group. Read more about responsible procurement in the sustainability library (link below).

The managing director of DNB Forsikring is a member of BRS (the Risk and Non-life Insurance Industry Board), while the responsible actuary is head of FUAS (the Specialist Actuary Committee for Non-life Insurance) in Finance Norway. Through its roles in BRS and FUAS, DNB Forsikring has participated in in Finance Norway's environmental work since 2009, by, among other things, participating in a pilot project where the company contributed with detailed data on insurance claims. The aim was to achieve a better understanding of risk and to identify the need for more preventive work.

EVALUATION OF RESULTS IN 2016

As at 31 December 2016, DNB Asset Management managed a capital portfolio of NOK 2.4 billion on behalf of DNB Forsikring. The company has its own asset management strategy with separate risk limits for insurance, but otherwise complies with the Group's guidelines for ethical investments. Read more about the operationalisation of the guidelines in the responsible investments section.

Customers increasingly expect simple, smart and digital solutions. The digitalisation of the value chain in insurance is expected to accelerate over the coming years. New digital solutions will provide better and more streamlined customer experiences, and lower costs will result in lower prices to customers. Vipps Invoice for young adults is an example of a simple payment solution that was introduced to DNB Forsikring's customers in 2016. Together with the company's insurance package for young adults, these are examples of measures to simplify the purchase and payment of insurance products for young adults who need to insure their personal possessions in a simple way and at a predictable price.

AMBITIONS

DNB will continue to provide ever-better data to be used in environmental work, both within the company and generally in BRS. Related claims data will be used to enable the insurance industry, the public authorities and society to make the right decisions. This work will also clarify the roles and responsibilities of the municipalities and the government.

DNB Forsikring will develop KPIs related to sustainability and environmental aspects in the course of 2017. DNB also supports the objectives of the BRS' climate committee for 2017:

- make climate-related claims data available and use it to enable the insurance industry, the public authorities and society to make the right and robust decisions
- make increasing use of the data to achieve industrial-policy and strategic goals
- communicate to the public authorities and society the social role of the insurance industry as an investor and in loss prevention
- clarify the roles and responsibilities of the municipalities and the government
- draft a joint communication plan and action platform

VIEW RISKS AND OPPORTUNITIES IN A LONG-TERM PERSPECTIVE

WHY THIS IS MATERIAL

Global and national development trends emphasise how important it is for DNB to view risks and opportunities in a long-term perspective. DNB's owners are also concerned that long-term challenges are reflected in the Group's corporate governance, something which is also specified in the State Ownership Report. The Group's long-term strategy will contribute to stability and profitability over time.

POLICY AND APPROACH

DNB's governance system should help to ensure a long-term perspective while contributing to a balanced monitoring of the company's performance. This is done by, among other things, establishing financial, operational and strategic KPIs, in addition to health and risk indicators. In this way, targets are set which do not solely rate the financial performance of the Group, but also non-financial values.

To ensure that risk management is integrated in the Group's governance processes, the Risk Appetite framework is included as part of DNB's governance system. The framework represents an operationalisation of the Group's policy and guidelines for risk management, whose purpose is to contribute to a strong and long-term risk culture.

In order to operationalise the risk targets, appurtenant boundary indicators are set, and in the aforementioned governance system, separate KPIs are established which define acceptable risk. The framework distinguishes between several risk categories, which are earnings and capital adequacy, market risk, credit risk, liquidity risk, operational risk, anti-money laundering and reputational risk. Over the last few years, greater emphasis has been placed on the non-financial risk categories, and a balanced approach will help to safeguard the long-term risk scenario.

The indicators are first set at group level before they are distributed to the rest of the organisation. Monitoring takes place through a dashboard system to help ensure that the risks which have been identified as most significant at group level are also subject to monitoring and discussion in operative units in the organisation. Follow-up via the dashboard also helps to highlight developments and trends.

Risk Appetite is reported monthly to the group management team, and is also a significant part of the quarterly risk report which is presented to the Board of Directors. Other measures to develop the risk culture in the Group include training programmes for employees.

DNB's incentive structure should help to manage the DNB Group's risks and opportunities. The variable remuneration scheme is performance-based without exposing the Group to unwanted risk, and it also aims to counter excessive risk-taking, as well as promote healthy and effective risk management in DNB. This is secured through a strong link between individual target setting and the Group's governance model.

In DNB's variable remuneration model, the total amount is based on profits achieved over the past two years. In addition, the payment of minimum 50 per cent of the variable remuneration is deferred and conditional in the form of DNB shares. The remuneration paid in the form of shares is divided into three, subject to minimum holding periods (deferred and conditional) with one-third payable each year over a period of three years. Release of the shares is subject to an annual ex-post risk assessment in line with the regulations. Variable remuneration cannot exceed 50 per cent of fixed salary for members of the group management team.

DNB does not offer other long-term incentive schemes for its employees. Read more about risk management and the remuneration scheme under Corporate governance from page 88.

EVALUATION OF RESULTS IN 2016

In 2016, DNB implemented a comprehensive review of the Group's products and services delivered to customers in Norway to identify reputational risk. The result of the review was presented to DNB's group management team in April 2016.

Based on experiences from the review, DNB has adopted new group guidelines for the approval of products and services. The purpose of the group guidelines is to ensure high quality in DNB's portfolio of products and services, and thereby increase its competitiveness, improve its reputation and safeguard its corporate social responsibility. The guidelines and procedures for compliance shall support effective product development and approval, and contribute to innovation and change capacity.

The elements in the delivery of a product or service often span business areas and support units, legal entities and external parties. The group guidelines use different roles to allocate responsibility and are therefore independent of the organisational structure. All roles have an independent responsibility for making sure that sound assessments and decisions are made in the best interests of customers and DNB.

AMBITIONS

One of the ambitions for 2017 is that the new guidelines for the development of products and services are adopted and help to reduce risk in connection with individual commitments and services, as well as at group level.

ENSURE OPENNESS AND TRANSPARENCY

WHY THIS IS MATERIAL

DNB aims to ensure confidence in the bank's intentions and future prospects through openness about the Group's opinions and activities, as this contributes towards building trust. The information DNB communicates to its stakeholders, particularly through reporting, must be reliable, complete and relevant. See also the sustainability library for an overview of the stakeholder dialogue for 2016 (link below).

POLICY AND APPROACH

DNB's group guidelines for ethics (the code of ethics) state that employees should communicate in an open, truthful and unambiguous manner, and give all stakeholders correct and timely information.

DNB supports initiatives in the financial services industry which promote openness and transparency. Through integrated reporting, the bank will provide good and complete information about the company's ability to achieve long-term value creation, including how macroeconomic, social and environmental factors affect the company. DNB bases this work on the regulatory framework International Integrated Reporting Council, IIRC, and uses an "input-output" model to describe its business model and value creation. The model clarifies which input factors are used and shows dependencies and connections in the business model and the values created.

Beyond a general openness about the condition of the company, it is important for DNB to be open about tax reporting. In Norway, country-by-country reporting to the tax authorities was introduced from 2016. The reporting requirement is based on the OECD's proposal and is part of a larger tax project, Base Erosion and Profit Shifting, BEPS. BEPS has proposed various measures to prevent erosion of the tax basis and profit shifting in multinational companies. The country-by-country report will be part of DNB's transfer pricing documentation. The purpose of the country-by-country reporting is to give the tax authorities in all countries greater insight into companies' global operations and thus gain a better basis for assessing the risk of incorrect pricing and the allocation of profits. Country-by-country reporting should include an overview of turnover, profits, taxes paid, invested capital, number of employees and assets per country, as well as an overview of legal entities and their main operations.

EVALUATION OF RESULTS IN 2016

Throughout 2016, DNB had an ongoing project to establish consistent definitions and assess changes to routines and systems in order to be able to carry out country-by-country reporting.

AMBITIONS

Country-by-country reporting is a way to be open about DNB's operations outside Norway. When this type of reporting to the tax authorities is in place, DNB will also consider being open about other aspects, in addition to reporting to the tax authorities.

Read more about the targets and measures within the topic "Contribute to a healthy economy" in the sustainability library.

Link to the sustainability library:
DNB.NO/EN/ABOUT-US/CSR/SUSTAINABILITY-LIBRARY.HTML

Tailwind

Both power and values are created when top-quality Danish engineering meets high-quality Norwegian wind. Literally. →

FACTS

DNB'S RENEWABLE COMMITMENT

- DNB finances projects within wind, water and solar power, and the portfolio totalled more than NOK 46 billion in 2016.
- Internationally, DNB finances renewable projects in Europe, the United States, South America and Australia. These are mainly water, wind and solar projects.
- Hydroelectric power is the largest renewable energy source in Norway, which is also reflected in DNB's renewable energy portfolio. Hydroelectric power accounts for 56 per cent, international wind parks 13 per cent and solar energy parks 7 per cent. The remaining exposure is primarily to international energy companies.





Results that count



The wind is a constant presence on the island of Vannøya, but it is of high quality, as it blows unremittingly through the Fakken offshore wind farm, far north in the county of Troms in Norway. Here, 18 wind turbines stand majestically, each of them 125 meters tall, dispersed over an area of 3.5 square kilometres of exposed, sea-weathered land.

The wind farm has come into existence thanks to Danish wind power expertise coupled with financial support from DNB. Though it must be said that there was a little headwind on the way.

DANISH ENERGY COMMITMENT. Danish Vestas has produced wind power turbines for almost 40 years. Today, the Group is a global market leader within wind power. Turbines from Vestas can be found in 75 countries, on six continents, offshore and onshore, including at the Fakken wind farm, and soon at Fosen, Norway's largest wind power project.

However, some five years ago, while the Fakken wind farm was being built, dark clouds were gathering above Vestas. To put it simply, the company had invested too much money in the project, but earned too little. One of the banks that stepped in to help Vestas was DNB.

"As part of our commitment to renewable energy, we had entered into a customer relationship with Vestas as early as in 2006, when we became part of their lending syndicate. It was not coincidental that we wanted Vestas to become a DNB customer. The company is an important player in the wind industry, and wind power is something which Norway is just starting to harness," explains Sven Bakken, head of DNB's renewable energy section.

Øyvind Rustad is DNB's relationship manager for Vestas and has followed the company closely from the start. He remembers well the problems the company had:

"The company had to be refinanced and this was done during an intense six months in 2012. The solution was that we, together with five other banks, put in place a financing solution of EUR 1 billion."

IN GOOD TIMES AND IN BAD. Marika Fredriksson, chief financial officer of Vestas, emphasises the excellent relationship the company has with DNB:

"It is fundamental to have mutual trust and understanding for each other, and this is where DNB has really met our expectations. They understand our operations, and they realise just how complex the renewable industry is. They also trust us, in both good and difficult times," says Fredriksson, who stresses the importance of having a long-term relationship:

"Now that things are going so well, there are many banks that would like to do business with us, but we will not be opportunistic and throw a good partnership out of the window just because someone else comes along and knocks on the door. It is only fair and right that those who have supported us through the bad times, earn money from us when things go well."

"We have a good relationship with Vestas," confirms Øyvind Rustad. "It is clear that the balance of power in the relationship between a bank and a company will often shift and in the energy industry, there are many external conditions that affect the bottom line. Everything is governed by governments' energy policies and market developments, and of course new low points may occur. However, both Vestas and we are thinking long term," says Rustad.

"DNB has been a very reliable and highly-appreciated business partner ever since we entered into a relationship with the bank," says Hans Smith, head of Group Treasury and Investor Relations, at Vestas.

"DNB has been instrumental to Vestas being where we are today. On the whole, the future looks increasingly brighter. Wind and other renewable energy sources are now fully competitive in relation to other forms of energy."

"It is only fair and right that those who have supported us through the bad times, earn money from us when things go well."

MARIKA FREDRIKSSON, CHIEF FINANCIAL OFFICER OF VESTAS



1. More renewable: Berit Henriksen, head of DNB's Energy Division, expects significant growth in DNB's renewable portfolio in the years to come.

2. Not easy: "Part of the challenge of wind power is to build on a large enough scale to be able to operate effectively," emphasises Bjørn Inge Pettersen, chief financial officer in Troms Kraft.

3. Combined effort: A long-term perspective and mutual trust are important for a good relationship between a bank and a customer. This is the case in the relationship between Vestas and DNB, represented here by, from the left: Sven Bakken and Øyvind Rustad from DNB and Marika Fredriksson and Hans Smith from Vestas.

4. Head for heights: The turbines, which are 125 metres tall and have 45-metre-long rotor blades, produce enough electricity annually to supply 7 000 households. They have done this since 2012, when the wind farm was completed and Troms Kraft could start operation.





DO RENEWABLES AND OIL/GAS GO HAND IN HAND? DNB's work within renewable energy is largely about project financing. The bank has a leading position within lending to Norwegian and Nordic energy companies, as well as wind power projects, with a portfolio of some NOK 46 billion. DNB also finances water, solar and wind power projects worldwide, including in Europe, the United States, South America and Australia.

"We focus on renewables because we believe in this industry, which most of all needs predictability and a long-term perspective. It is challenging to make many justifiable investments when energy prices are low and the future of electricity certificates is uncertain," says Berit Henriksen, head of DNB's energy division. The division comprises both renewable energy, oil/gas and oil service providers.

"As a bank, we reflect the whole of Norway and are a bank for several parts of the industry. Norway is an oil and gas nation, where DNB has built up a significant portfolio and strong expertise. Given that Norway has unique hydroelectric power resources, we have also developed in-depth expertise within renewable energy. Oil, gas and renewables will continue to coexist for a long time, and we will give long-term support to these sectors. The petroleum industry has also developed skills and expertise that are useful for offshore wind power, and we are seeing that more companies are also investing in renewables. In general, we expect significant growth in our renewable portfolio in the years to come," concludes Henriksen.

"Employees across the organisation must be motivated to be innovative and dare to share their ideas."

JØRGEN WIKLUND KLEPPE

Brand ambassador

DNB's brand ambassador programme is an internal initiative whereby DNB employees each year select 100 colleagues to be brand builders. The network of brand ambassadors will help build a culture characterised by employee engagement and customer orientation, while being a driving force of change.

Jørgen Wiklund Kleppe is one of them. He processes loan applications in real estate.

What do you think is important if DNB is to create long-term value and how can you contribute?

"The most important thing we can do now is to use the expertise, knowledge and data we already have to develop new and existing solutions to meet customer needs today and in the future. If we are going to succeed with this, we need to get employees across the organisation to challenge today's DNB, think differently and dare to share their own ideas."



4

Governance

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Board of Directors

AS AT 8 MARCH 2017

The Board of Directors of DNB ASA is the Group's supreme governing body. Through the group chief executive, the Board shall ensure a sound organisation of business activities. The Board has three sub-committees: the Risk Management Committee, the Audit Committee and the Compensation Committee.



Anne Carine Tanum

BORN 1954

Role on the Board of Directors: Board chairman in DNB and DNB Bank since 2008 (board member since 1999) and chairman of the Compensation Committee.

Background: Law degree from the University of Oslo. Long-standing managing director and owner of Tanum AS. Former board member in DnB Holding, Den norske Bank and Vital Forsikring.

Other key positions of trust: Board chairman in the Norwegian National Opera and Ballet, E-CO Energi Holding AS, E-CO Energi AS and Nordisk Film Kino AS. Vice-chairman of the board of Oslo University Hospital. Board member in Cappelen Damm AS, Try AS, Europris AS and the Abel Prize. Former board chairman in the Norwegian Broadcasting Corporation, NRK.

Number of board meetings in 2016: 19 of 19
Number of shares[1)]: 400 000



Tore Olaf Rimmereid

BORN 1962

Role on the Board of Directors: Board vice-chairman in DNB since 2012 (board member since 2009). Chairman of the Audit Committee and the Risk Management Committee and member of the Compensation Committee.

Background: Master's degree in business administration and aut horised financial analyst from the Norwegian School of Economics. President and CEO of E-CO Energi. Former head of the Finance and Administration Department in the Norwegian Broadcasting Corporation, NRK, and group executive vice president, Financial Reporting and Finance, in the SpareBank 1 Alliance. Experience from Kreditkassen.

Other key positions of trust: Board chairman in Oslo Lysverker and Opplandskraft DA. Former board chairman in Energy Norway and political adviser for the Conservative Party's parliamentary group.

Number of board meetings in 2016: 19 of 19
Number of shares[1)]: 10 611



Jarle Bergo

BORN 1945

Role on the Board of Directors: Board member in DNB and board vice-chairman in DNB Bank since 2011. Member of the Audit Committee and the Risk Management Committee.

Background: Economics degree from the University of Oslo. Held various positions in Norges Bank from the late 1960s, ending his career as deputy governor.

Other key positions of trust: Former alternate executive director of the International Monetary Fund, IMF, business manager for the Norwegian Banks' Guarantee Fund and board member at Oslo Børs (the Oslo Stock Exchange). Former member of various committees and expert groups, including the Council of Ethics for the Government Pension Fund – Global in 2002.

Number of board meetings in 2016: 17 of 19
Number of shares[1)]: 225



Carl A. Løvvik

BORN 1952

Role on the Board of Directors: Board employee representative in DNB since 2011.

Background: Employee representative in DNB. Employed as an insurance agent in 1988 and worked within marketing in DNB Livsforsikring and as a manager at DNB Livsforsikring's Customer Service Centre.

Number of board meetings in 2016: 13 of 19
Number of shares[1)]: 1 191



Vigdis Mathisen

BORN 1958

Role on the Board of Directors: Board employee representative in DNB and DNB Bank since 2012.

Background: Business graduate from and several courses in management at BI Norwegian Business School. Employed in DNB since 1983 and elected chief employee representative for the Group in the Finance Sector Union DNB in 2012.

Other key positions of trust: Previous board member for five years in Den norske Bank and DnB Holding.

Number of board meetings in 2016: 19 of 19
Number of shares[1]: 481



Jaan Ivar Semlitsch

BORN 1971

Role on the Board of Directors: Board member in DNB since June 2014. Member of the Audit Committee and the Risk Management Committee.

Background: Graduate of the Norwegian School of Economics. CEO in Elkjøp Nordic AS. Former Chief Operating Officer of Statoil – Retail Europe and CEO of Plantasjen ASA and Rema Industrier AS.

Other key positions of trust: Former and current board chairman and board member in several Norwegian enterprises. Chairman of the Board of Elkjøp Norge AS and Lefdal Elektromarked AS. Former chairman of the Board of Statoil Norge AS.

Number of board meetings in 2016: 19 of 19
Number of shares[1]: 12 300



Berit Svendsen

BORN 1963

Role on the Board of Directors: Board member in DNB since 2012 (former member of the Board in DNB Bank 2010–2012). Member of the Compensation Committee, the Audit Committee and the Risk Management Committee.

Background: Graduate engineer with a Master of Technology Management degree from the Norwegian University of Science and Technology (NTNU). Executive vice president in Telenor and Telenor Scandinavia and CEO of Telenor Norway. Former chief technology officer in Telenor and head of Telenor's fixed network business in Norway, and CEO of Conax.

Other key positions of trust: Board member in SAS and Bisnode AB. Former board chairman in Data Respons and board member in EMGS and Ekornes, as well as a member of the European Commission Advisory Group on ICT matters.

Number of board meetings in 2016: 17 of 19
Number of shares[1]: 0

1) *Shareholdings in DNB ASA as at 31 December 2016. Shares held by the immediate family and companies in which the shareholder has decisive influence are also included.*

Corporate governance

DNB's management and Board of Directors annually review the principles for corporate governance and how they are implemented in the Group. Pursuant to Section 3-3b of the Norwegian Accounting Act and the Norwegian Code of Practice for Corporate Governance, DNB hereby gives an account of the Group's corporate governance principles and practice.

Changes from previous years
After the Panama Papers case, DNB will establish an external notification procedure in addition to the existing internal procedure, see Section

Deviations from the Code of Practice / Section 3-3b, second subsection of the Norwegian Accounting Act
DNB deviates from the Code of Practice in the following way:
Section 14 Corporate take-overs
The Board of Directors has chosen not to determine explicit guiding principles on how to act in the event of a take-over bid. The background for this exception is that the Norwegian government owns 34 per cent of the shares in DNB ASA, making such principles not very relevant. The Board of Directors otherwise endorses the wording in this section of the Code.

Section 3-3b, second subsection of the Norwegian Accounting Act (statement on corporate governance)

The description below accounts for DNB's compliance with Section 3-3b, second subsection of the Norwegian Accounting Act. The numbers refer to the section's numerical order.

1–3. Specification of the recommendations complied with by DNB, information on where the recommendations are available and reasons for any non-conformance with the recommendations
The DNB Group's corporate governance structure is based on Norwegian legislation. DNB complies with the Norwegian Code of Practice for Corporate Governance dated 30 October 2014 issued by the Norwegian Corporate Governance Board, NUES. The Code of Practice is available on nues.no. Any deviations from the Code of Practice are accounted for under the description of DNB's compliance with the Code of Practice below.

4. A description of the main elements in the Group's internal control and risk management systems linked to the financial reporting process
See section 10 B under the Norwegian Code of Practice for Corporate Governance below.

5. Articles of Association that completely or partially extend or depart from provisions stipulated in Chapter 5 of the Public Limited Companies Act
DNB ASA's Articles of Association do not deviate from Chapter 5 of the Public Limited Companies Act, which governs general meetings.

6. The composition of governing bodies and a description of the main elements in prevailing instructions and guidelines for the work of these bodies and any committees
See sections 6, 7, 8 and 9 under the Norwegian Code of Practice for Corporate Governance below.

7. Articles of Association that regulate the appointment and replacement of members of the Board of Directors
See section 8 under the Norwegian Code of Practice for Corporate Governance below.

8. Articles of Association and authorisations that allow the board to decide that the enterprise is to repurchase or issue the enterprise's own shares or equity certificates
See section 3 under the Norwegian Code of Practice for Corporate Governance below.

The Norwegian Code of Practice for Corporate Governance

The description below accounts for DNB's compliance with the 15 sections in the Code of Practice.

SECTION 1

IMPLEMENTATION OF AND REPORTING ON CORPORATE GOVERNANCE

There are no significant deviations between the Code of Practice and the way it is complied with in DNB. One deviation in section 14 has been accounted for below.

DNB's vision is: Creating value through the art of serving the customer. The Group's values, helpful, professional and show initiative, underlie the vision.

The vision and values form the basis for the Group's rules governing ethics and corporate social responsibility.

The Board of Directors has approved policies and guidelines in the following areas to support corporate governance in the DNB Group:

- corporate social responsibility
- shareholder relations
- ethics
- effective development and operations
- risk management[1)]
- compliance
- communication
- financial management[1)]
- people and organisation
- security

More about the policy for corporate social responsibility

DNB is committed to take into account the climate and the environment, social conditions and corporate governance in all of its activities. This also applies in relation to the Group's suppliers.

DNB shall not contribute to the infringement of human or labour rights, corruption, serious environmental harm or other actions that could be regarded as grossly unethical. Read more about DNB's corporate social responsibility in the chapter Responsible operations on page 55 and at dnb.no/en/about-us.

More about the policy for shareholder relations

Through open dialogue and regular contact and communication, DNB will ensure that the company's share price at all times adequately reflects the underlying values of the company. The management of shareholder relations is largely based on the Norwegian Code of Practice for Corporate Governance, especially the part which refers to the equal treatment of shareholders. See also Section 13 below.

More about the policy for ethics

The DNB Group shall be characterised by high ethical standards and sound corporate governance. According to the Group's code of ethics, its employees, members of governing bodies, temporary staff and consultants should act with respect and consideration, and communication should be open, truthful and unambiguous. DNB's code of ethics also ideals with corruption, impartiality, the duty of confidentiality and the duty to notify, conflicts of interest, relations with customers and suppliers, media relations, securities trading, insider trading and relevant personal financial matters.

Violation of the code of ethics on the part of an employee could have consequences for his or her position in the Group. The complete code of ethics can be found on the Group's website, dnb.no/en/about-us/corporate-social-responsibility.html

Notification

The Group's code of ethics sets forth that employees must promptly inform their immediate superior or the group chief audit executive if they obtain knowledge about circumstances that are contrary to prevailing regulations issued by the authorities or represent major breaches of internal regulations. Employees who in a responsible manner notify reprehensible aspects pursuant to this item will be protected from any repercussions following such disclosure.

DNB is in the process of implementing a solution for anonymous electronic notification to an external party in addition to the existing procedure for notifying the group chief audit executive. The solution will be extended to include temporary employees.

No deviations from the Code of Practice.

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The Board of Directors actively followed up the Panama Papers case

The Panama Papers case put its mark on DNB in 2016. One of the prime concerns of the Board of Directors was to get the best possible insight into what had happened, and it was decided to initiate an independent investigation of all aspects of DNB's involvement in the matter. The law firm Hjort delivered its final report to the Board of Directors in September. In its report, Hjort states that DNB Luxembourg facilitated the establishment of 42 companies in the Seychelles for customers during the period 2006 to 2008, and that all these companies are dissolved. The report concludes that no violations of the law associated with the establishment of this service offering were uncovered. However, it is pointed out that the establishment of the service offering was not approved in accordance with DNB's internal standard procedure for new products. In addition, it is stressed that the code of ethics was not followed when the business area with responsibility for DNB Luxembourg did not stop the service offering pending an assessment of its reputational consequences.

In consequence of the Panama Papers case, DNB's Board of Directors has approved a number of measures, including the introduction of an external notification channel, several measures related to the management and control of subsidiaries, new and comprehensive guidelines for the approval of new products and a review of Group Audit's competencies and resources. In addition, the implementation of a new IT tool has been approved as support for the operationalisation of and compliance with external requirements and internal guidelines.

1) *See further description in Section 10.*

SECTION 2

BUSINESS

The object of DNB is to engage in banking, insurance and financing and any related activities within the scope of Norwegian legislation in force at any time. The complete Articles of Association of DNB ASA can be found on the Group's website, dnb.no/en/agm. The directors' report describes the Group's targets and strategies, and the market is kept updated through investor presentations in connection with quarterly financial reporting, capital markets days and presentations on special subjects.

In the strategy processes, the Board of Directors considers whether goals and guidelines are unambiguous, adequate, well operationalised and easily comprehensible for all employees. All key guidelines are available to the employees through DNB's intranet or by other means.

No deviations from the Code of Practice.

SECTION 3

EQUITY AND DIVIDENDS

The Board of Directors continually reviews the capital situation in light of the company's targets, strategies and intended risk profile. See the Group's report on risk and capital management (Pillar 3) for a further description of the rules on capital adequacy, the principles applied by DNB to estimate capital requirements, as well as a further specification of the Group's capital adequacy ratio. The report is available on the Group's website, dnb.no/investor-relations.

The EU capital requirements directive CRD IV introduces requirements for both equity, long-term funding and liquidity reserves. See the chapter on the new regulatory framework for a further description of the regulations and how they have been implemented in Norway.

The Board of Directors considers the Group to be well capitalised in relation to current regulatory requirements. DNB is continuing its adaptations to the new liquidity and capital requirements which have already been introduced or are expected to be introduced over the next few years.

Dividends

DNB's primary objective is to create long-term value for shareholders, partly through a positive share price development and partly through a predictable dividend policy. The Group's long-term dividend policy is to have a payout ratio of more than 50 per cent of profits, which will be a combination of a cash dividend and a share buy-back programme.

Repurchase of shares

To ensure flexibility in the Group's capital management, the Board of Directors has on previous occasions asked the annual general meeting for an authorisation to repurchase own shares. An agreement has previously been signed with the Norwegian government, represented by the Ministry of Trade, Industry and Fisheries, for the redemption of a proportional share of government holdings to ensure that the government's percentage ownership remains unchanged. In order to ensure an optimal level of capital in the company, on 26 April 2016, the general meeting authorised the Board of Directors to acquire own shares for a total face value of up to NOK 325 759 772, corresponding to 2 per cent of the company's 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. Acquired shares shall be sold in accordance with regulations on the reduction of capital in the Public Limited Companies Act. The authorisation will be valid for a period of 12 months from the date the resolution was passed at the general meeting.

Increases in share capital

At the present time, no authorisation had been granted to the Board of Directors for an increase in the share capital of DNB ASA.

No deviations from the Code of Practice.

SECTION 4

EQUAL TREATMENT OF SHAREHOLDERS AND TRANSACTIONS WITH CLOSE ASSOCIATES

DNB ASA has one class of shares. In the Articles of Association and in the work carried out by the Board of Directors and group management, the strong protection of minority shareholders is emphasised in the form of equal treatment, requirements for majority votes and the obligation to disclose transactions with close associates. All shares carry equal voting rights. In connection with increases in share capital, existing shareholders will be given pre-emptive rights, unless such rights are derogated from due to special circumstances. In such case, the reasons for such a derogation will be specified. In cases when the Board of Directors asks the Annual General Meeting for an authorisation to repurchase own shares, shares will be purchased through the stock market at market price.

Largest shareholder

The Norwegian government, represented by the Ministry of Trade, Industry and Fisheries, is DNB ASA's largest shareholder, owning 34 per cent of the shares. According to the State Ownership Report (White Paper no. 27 2013–2014 Diverse and value-generating ownership), the purpose of the government's ownership in DNB ASA is to retain a large and highly competent financial services group headquartered in Norway. The company is to be run on commercial terms, with an aim to generate a competitive return. The government points out that a holding that gives negative control contributes to this end. The government will thus maintain its holding in DNB ASA and has come to the conclusion that the holding will not be reduced below 34 per cent.

The shares held by the Ministry are managed by the Department of Ownership, subject to special management guidelines which among other things stipulate that the Norwegian government cannot have representatives on the boards of directors of financial institutions, but that the government, through participation in election committees, must ensure that the governing bodies include representatives from all shareholder groups. The guidelines require that the Ministry act in a manner conducive to equal treatment of DNB's shareholders.

Second largest shareholder
Sparebankstiftelsen DNB (the DNB Savings Bank Foundation) is the second largest shareholder, owning 9 per cent of the shares at end-December 2016. According to Norwegian law, the foundation is required to be a stable, long-term owner in the Group. In order to ensure funds for its operations, the foundation aims to achieve the highest possible risk-adjusted return on capital under management. More information is available on sparebankstiftelsen.no.

According to the Articles of Association of DNB ASA, as long as Sparebankstiftelsen DNB owns 10 per cent or more of the shares in DNB ASA, the question of sale or other disposal of shares in DNB Bank ASA shall be considered by the general meeting in DNB ASA. The same applies to questions concerning a merger or demerger of the bank, disposal of a material portion of the bank's business or the issuing of shares in the bank to parties other than DNB ASA.

Transactions with close associates
Instructions for the Board of Directors of DNB ASA state that a board member cannot participate in deliberations or decisions on issues where he or she personally or his or her close associates would be seen as having a direct or indirect personal or financial interest in the matter. The same principle is embodied in the Group's code of ethics. It is the duty of each board member to ensure that he or she is without prejudice in deliberations of specific matters. The Board of Directors must approve agreements between the company and a board member or the group chief executive. The Board must also approve agreements between the company and third parties where a board member or the group chief executive can be perceived to have a significant interest in the matter.

Board members must inform the Board of Directors if they have a direct, significant interest in an agreement entered into by the company or another company in the DNB Group. The same applies if such agreement is signed by a company outside the DNB Group in which the board member either has an ownership interest, serves on the board or has a senior management position. A notification should be sent to the board chairman, with a copy to the Group Secretariat.

Board members, or companies with which they are associated, should not take on special assignments for companies in the DNB Group other than their board membership. If this occurs, however, the entire Board of Directors must be informed. Remuneration for such assignments is subject to approval by the Board of Directors.

With respect to the Group's other employees and elected officers, the Group's code of ethics lays down detailed rules regulating transactions with close associates. As a general rule, an employee or elected officer will be considered disqualified if circumstances exist that may lead others to believe that he or she promotes interests other than those of the DNB Group. Employees must be aware of potential conflicts of interest if they combine positions of trust with other roles in the Group.

Where a transaction is not immaterial for either the DNB Group or the close associate involved, unless it is a matter for consideration by the general meeting according to stipulations in the Public Limited Companies Act, the Board of Directors will ensure that a valuation is made by an independent third party. This also applies to any transactions between companies in the DNB Group where minority shareholders are involved. Not immaterial transactions with close associates are described in a separate note to the annual accounts.

No deviations from the Code of Practice

SECTION 5

FREELY NEGOTIABLE SHARES
The shares in DNB ASA are listed on Oslo Børs (the Oslo Stock Exchange) and are freely negotiable. The Articles of Association include no form of restriction on negotiability.

No deviations from the Code of Practice.

SECTION 6

GENERAL MEETING
The general meeting exercises the highest authority in DNB and represents the company's shareholders. According to the Articles of Association, the annual general meeting shall be held before the end of April each year. The notice and the registration form will be sent to shareholders and be published on the Group's website no later than 21 days prior to the date of the general meeting. The procedure for voting and for proposing resolutions is described in the notice of the general meeting.

According to the Articles of Association, the general meeting shall be convened by the Board of Directors. The chairman of the Board of Directors, at least one representative from the Election Committee and the statutory auditor will attend general meetings. Other board members may also attend the meetings. Representatives from group management will include the group chief executive, the chief financial officer, the group chief audit executive and specialists in certain fields. The minutes of general meetings are available on dnb.no/en/agm.

The general meeting elects shareholder representatives on the Board of Directors and members of the Election Committee. The voting procedure gives shareholders the opportunity to vote separately for each individual candidate nominated for election to the various governing bodies. The general meeting also selects the statutory auditor. The Election Committee consists of up to five members elected by the general meeting for a term of up to two years.

Decisions are generally made by simple majority. Decisions concerning the disposal of shares, mergers, demergers, the sale of a material part of DNB Bank ASA's business or the issuing of shares in the bank to parties other than DNB ASA, require the approval of at least two-thirds of the votes cast and of the share capital represented at the general meeting.

No deviations from the Code of Practice.

SECTION 7

ELECTION COMMITTEE
In accordance with DNB ASA's Articles of Association, the general meeting has established an Election Committee consisting of four members. The general meeting has laid →

down instructions for how the Election Committee should carry out its duties. The members of the Election Committee shall be shareholders or representatives for shareholders and shall, as far as possible, represent all shareholders. No member of the Board of Directors or representative from group management is a member of the Election Committee.

According to instructions for the Election Committee, there should be rotation among the committee members.

The Election Committee submits justified recommendations to the general meeting for the election of members to the Board or Directors and the Election Committee. The recommendation should include relevant information on each candidate's background and independence. Furthermore, the committee proposes remunerations to members of the aforementioned bodies. The remuneration of the Election Committee is determined by the general meeting. Information about the Election Committee and closing dates for proposing candidates can be found on dnb.no/en/agm.

The Election Committee held 14 meetings during 2016. The Committee proposed candidates for election to the Board of Directors and the Election Committee and also carried out preparatory work related to issues to be considered in 2017.

No deviations from the Code of Practice.

SECTION 8

BOARD OF DIRECTORS, COMPOSITION AND INDEPENDENCE

The governance and management of the company will be undertaken by the Board of Directors and the general meeting.

The Board of Directors has up to seven members, up to five of whom are elected by the shareholders and two are representatives for the employees. No member of the group management team is a member of the Board of Directors. When electing members to the Board of Directors, the need for both continuity and independence should be met, while ensuring a balanced board composition. No one may be a member or chairman of the Board of Directors for a consecutive period of more than 12 years. A new 12-year period will start if an ordinary board member is elected board chairman or vice versa. No one may hold a position as an ordinary board member and/or board chairman for a total period exceeding 20 years. Members are elected for terms of up to two years. As at 31 December 2016, the Board had seven members, five of whom were elected by the shareholders and two were representatives for the employees. Three of the members were women, two of whom were elected by the shareholders and one represented the employees.

The curricula vitae of the individual board members and board meeting attendance in 2016 are found in the presentation of the board members in this chapter and on the Group's website. The Board of Directors will consider the independence of its members, and their conclusion is presented in the listing of governing bodies. When new board members are nominated, their suitability is assessed, including their independence. The assessment is followed up on an annual basis by requesting a written confirmation from the board members. The Group has initiated processes to continually monitor which other assignments are held by the board members. See also the description under section 4 above, Transactions with close associates. The presentation of the Board of Directors lists any assignments for the Group and any significant appointments or assignments in other companies and organisations held by the members of the Board.

Board members are encouraged to hold shares in the company. The presentation of governing bodies specifies the number of DNB shares held by members of governing bodies and their close associates as at 31 December 2016.

No deviations from the Code of Practice.

SECTION 9

THE WORK OF THE BOARD OF DIRECTORS

The duties of the Board of Directors

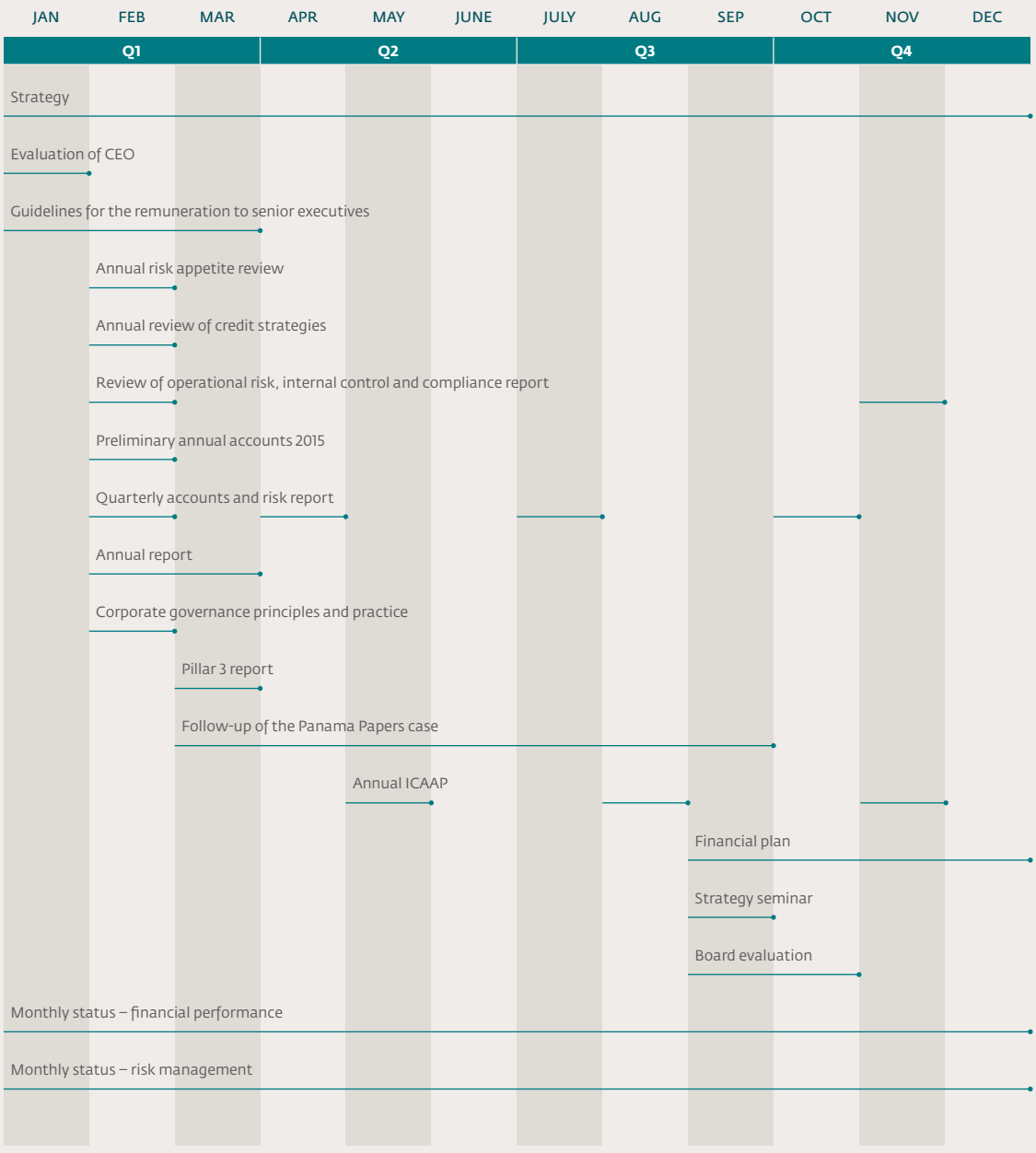
The Board of Directors has approved instructions governing its work and administrative procedures, including matters to be considered by the Board, the group chief executive's tasks and obligations towards the Board and rules on convening and conducting meetings. Instructions for the Board of Directors are available at dnb.no/en. The Board of Directors draws up an annual plan for its activities, covering duties stipulated in laws, regulations, resolutions passed by the authorities, the Articles of Association and decisions made by the general meeting. The Board of Directors also issues instructions for the group chief executive.

> "The Group's strategy, financial performance, capitalisation and digitalisation were high on the agenda in 2016."

The Board evaluates its own work and work methods annually, and the evaluation forms the basis for adjustments and measures. In addition, the Board's competencies, overall and those of each board member, are evaluated.

The Board of Directors has the ultimate responsibility for the management of DNB. Through the group chief executive, the Board shall ensure a sound organisation of business activities. The Board determines principal goals and strategic choices for the Group, as well as financial three-year plans for the Group and the business areas. The Board is continually updated on DNB's financial position and development by approving quarterly and annual reports and through a monthly review of the Group's financial position and development. Furthermore, the Board shall ensure that operations are subject to adequate control and that the Group's capital position is satisfactory relative to the risk and scale of operations. The Board of Directors' responsibilities and implementation and monitoring of risk management and internal control are described in section 10 below. The Board also presents a statement to the general meeting proposing guidelines for remunerations to senior executives. See section 12 below. See the illustration of matters considered by the Board of Directors in 2016 on the next page.

Work of the Board of Directors in 2016



A total of 19 board meetings were held.

Meetings of the Board of Directors are chaired by the board chairman. The vice-chairman may chair the meetings in the event that the chairman cannot or should not lead the work of the Board. If neither the board chairman nor the vice-chairman participates, the Board must select a member to chair the meeting.

The group chief executive will prepare matters to be considered by the Board of Directors in consultation with the chairman of the Board. Each matter must be prepared and presented in a manner which provides a satisfactory basis for discussion.

Audit Committee and Risk Management Committee
In 2016, the Audit Committee and the Risk Management Committee consisted of four of the independent board members.

The committees are working committees for the Board of Directors, preparing matters and acting in an advisory capacity. Members are elected for a term of up to two years among the external members of the Board of Directors, and the chairman is appointed for a term of one year at a time. The committee members must have the overall competence required to fulfil their duties based on the organisation and operations of the Group. At least one of the members of the Audit Committee must have accounting and/or auditing expertise. At least one of the members of the Risk Management Committee must have experience from identifying, assessing and managing risk exposures in large, complex companies. The members of the committees are included in the presentation of the Group's governing bodies. The objectives, responsibilities and functions of the committees are in compliance with international rules and standards and are described in group standard procedures. The committees normally have seven to eight meetings each year. See section 10 Risk management and internal control for a further description of the committees' duties.

Compensation Committee
The Board of Directors of DNB ASA has a Compensation Committee consisting of four members of the company's Board of Directors. The committee normally meets six to seven times a year. The committee puts forth a recommendation for the Board of Directors' guidelines for remuneration to senior executives in accordance with Section 6-16a in the Public Limited Companies Act. The committee draws up proposals and issues recommendations to the Board of Directors regarding the remuneration awarded to the group chief executive and acts in an advisory capacity to the group chief executive with respect to the remuneration and other important personnel-related matters concerning members of the group management team and any others reporting to the group chief executive.

No deviations from the Code of Practice.

SECTION 10

RISK MANAGEMENT AND INTERNAL CONTROL

All of the Group's operations entail risk. The ability to manage risk is the core of financial activity and a prerequisite for long-term value generation. The Group aspires to have a low risk profile and will only assume risk which is understood and can be followed up. DNB shall not be associated with activities that can harm its reputation.

Risk management and internal control shall help ensure effective operations and prudent management of significant risks. The work on risk management in DNB is characterised by individual responsibility, transparent methods and processes that support sound risk management. Risk management shall be of good quality and have high information value.

Item 10 A below describes how the work on risk management and internal control in the Group is organised, implemented and followed up. The Board of Directors' reporting of the main features of internal control relating to financial reporting is described in **item 10 B**.

The Group's report on capital adequacy requirements and risk management, the Pillar 3 report, includes a description of risk management and framework structure, capital management and capital calculations, in addition to the assessment and monitoring of various types of risk. In addition, DNB's adaptations to and compliance with the capital adequacy requirements are described. The report is available on the Group's website dnb.no/investor-relations.

No deviations from the Code of Practice.

10 A) Organisation, implementation and monitoring
Risk management and internal control in DNB are based on the framework from the Committee of Sponsoring Organizations of the Treadway Commission, COSO. COSO is a framework consisting of five components:

1. Control environment
2. Risk assessment: assessment of internal and external factors which affect target attainment
3. Control activities: policies and procedures to mitigate risk and ensure that risk responses are effectively carried out
4. Information and communication: processes to ensure that relevant information is identified and communicated in a timely manner
5. Monitoring: processes to ensure that the internal control is appropriately defined, implemented, effective and flexible

These five components should help the Group reach its targets relating to operational efficiency, reliable financial reporting and compliance with laws and regulations.

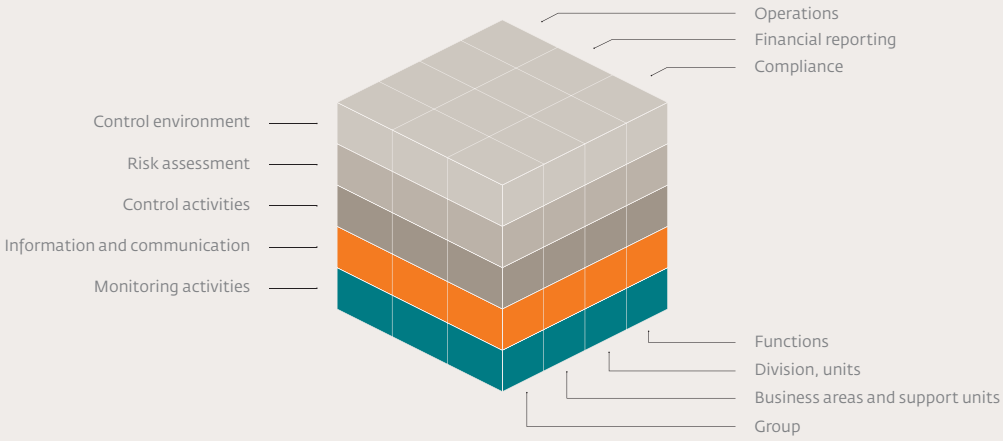
Governing bodies and lines of defence in the DNB Group, risk management and internal control are illustrated on the next page.

Responsibility for risk management and internal control is divided between three lines of defence:

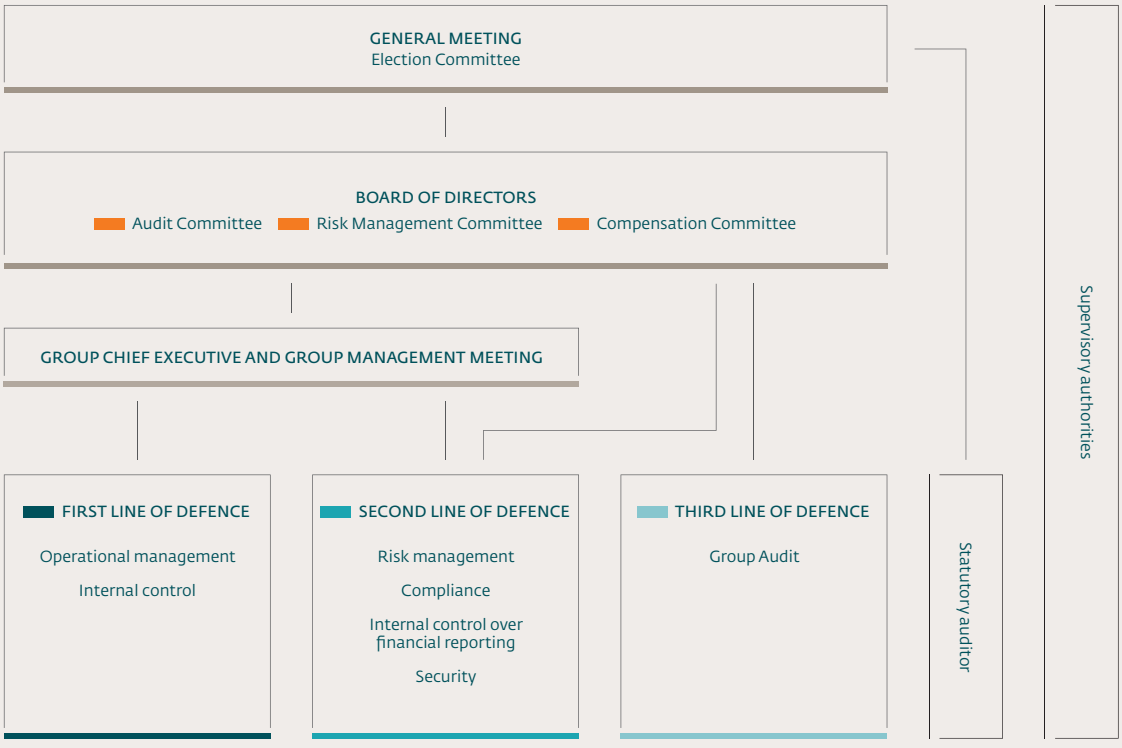
■ **The first line of defence** is the operational management's governance and internal control, including processes and activities to reach defined goals relating to operational efficiency, reliable financial reporting and compliance with laws and regulations. The operational management is responsible for all risk associated with the unit's activities and processes.

10 A) Organisation, implementation and monitoring

COSO framework



Governing bodies in the DNB Group



10 A) Organisation, implementation and monitoring

→ ■ **The second line of defence** is an independent function which monitors and follows up the operational management's governance and internal control. The second line of defence is responsible for setting the premises for risk management, coordination across organisational units and risk reporting.
■ **The third line of defence** is Group Audit, which reviews and evaluates group management's overall governance and internal control. Group Audit is independent of the Group's executive management and reports to the Board of Directors of DNB ASA.

BOARDS OF DIRECTORS

Organisation and responsibilities

The Board of Directors of DNB ASA has principal responsibility for the Group's business operations, which includes ensuring that operations, financial reporting and asset management are subject to adequate control. Separate instructions have been established for the Board of Directors and the board committees.

More about the policy for risk management

The group policy for risk management serves as a guide for all work on risk in DNB. It describes the ambitions and attitudes which should form the basis for the work on risk in the DNB Group.

The Board of Directors of DNB ASA sets long-term targets for the Group's risk profile through the risk appetite framework. The risk appetite framework represents an operationalisation of the Group's current risk policy and guidelines and shall ensure that risk is integrated with the Group's steering processes. The risk appetite framework shall provide a holistic and balanced view of the risk in the business and consists of 17 statements that define risk types and measurement parameters. To support the framework, governance principles have been established and operational procedures and responsibilities within the DNB Group defined. The targeted risk profile will also be reflected in other parts of the risk management framework, including the establishment of authorisations and business limits. The risk appetite framework will be reviewed at least once a year. The Board of Directors also regularly reviews risk levels, the framework structure and reporting for relevant risk categories.

Risk management is an integral part of corporate governance in DNB and includes the assessment, monitoring, reporting and follow-up of risk in the Group.

The Board of Directors of DNB ASA carries responsibility for ensuring that the Group is adequately capitalised relative to the risk and scope of operations and that capital requirements stipulated in laws and regulations are met. The Group's capitalisation guidelines shall ensure that the Group's equity is adapted to the scope and risk profile of operations, based on the authorities' capital adequacy requirements and DNB's internal estimated capital requirements. The Board of Directors continually monitors the Group's capital situation, see further information under Implementation and monitoring below. DNB Bank ASA aims to maintain an AA level international rating for ordinary long-term debt.

More about the policy for compliance

DNB shall comply with all laws and regulations that apply to the Group's business activities, hereinafter referred to as compliance. The compliance policy describes the main principles for compliance and how the compliance function is organised. Group guidelines have also been established for operational risk management.

Implementation and monitoring

The Board of Directors of DNB ASA annually reviews the Group's principal risk areas and internal control. The review, which is based on reporting from the group chief executive, aims to document the quality of the work performed in key risk areas and to identify any weaknesses and needs for improvement. The review should ensure that changes in the risk situation are identified, so that the necessary improvement measures can be implemented.

The Risk Management Committee gives the Board of Directors advice with regard to the Group's risk profile, monitors the Group's internal control and risk management systems and makes sure that they function effectively. In addition, the committee advises the Board of Directors with respect to the Group's risk profile, including the Group's current and future risk appetite and strategy. The Risk Management Committee and the Boards of Directors of DNB ASA and DNB Bank ASA receive a quarterly risk report for the Group, accounting for the current risk situation, reviewed relative to the risk appetite framework. The report includes the utilisation of limits approved by the Boards of Directors of DNB ASA, DNB Bank ASA and DNB Livsforsikring ASA. The Board of Directors of DNB Livsforsikring AS receives periodic reports analysing the company's risk situation.

Every year, the Risk Management Committee and the Boards of Directors of DNB ASA and DNB Bank ASA consider the Group's ICAAP report (Internal Capital Adequacy Assessment Process), which includes a self-assessment of the DNB Group's risk and capital situation. Group Audit reviews DNB's ICAAP process, and a report containing its summary is considered at the same board meeting as the self-assessment.

The Risk Management Committee and the Boards of Directors of DNB ASA and DNB Bank ASA review the Group's recovery plan. The plan is an integral part of the Group's risk and capital management framework. An important part of the recovery plan is a description of various identified measures to improve the Group's capital adequacy and liquidity situation during a potential crisis. The plan is updated each year. The recovery plan is part of the new crisis management regulations for banks. See further description in the chapter on the new regulatory framework.

Each year, the Risk Management Committee and the Board of Directors of DNB Bank ASA consider the Group's compliance report, which gives a description of the Group's overall compliance risk and the measures required to mitigate such risk.

Each year, the Risk Management Committee and the Board of Directors of DNB Bank ASA review the Group's validation report. Validation plays a key role in quality assurance of the IRB system. Group Audit prepares an annual IRB compliance

report which shows compliance with the IRB requirements. The report is considered parallel to the validation report by the bank's Board of Directors.

Information about the Group's risk situation is made available to the market, shareholders and the authorities through quarterly reports. See further description of the Group's risk management in the Pillar 3 report on dnb.no/investor-relations.

The Audit Committee evaluates the quality of the work performed by Group Audit and the statutory auditors. The Boards of Directors of DNB Bank ASA, DNB Boligkreditt AS, DNB Livsforsikring AS and other significant subsidiaries annually evaluate the companies' key risk areas and internal control.

GROUP CHIEF EXECUTIVE AND EXECUTIVE BODIES

Organisation and responsibilities

The group chief executive is responsible for implementing risk management measures that help achieve targets for operations set by the Board of Directors of DNB ASA, including the development of effective management systems and internal control.

The group management meeting is the group chief executive's collegiate body for management at group level. All important decisions concerning risk and capital management will generally be made in consultation with the group management team. Authorisations must be in place for the extension of credit and for position and trading limits in all critical financial areas. All authorisations are personal. Authorisations are determined by the Boards of Directors of DNB ASA and DNB Bank ASA, along with overall limits, and can be delegated in the organisation, though any further delegation must be approved and followed up by the relevant person's immediate superior.

The group management meetings are attended by the group executive vice presidents in charge of the business areas and staff and support units. A number of advisory bodies have been established to assist in preparing documentation and implementing monitoring and control within various specialist areas:

- **The Asset and Liability Committee**, ALCO, is an advisory body for the chief financial officer and the chief risk officer and handles matters relating to the management of market and funding risk, risk modelling, capital structure and return targets.

- **The Group has three central credit committees: the Group Advisory Credit Committee, the Advisory Credit Committee for Large Corporates and International, and the Advisory Credit Committee for Corporate Banking.** The committees act in an advisory capacity to decision-makers in the business areas and in Group Credit Risk Management, who endorse credits on the basis of personal authorisations after consideration in the respective committees. The Group Advisory Credit Committee approves large credits to selected borrowers that are customers of the various business areas and advises the group chief executive and the Board of Directors in connection with large individual credit proposals. The committee plays a key role in formulating the Group's credit policy and in following up credit strategies, credit regulations and portfolio risk. The Credit Committees for Large Corporates and International and for Corporate Banking approve credits according to assigned authorisations for the respective business areas. The Credit Committees are chaired by the group chief credit officer.
- **Advisory Group Operational Risk**, AGOR, is an advisory committee for the Group's chief risk officer and helps develop the Group's solutions within operational risk management and internal control to ensure effective and consistent monitoring and reporting throughout the Group.
- **The Forum for AML and International Sanctions** is an advisory body for the Group's chief risk officer and will help ensure the correct prioritisation of resources and follow-up of various areas, which includes monitoring DNB's compliance with international sanctions and the Group's anti-money laundering and counter-terrorism financing work.
- **The IT Group Council** is an advisory body for the head of IT and Operations in connection with prioritisation, decision making and follow-up of the bank's IT development projects with an aim to ensure that all IT investments support the bank's strategic goals.
- **The Ethical Investment Committee** manages and follows up the guidelines for ethical investments, collects information about companies and ensures that matters have been adequately examined before the committee recommends any exclusion of companies. The committee presents its recommendations to the heads of DNB Asset Management Holding AS, Group Investments and DNB Livsforsikring ASA, who act as decision makers for their respective units.

The operative business areas and staff and support units must have dedicated employees who are responsible for operational risk management and compliance in their respective units. These functions must be organised separately from other business operations to ensure that independence is safeguarded.

Implementation and monitoring

The basis for risk management in DNB is that individual managers in the Group are responsible for risk within their own area of responsibility and must therefore have the necessary insight into and understanding of the relevant unit's risk situation, thus ensuring that the management of such risk is financially and administratively sound.

All units in the Group carry out an annual review which includes:

- a self-assessment of the unit's work on risk management and internal control
- the unit's risk assessments
- an evaluation of compliance with external and internal regulations
- planned improvement measures

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10 A) Organisation, implementation and monitoring

→ Reporting takes place minimum at division level and forms the basis for aggregate reports for business areas and support units, which in turn are included in the group chief executive's reports to the Board of Directors of DNB ASA. Where assessments identify particularly serious risks, there must also be concrete plans for improvement measures.

Each month, the group management meeting will receive a status report on the risk situation, measured relative to the defined risk appetite targets.

GROUP RISK MANAGEMENT

Organisation and responsibilities

Group Risk Management is headed by the Group's chief risk officer, CRO, who reports directly to the group chief executive. The CRO sets the premises for risk management and internal control and assesses and reports the Group's risk situation. The majority of the Group's risk entities are organised in Group Risk Management, though parts of operative risk management are organised in the business areas. Due to the independence requirement, appointments, dismissals and changes in conditions for key persons in the second line of defence in operative units are subject to approval by Group Risk Management based on a recommendation from the relevant operative unit.

Implementation and monitoring

Group Risk Management prepares a quarterly risk report to the Boards of Directors of DNB ASA and DNB Bank AS. In addition, Group Risk Management is responsible for preparing the Group's ICAAP report, recovery plan, validation report and status report on management and control of operational risk.

Risk reporting in the Group aims to ensure that all executives have the necessary information about current risk levels and future developments. To ensure high-quality, independent risk reports, responsibility for reporting is assigned to units that are independent of the operative units. The Group's risk is measured in the form of economic capital. Return on economic capital is a factor in product pricing, profit calculations and performance monitoring.

COMPLIANCE

Organisation and responsibilities

The compliance function is an independent function which identifies, evaluates, gives advice on, monitors and reports on the Group's compliance risk. The function is headed by the group compliance officer, GCO. The GCO is organised in Group Risk Management and reports to the Board of Directors through the group chief executive. All business areas and support units, as well as large subsidiaries and international entities, have a compliance function with responsibility for ensuring compliance with relevant regulations. The compliance functions in international entities and the Group's operations in the Baltics and Poland report directly to the GCO.

The Group's anti-money laundering monitoring function, the Group AML officer, reports directly to the CRO.

Implementation and monitoring

The GCO is responsible for the reporting of compliance risk and any breaches of laws and regulations pertaining to the Group. A compliance report is prepared once a year. The compliance functions in the business areas and support units issue periodic reports on the current status and on any violations of regulations to the GCO and to the heads of their respective units. The identification, assessment and monitoring of the Group's risk of errors in financial reporting are carried out by Group Financial Reporting on behalf of the chief financial officer.

INTERNAL AUDIT

Organisation and responsibilities

Independent and effective audits will help ensure satisfactory risk management and internal control, as well as reliable risk and financial reporting. Group Audit receives its mandate from the Board of Directors of DNB ASA, which also approves the department's annual plans and budgets.

Group Audit's responsibilities can broadly be divided in two:

- On behalf of DNB ASA, the group chief executive and the Boards of Directors of the companies in the Group, verify that adequate and effective risk management and internal control are in place
- Assess whether risk identification, established management processes and control measures effectively contribute to strengthening the Group's ability to reach its targets

The work of Group Audit is described in further detail below. Information about the statutory auditor can be found in section 15 below.

Implementation and monitoring

Group Audit carries out audits of units in the DNB Group. An audit plan is prepared, which is discussed with group management, reviewed by the Audit Committee and approved by the Board of Directors. Group Audit's risk assessments form the basis for determining which units should be given priority in the auditing process. After the audits have been completed, audit reports are prepared, which include the results of the audit, a description of any identified weaknesses or deficiencies and proposed measures, specifying responsible persons and deadlines for implementation of the measures. The audit reports are sent to the heads of the relevant audited units. An audit summary, reviewing all of the units in the DNB Group, is presented to the Boards of Directors of DNB ASA and DNB Bank ASA once every six months. The Boards of Directors also receive a monthly summary of the audit reports for all units in the Group. The Boards of Directors of DNB Boligkreditt AS, DNB Næringskreditt AS, DNB Livsforsikring AS and DNB Asset Management Holding AS receive all audit reports for their respective units. Semi-annual and monthly reports from Group Audit are also sent to the statutory auditor.

SUPERVISORY AUTHORITIES

Implementation and monitoring

The operations of the DNB Group are supervised by Finanstilsynet (the Financial Supervisory Authority of Norway). Among other things, Finanstilsynet reviews annual and interim

reports and the Group's Internal Capital Adequacy Assessment Process, ICAAP. Finanstilsynet reviews the Group's recovery plan. The Board of Directors aims to have an open and constructive dialogue with Finanstilsynet.

10 B) The Board of Directors' reporting of the key components of internal control over financial reporting

Financial reporting in the Group shall be in compliance with relevant laws and regulations and internal guidelines for operations. DNB aims to have low operational risk, and the group guidelines for internal control over financial reporting set explicit requirements for processes and procedures to ensure high-quality reporting.

More about the policy for financial management

DNB's financial management shall ensure long-term value creation for shareholders.

Ongoing risk assessments are made of processes that entail a risk of errors in financial reporting. The assessments include an end-to-end process mapping that clarifies roles and responsibilities in the entire financial value chain. Key controls are established to ensure that all aspects that imply a risk of serious errors are given special attention. These controls are subject to special documentation requirements. Risk-mitigating measures are established for all processes that continue to involve high or medium risk after the key controls have been implemented.

The results of the internal control over financial reporting are reported to Group Financial Reporting each quarter and followed up on an ongoing basis. The group management team and the Audit Committee receive annual updates.

BOARDS OF DIRECTORS

Organisation and responsibilities

The Board of Directors of DNB ASA, represented by the Audit Committee, reviews the financial reporting process. The Board of Directors has prepared guidelines to ensure reliable, relevant, timely and uniform reporting to shareholders and other capital market participants. The guidelines also cover internal needs. Together, these are called guidelines for financial reporting. The guidelines set quality assurance requirements for the financial reporting process applying to all units in the Group, including requirements to avoid any manipulation of the accounts.

The Audit Committee will supervise the financial reporting process and ensure that the Group's internal control, including the internal audit and risk management systems, functions effectively. In addition, the committee shall ensure that the Group has independent and effective external audit procedures.

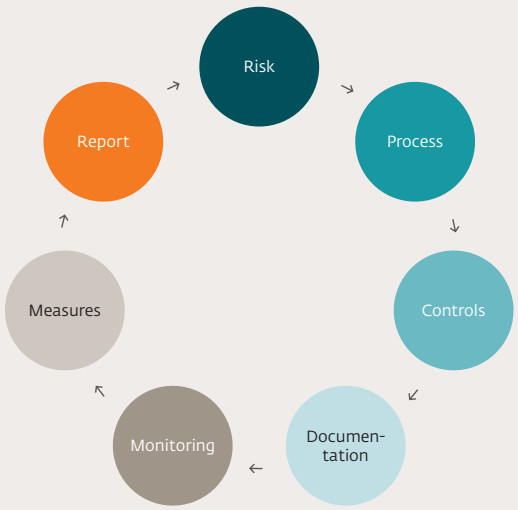
Implementation and monitoring

The Audit Committee reviews quarterly financial reporting for the DNB Group. The Committee makes a thorough review of discretionary assessments and estimates in addition to any changes in accounting practice.

The Committee monitors the Group's internal control systems and the internal audit, making sure that they function effectively, and considers changes in systems and procedures which are presented to the Board of Directors for approval.

In connection with its review, the Committee has discussions with management, Group Audit and the statutory auditor. The statutory auditor provides a report to the Committee

Process for internal control over financial reporting in the DNB Group



10 B) The Board of Directors' reporting of the key components of internal control over financial reporting

on the main features of the audit carried out in the previous accounting year, including a special review of any material weaknesses identified in internal control relating to the financial reporting process.

The Committee considers group management's annual self-assessment of the level of and effectiveness of the internal control over financial reporting.

At least once each quarter, the Committee has separate meetings with the statutory auditors on behalf of the Board of Directors without any representatives from management present. In addition, the Committee has meetings with the group chief audit executive at least once a year without any representatives from management present.

The Audit Committee considers the quarterly accounts and the proposed annual accounts for DNB ASA and the DNB Group. After the quarterly accounts and proposed annual accounts for the respective companies have been reviewed by the executive management and the Audit Committee, they are considered by the Boards of Directors of DNB ASA and DNB Bank ASA. The annual accounts are approved by the general meeting.

The Audit Committee also considers the proposed statutory and consolidated accounts of DNB Bank ASA and DNB Livsforsikring AS and the statutory accounts of DNB Boligkreditt AS. The Board of Directors of DNB Livsforsikring AS considers the quarterly accounts and the proposed annual accounts. The annual accounts are approved by the respective companies' general meetings.

GROUP CHIEF EXECUTIVE AND EXECUTIVE BODIES

Organisation and responsibilities

Group Finance is headed by the chief financial officer, CFO, and is organised outside the business areas. The head of Group Financial Reporting reports to the chief financial officer and is responsible for matters such as financial management and reporting, financial follow-ups, direct and indirect taxes and the internal control over financial reporting in the Group.

The heads of reporting units are responsible for ongoing financial monitoring and reporting. All these units have management teams and accounting units adapted to their organisation and operations. Managers must ensure that adequate and effective internal control is implemented in accordance with established requirements, and are responsible for complying with these requirements.

Implementation and monitoring

Reporting units

The heads of the business areas and staff and support units are responsible for implementing adequate and effective internal control in accordance with established requirements, as well as for ensuring compliance with these requirements. The units will assess internal control of financial reporting each quarter and report the results of their assessment to the head of Group Financial Reporting. Every year, a comprehensive evaluation of compliance with external and internal regulations concerning internal control over financial reporting is made. The results, along with planned improvement measures, are reported to the head of Group Financial Reporting.

Group Finance

On behalf of the chief financial officer, the head of Group Financial Reporting identifies, assesses and monitors the risk of errors in the Group's financial reporting in cooperation with the heads of the reporting units. The risk assessment is considered by the Group's Audit Committee.

Group Finance prepares financial reports for the DNB Group and ensures that such reporting is in line with prevailing legislation, accounting standards, current accounting principles and guidelines from the Board of Directors. The head of Group Financial Reporting prepares guidelines which explain the requirements to be fulfilled by the local units. Processes and a number of control measures have been prepared to ensure that financial reporting is of high quality. The measures include rules concerning authorisations, the division of responsibilities, reconciliation, change management, IT controls and management reviews.

Group management team

The group chief executive and the chief financial officer will continually consider the financial results and target attainment of the business areas as well as critical aspects and events which will affect their future performance and optimal resource utilisation. A review covering, inter alia, these subjects will be made in cooperation with the individual business areas at least on a quarterly basis. If required, the risks associated with financial reporting, both in the short and the long term, are assessed at the meetings. The group chief executive, the chief financial officer, managers in the relevant unit and relevant experts participate in the meetings, which are chaired by the group chief executive. The chief financial officer reviews such matters with the support units in special meetings.

The group management team will review monthly financial reporting and risk appetite, including trends in profit and loss and balance sheet items, the current status relative to statutory enactments, results for legal units and analyses of and comments to the financial performance of business areas and support units.

COMPLIANCE

Organisation and responsibilities

On behalf of the chief financial officer, the head of Group Financial Reporting identifies, assesses and monitors the risk of errors in the Group's financial reporting in cooperation with the heads of the reporting units.

Implementation and monitoring

A process has been established for self-assessments of the level of and effectiveness of the internal control over financial reporting. The units' quarterly assessment of internal control over financial reporting is discussed with the head of Group Financial Reporting in special meetings when and as required, and a summary is presented to the chief financial officer, group management, the Audit Committee and the

Board of Directors of DNB ASA if required in connection with their review of the Group's quarterly and annual accounts.

AUDIT

Organisation and responsibilities

See description of the internal audit under A) Organisation, implementation and monitoring.

Implementation and monitoring

The annual accounts of all the companies in the DNB Group are audited by the statutory auditors, who, within the limits stipulated in international standards on auditing and quality control, ISA, cooperate with Group Audit.

As part of the audit, Group Audit assesses the established internal control over financial reporting in selected processes. Every year, the statutory auditor prepares a report which summarises the results of the financial audit. The report accounts for any weaknesses and deficiencies in the internal control over financial reporting. The report is sent to those who are responsible for financial reporting in the audited units and companies for comment before being considered by the Audit Committee and the Board of Directors of DNB ASA. The results of the audit of financial reporting are described in Group Audit's semi-annual report to the Boards of Directors of DNB ASA and DNB Bank ASA and the Audit Committee.

SECTION 11

REMUNERATION OF THE BOARD OF DIRECTORS

Remuneration paid to members of the Board of Directors, which is proposed by the Election Committee and approved by the general meeting, is not performance-based or linked to options in DNB ASA. The Board of Directors must approve any remuneration from the company to members of the Board of Directors other than ordinary remuneration for their service on the Board of Directors, the Audit Committee, the Risk Management Committee and the Compensation Committee. Note 48 to the annual accounts for the DNB Group shows remunerations to senior executives and elected officers in DNB ASA.

No deviations from the Code of Practice.

SECTION 12

REMUNERATION OF THE EXECUTIVE PERSONNEL

Guidelines for executive pay

DNB's guidelines for determining remunerations to the group chief executive and other members of the group management team should, at all times, support prevailing strategy and values, while contributing to the attainment of the Group's targets. The total remuneration to the group chief executive and other senior executives consists of basic salary (main element), benefits in kind, variable salary, pension and insurance schemes. When determining the variable remuneration of the group chief executive and other senior executives for 2016, strong emphasis was once again placed on group measurement parameters for financial key figures, customer satisfaction and corporate reputation.

DNB's variable remuneration scheme is in accordance with the regulations on remuneration schemes in financial institutions, investment firms and management companies for mutual funds. The Group has prepared separate group guidelines for the scheme. In accordance with the guidelines, the Board of Directors' Compensation Committee determines the Group's total annual variable remuneration limit. In addition, the Group has identified senior executives, risk takers and independent control functions etc. Remuneration to the group chief executive and other senior executives is described in further detail below.

Group chief executive

The total remuneration to the group chief executive is determined on the basis of a total evaluation of performance, in addition to comparisons with remuneration levels for corresponding positions in the market. The remuneration should be competitive, but not market-leading.

The variable remuneration of the group chief executive is performance-based and determined on the basis of the Group's return on equity, Tier1 capital ratio and cost/income ratio, in addition to developments in customer satisfaction, DNB's reputation and internal measurement parameters related to corporate culture. In addition, an overall assessment related to the Group's values and leadership principles is made. The variable remuneration of the group chief executive cannot exceed 50 per cent of fixed salary. Payment of minimum 50 per cent of variable remuneration is deferred and conditional in the form of DNB shares. The remuneration paid in the form of shares is divided into three, subject to minimum holding periods (deferred and conditional), with one-third payable each year over a period of three years.

Other senior executives

The total remuneration to other senior executives is determined based on the need to offer competitive, but not market-leading terms, promote the Group's competitiveness in the labour market and enhance profitability in line with the Group's income and cost targets. The total remuneration should ensure that DNB attracts and retains senior executives with the desired skills and experience.

Variable remuneration is awarded to individual employees within limits allocated to each unit and an overall assessment of the individual's attainment of predetermined financial and non-financial targets.

The variable remuneration scheme is performance-based without exposing the Group to unwanted risk. This is ensured by the strong correlation between individual targets and the Group's governance model. Payment of minimum 50 per cent of variable remuneration is deferred and conditional in the form of DNB shares. The remuneration paid in the form of shares is divided into three, subject to minimum holding periods (deferred and conditional), with one-third payable each year over a period of three years. Variable remuneration cannot exceed 50 per cent of fixed salary for senior executives. The level of variable remuneration in DNB is considered to be moderate relative to prevailing levels in international financial institutions and other large Norwegian groups of companies.

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→ **The Board of Directors' statement concerning executive remunerations**
The Board of Directors presents a statement to the general meeting proposing guidelines for remunerations to senior executives. The statement and information about remunerations paid to the individual members of the group management team can be found in note 48 to the annual accounts for the DNB Group.

Other aspects
No employees in the DNB Group have any outstanding subscription rights etc. See also the description of the Board of Directors' Compensation Committee in Section 9 above.

No deviations from the Code of Practice.

SECTION 13

INFORMATION AND COMMUNICATIONS

The Group presents the Norwegian and international markets with extensive analytical information in connection with the quarterly reporting of financial information and presentations on particular topics. Parallel to this, the same information is made available to all interested parties on the websites of Oslo Børs and the Group.

Guidelines have been drawn up for the reporting of financial information to shareholders, investors and analysts. The guidelines also cover the Group's contact with shareholders other than through general meetings. The guidelines are based on openness and take into account the requirement for equal treatment of all participants in the market. They can be found on the Group's website dnb.no/en/about-us.

An overview of the dates for major events such as the annual general meeting, the publication of interim reports, public presentations and dividend payments is published on the Group's website.

All DNB employees have access to the guidelines for financial reporting, including requirements for the internal control over financial reporting. Group Finance holds regular meetings with units in the Group to give information about and increase the understanding of the requirements for internal control over financial reporting.

No deviations from the Code of Practice.

SECTION 14

CORPORATE TAKE-OVERS

The Board of Directors of DNB ASA will handle any take-over bids in compliance with the principle of equal treatment of shareholders. Parallel to this, the Board will help ensure that shareholders are given as complete information as possible in all situations that will affect shareholder interests. Cf. section 4, which gives an account of the Norwegian government's intention to retain its 34 per cent holding in DNB ASA, as required by the Norwegian parliament.

Deviations from the Code of Practice: The Board of Directors has chosen not to determine explicit guiding principles on how to act in the event of a take-over bid. The background for this exception is that the Norwegian government owns 34 per cent of the shares in DNB ASA, making such principles not very relevant. The Board of Directors otherwise endorses the wording in this section of the Code.

SECTION 15

STATUTORY AUDITOR

The statutory auditor annually submits a plan for the audit to the Audit Committee. Guidelines have been drawn up in respect of relations with the statutory auditor, including restrictions on what additional services can be undertaken, approval of fees and guidelines to invite tenders for external audit services. The audit partner responsible for carrying out the audit can hold this responsibility for maximum seven years and tenders will normally be invited every seventh year.

The Audit Committee submits a recommendation regarding the choice of statutory auditor to the Board of Directors, which submits a recommendation to the general meeting. At least once each quarter, the Committee has separate meetings with the auditors on behalf of the Board of Directors without any representatives from management present.

The Committee submits a recommendation regarding the statutory auditor's remuneration to the Board of Directors, which presents the remuneration proposal to the Annual General Meeting for approval.

The statutory auditor must provide a report to the Audit Committee on the main features of the audit carried out in the previous accounting year, including particular mention of any material weaknesses identified in internal control relating to the financial reporting process. The auditor must also provide the committee with:

- an annual written confirmation of the auditor's independence
- information on services other than statutory audit provided to the company during the course of the financial year
- information on any threats to the auditor's independence, and documentary evidence of the measures implemented to combat such threats.

The Audit Committee evaluates the work performed by the statutory auditor on an annual basis.

No deviations from the Code of Practice.

Governing bodies in DNB ASA

As at 31 December 2016

BOARD OF DIRECTORS Members	No. of shares as at 31 Dec. 2016[1]	No. of shares as at 31 Dec. 2015[1]
Anne Carine Tanum, Rømskog (chairman)	400 000	300 000
Tore Olaf Rimmereid, Oslo (vice-chairman)	10 611	8 111
Jarle Bergo, Ytre Enebakk	225	225
Carl A. Løvvik, Bergen[2]	1 191	1 040
Vigdis Mathisen, Asker[2]	481	405
Jaan Ivar Semlitsch, Stabekk	12 300	12 300
Berit Svendsen, Oslo	0	0
Deputies for the employee representatives		
Jorunn Løvaas, Kristiansund[2]	0	0
Stian Samuelsen, Svelvik[2]	480	480
ELECTION COMMITTEE		
Eldbjørg Løwer, Kongsberg (chairman)	200	200
Camilla Grieg, Bergen	0	0
Karl Moursund, Oslo	0	0
Mette Wikborg, Oslo	0	0
RISK MANAGEMENT COMMITTEE		
Tore Olaf Rimmereid, Oslo (chairman)	10 611	8 111
Jarle Bergo, Ytre Enebakk	225	225
Jaan Ivar Semlitsch, Stabekk	12 300	12 300
Berit Svendsen, Oslo	0	0
AUDIT COMMITTEE		
Tore Olaf Rimmereid, Oslo (chairman)	10 611	8 111
Jarle Bergo, Ytre Enebakk	225	225
Jaan Ivar Semlitsch, Stabekk	12 300	12 300
Berit Svendsen, Oslo	0	0
COMPENSATION COMMITTEE		
Anne Carine Tanum, Rømskog (chairman)	400 000	300 000
Vigdis Mathisen, Oslo	481	405
Tore Olaf Rimmereid, Oslo	10 611	8 111
Berit Svendsen, Oslo	0	0

GROUP MANAGEMENT	No. of shares as at 31 Dec. 2016[1]	No. of shares as at 31 Dec. 2015[1]
Group chief executive		
Rune Bjerke	52 964	46 156
Chief financial officer		
Bjørn Erik Næss	53 485	48 880
Group executive vice president Personal Banking		
Trond Bentestuen	20 692	16 823
Group executive vice president Corporate Banking		
Benedicte Schilbred Fasmer	2 000	183
Group executive vice president Large Corporates and International		
Harald Serck-Hanssen	31 770	26 644
Group executive vice president Markets		
Ottar Ertzeid	220 140	200 000
Group executive vice president Wealth Management		
Tom Rathke	35 366	30 809
Executive vice president Wealth Management		
Bengt Olav Lund[3]	9 238	6 797
Group executive vice president Vipps and Payments		
Rune Garborg	10 931	4 451
Group executive vice president IT and Operations		
Liv Fiksdahl	25 858	21 989
Group executive vice president HR		
Solveig Hellebust	17 560	14 329
Chief risk officer		
Terje Turnes	21 375	19 027
Group executive vice president Corporate Communications		
Thomas Midteide	7 928	5 188
Group executive vice president Group Projects		
Kari Olrud Moen	23 440	19 955
Group executive vice president		
Kjerstin Braathen	22 931	19 190
GROUP AUDIT		
Tor Steenfeldt-Foss	0	0
EXTERNAL AUDITOR		
Ernst & Young AS		

1) Shareholdings in DNB ASA, shares held by the immediate family and companies in which the shareholder has such influence as stated in Section 7-26 of the Act relating to annual accounts etc.
2) Not independent, see page 92 under "Corporate governance".
3) Acting head of Wealth Management since May 2016.


HVA INNEBÆRER ENDRING?
- MER EGENKAP?
- ANDRE ENDRINGER?
SMS:
"HUSK AT DU KAN ENDRE HER"
PRE-APPROVAL
FORNØYD?
NEI
KANSELERE
FIN. BEVIS UTLØPER SNART?
NEI
JA
DOKUMENTASJON
NEI
LAST
SIMULERE KJØPESUM?
STEG 3

Technology company with a banking licence

DNB has an ambition to become one of Europe's leading technology companies. Then it is good to have some digital natives on the team. →

FACTS

DIGITALISATION IN DNB

■ Digitalisation of DNB is about four things:

1. Customer-centric design: Products and services are being re-designed based on customer needs and the opportunities provided by new digital tools (such as smart phones and voice control).

2. Extreme automation: If a task can be solved by a computer, this is faster, cheaper and in many cases better than if it is solved manually.

3. Smarter use of customers' and the bank's data: Existing information is used so that customers provide the least amount of information possible, but still get the advice and the services they actually need.

4. New business models: Traditional banking products are under pressure to be profitable and they are not always what customers need. New revenue models and "win-win" cooperation with new market participants and own customers are being explored.

■ The majority of those working in DNB are affected by digitalisation, and more than 1 000 people have this as their main task. They work in both the business units and ITOP.

■ In 2016, DNB invested some NOK 600 million in digitalisation.

Good ideas: Halvor Lande, Camilla Berggren and Hanna Helle in DAB, DNB's Digitalisation and Business Development unit, are developing digital solutions for the benefit of customers and employees in DNB.



“Through Digital Challenge, I totally changed my view of the banking industry. So many exciting things are happening here within technology and cutting-edge innovation.”

HANNA HELLE, DIGITAL DEVELOPER IN DNB

The new world of banking is undoubtedly digital. Today's banking customers do most of their banking themselves online, which has resulted in the closure of branch offices and the gradual disappearance of cash handling services. Mobile banking is here to stay, and in the past year, innovations such as Vipps and Finger-ID have become commonplace. Digitalisation also implies that more time is freed up for relevant customer meetings and advisory services.

But what will be next? When you see how fast technology is developing, it makes you wonder what tomorrow's bank will look like.

This is the NOK 100 000 question that DNB invited students at the Norwegian University of Science and Technology, NTNU, to answer in the spring of 2016. Through Digital Challenge, an idea competition, DNB challenged the students to define how the future of mobile banking should look like, be experienced and function, and in the prize pot was – yes, precisely – NOK 100 000 and a paid internship at DNB's Digital Floor, the bank's own ‘technology laboratory’.

ECOSYSTEM FOR COOPERATION. When the competition was announced, Hanna Helle and Camilla Berggren were technology students at NTNU, and planned to start work in an IT company after their studies. Instead, they have now embarked upon careers as digital developers in DNB, thanks to an excellent idea which took them to the final of Digital Challenge.

Helle, a graduate engineer in industrial economics and computer science, and Berggren, who has a master's degree in computer science, entered two ideas in the competition together with two fellow students in computer science and information technology. Both of their ideas went through to the next round. One of the ideas, ‘FinTech platform’, achieved second place. Financial technology – fintech – is about new programs, processes, products or business models which may change the market for the traditional banking industry.

“The idea behind the ‘FinTech platform’ is to establish an ecosystem for cooperation between DNB and external companies, primarily start-up companies. Various resources are made available here, so that companies can connect to DNB's



1.Offered a job: NTNU students Camilla Berggren and Hanna Helle came second in the Digital Challenge. Today, both are employed in DNB.

2. Aiming high: Halvor Lande, head of Digitalisation and Business Development (DAB) in DNB, says that it is DNB's ambition to become one of Europe's leading technology companies.

"In order to conquer the competition, our ambition is to become one of Europe's leading technology companies."

HALVOR LANDE, HEAD OF DIGITALISATION AND BUSINESS DEVELOPMENT IN DNB

systems and get the services they need," explains Helle.

DNB's immediately found the 'FinTech platform' very exciting, and after an internship during the summer holidays, both Helle and Berggren received permanent job offers.

PARADIGM SHIFT. "The 'FinTech platform' is now a DNB project which we are in the process of developing," says Halvor Lande, head of digitalisation and business development in DNB. He experiences on a daily basis how technology development over the last few years has led to a paradigm shift in the banking and financial sector and how this shift will force through new ways of thinking. Closer cooperation with students is part of this:

"We want to use the students' experiences and perspectives as 'digital natives' and benefit from their education. The Digital Challenge competition challenged students to present their suggestions as to what 'the next Vipps' should be for DNB," says Lande and adds:

"We must continually improve and develop our services in order for us to continue to be a good partner for our corporate and personal customers. An increasing number of traditional banking services are now being provided by other market participants. If we do not manage to succeed in staying ahead of developments, we will not be able to fulfil our mandate as a bank," says Lande.

BIG AMBITIONS. An important part of the work to develop good technological solutions was the creation of the organisational unit headed by Lande: DAB (Digitalisation and Business Development). DAB is part of IT and Operations, ITOP, which administers DNB's entire IT portfolio and operates all the services the bank offers its customers.

"DAB is also responsible for addressing development needs from DNB's various business areas. This is done by redefining their business challenges into IT projects which ITOP continues to work on in cooperation with our strategic suppliers. We already regard DNB as a technology company with a banking licence. In order to conquer the competition, our ambition is to become one of Europe's leading technology companies," says Lande. Therefore, competitions like Digital Challenge are worth their weight in gold.

INCREASING PACE OF INNOVATION. The idea that won the Digital Challenge is about simpler and better mobile banking services and has also become a separate DNB project. Another competition entry called NXT Accelerator has been launched in partnership with StartupLab, Norway's largest incubator for technology-based startups. Here, fintech entrepreneurs can compete for investment funds while gaining access to DNB's expertise on start-up companies.

"This is the first in a long series of co-operation projects we will have with large and medium-sized technology companies, both nationally and internationally. Even though we are more than 10 000 employees in DNB, we are still too small to be able to stay one step ahead in all the areas necessary to ensure that we maintain the required pace of innovation," emphasises Lande.

DNB's brand, capital and expertise within banking services are invaluable resources for start-up companies.

"For example, if a start-up company develops a new app based on the 'FinTech platform', part of the service is that we review the solution and consider whether it is secure, compatible, ethical and in line with our values. The threshold for using such an app, particularly within financial services, will be much lower if it is stamped 'approved by DNB'," says Lande.

CUTTING-EDGE INNOVATION. Neither Hanna Helle nor Camilla Berggren had imagined that they would begin to work in banking once they had finished their studies.

"It was by sheer chance that we came across the announcement about the Digital Challenge competition. It sounded exciting and we felt that we had something to contribute. After all, both of us have a technology background and we visualised a future in an IT company. Through 'Digital Challenge', I totally changed my view of the banking industry. So many exciting things are happening here within technology and cutting-edge innovation. It is inspiring and fun to be on such a journey," concludes Helle.

"We who work closely with customers must be able to support them through all the changes."

CARINA HALLGREN

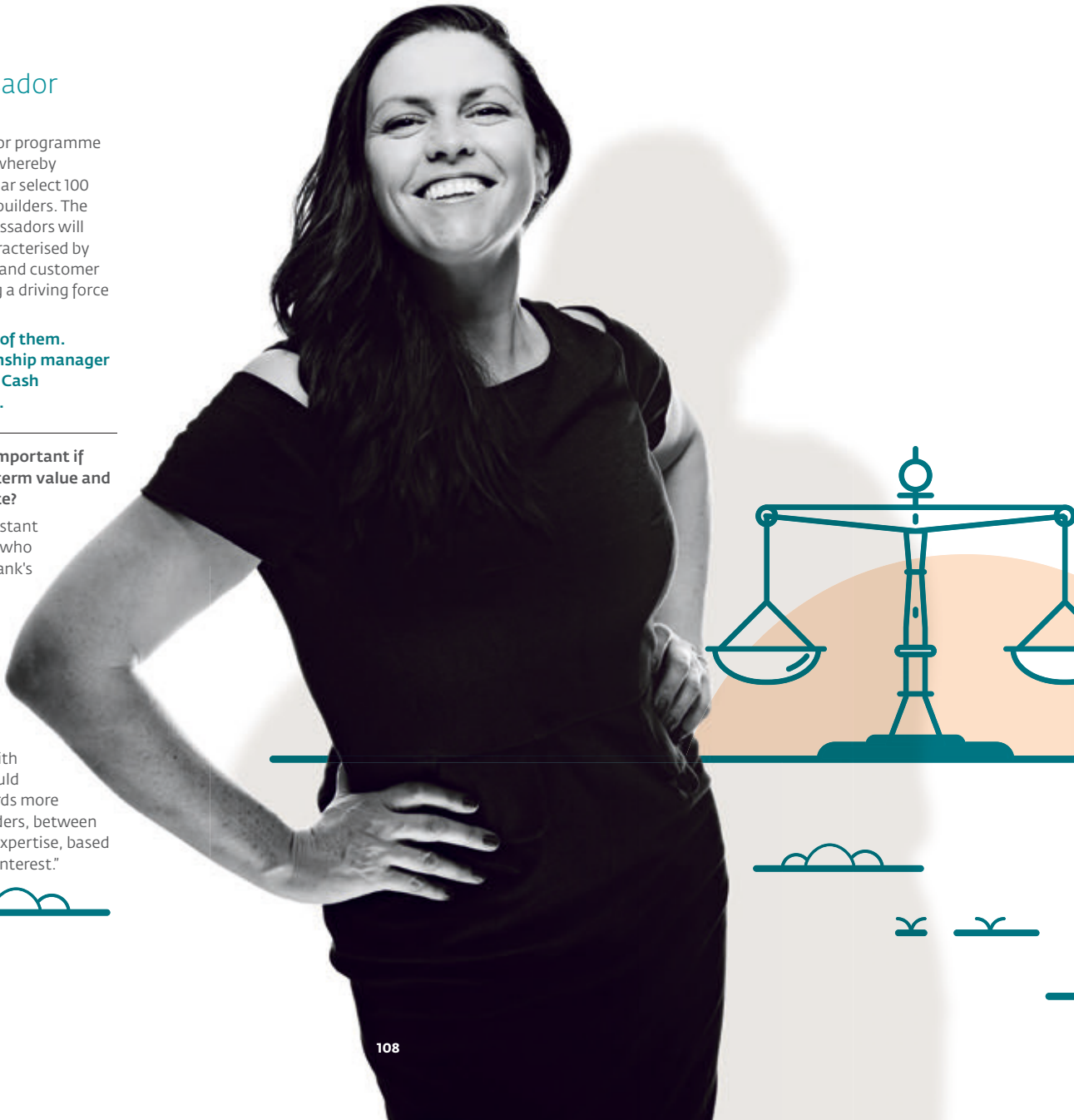
Brand ambassador

DNB's brand ambassador programme is an internal initiative whereby DNB employees each year select 100 colleagues to be brand builders. The network of brand ambassadors will help build a culture characterised by employee engagement and customer orientation, while being a driving force of change.

Carina Hallgren is one of them. She works as a relationship manager for large corporates in Cash Management Services.

What do you think is important if DNB is to create long-term value and how can you contribute?

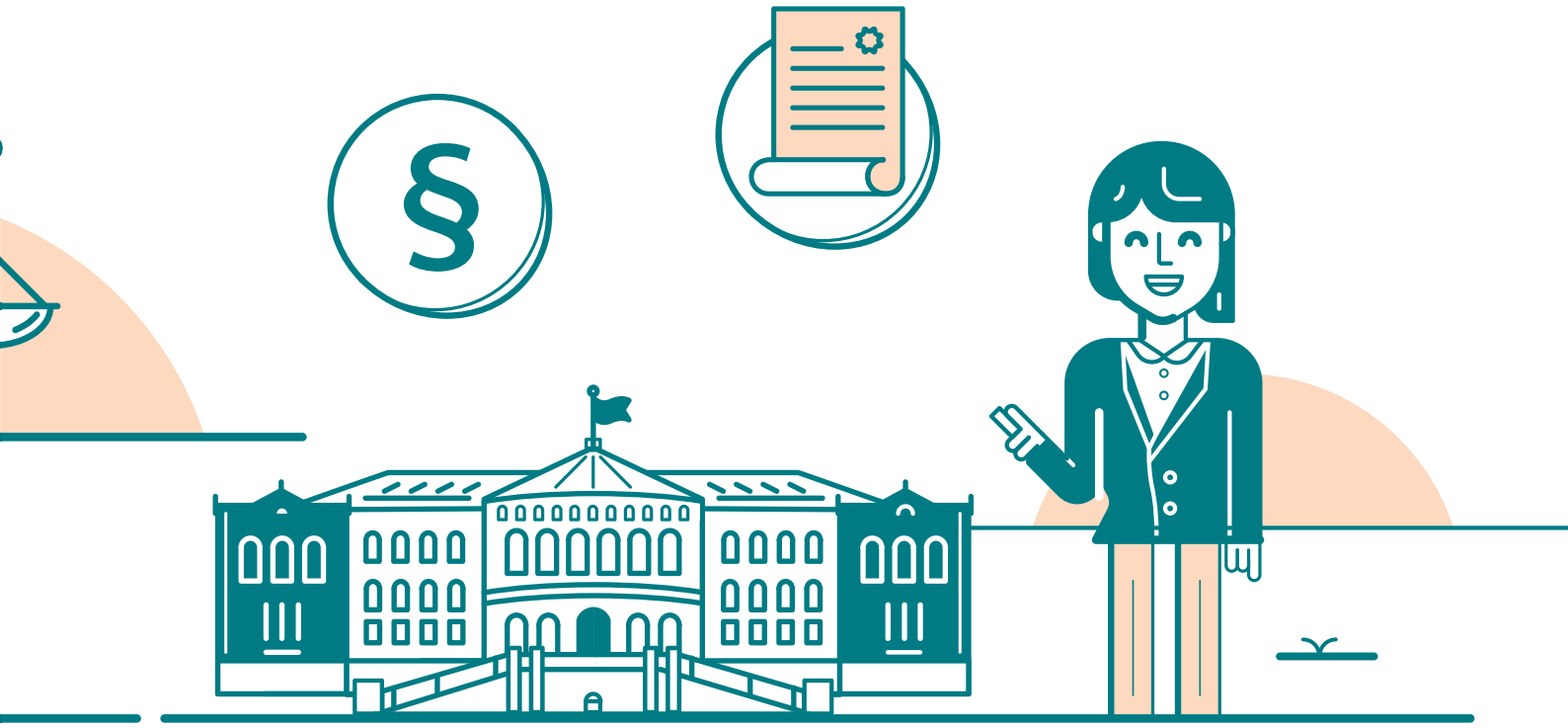
"We live in a time of constant change. For those of us who work closely with the bank's customers, this means that we must support them, every single day, through changes, challenges and new requirements. Within our organisation, we should take the time to share our knowledge with others. Personally, I would like to contribute towards more cooperation across borders, between countries and areas of expertise, based on respect and mutual interest."



5

New regulatory framework

New capital and liquidity requirements	**110**
Debt register and marketing of consumer loans	**113**
New home mortgage lending regulation	**113**
The EU's revised payment services directive, PSD2	**113**
Regulatory framework for life insurance companies	**114**
Important IFRS amendments	**114**
Taxes and fees for the financial services industry	**115**



New regulatory framework

Over the last few years, DNB has adapted to a number of new regulations and requirements that go a long way in changing banks' business models. At the same time, the financial services industry is being hit by a technological revolution and radical changes in customer behaviour.

The financial services industry supports the underlying principles in the international process to implement new and stricter banking regulation. The new requirements significantly affect Norwegian banks' operations and their competitive position.

The changes are so extensive that they will have a profound impact on how the financial institutions will have to organise important parts of their operations. In addition, they will increase costs, both because the regulations in themselves entail higher costs and because compliance with the regulations is complicated and requires extensive resources.

In the period ahead, established financial services will be challenged by new companies with new business models. The EU's revised Payment Services Directive, PSD2, opens up for giving technology companies and other players that do not offer bank accounts themselves, direct access to banks' payment infrastructure and the opportunity to aggregate account information and debit accounts on behalf of customers. This liberalisation will pave the way for a strong increase in the number of new service providers in several areas, which will intensify competition in the market, while giving consumers greater freedom of choice.

The financial services industry is subject to strict regulatory control and a number of requirements. The growth in financial service production outside the established financial services industry raises complex questions related to everything from deposit guarantees, measures against money laundering and the financing of terrorism, equity capital requirements to ensure financial stability and privacy protection requirements. These are important tasks in society which the financial services industry is loyally complying with, and which will become even more critical when completely new players enter the scene. It is important that the authorities facilitate competition based on fair regulatory parameters in the best interest of the customers. The promotion of competition on equal terms is positive, but must not be at the expense of consumer protection and confidence in financial services and their infrastructure.

NEW CAPITAL AND LIQUIDITY REQUIREMENTS

CAPITAL ADEQUACY REQUIREMENTS FOR BANKS

The EU capital requirements regulations, called the CRR/CRD IV regulations, entered into force on 1 January 2014. CRR is the regulation, while CRD IV is the directive. The regulations are based on the Basel Committee's recommendations from December 2010 on capital and liquidity standards, Basel III. The CRR/CRD IV regulations include requirements for own funds, long-term funding and liquidity reserves. The regulations apply to all banks and investment firms within the EEA and will be implemented gradually up to 2019.

Pillar 1

The capital adequacy requirements for banks consist of two pillars. Pillar 1 encompasses minimum requirements and buffer requirements determined by the political authorities. As of 1 July 2016, the total common equity Tier 1 capital requirement was 13.5 per cent for the three banks which the Norwegian authorities have defined as domestic systemically important, O-SIIs (DNB, Nordea Bank Norge and Kommunalbanken), and 11.5 per cent for other banks. This includes a counter-cyclical buffer of 1.5 per cent. The prevailing counter-cyclical capital buffer requirement will increase by 0.5 percentage points, to 2.0 per cent, as of 31 December 2017.

Basel I floor

Just like the EU, the Norwegian authorities have chosen to retain the so-called Basel I floor as a security mechanism to ensure that the banks' capital level does not become too low. In the CRR/CRD IV regulations, the Ministry of Finance has specified that the Basel I floor in Norway is a floor for calculating risk-weighted assets. In the EU regulation, however, the Basel I floor is unambiguously defined as a minimum level of own funds, which is also reflected in the European Commission's common reporting standard for banks in the EU/EEA. This supervisory practice implies that Norwegian banks appear more weakly capitalised than if the EU's version of the Basel I floor definition had been used.

Non-risk based capital requirement, leverage ratio

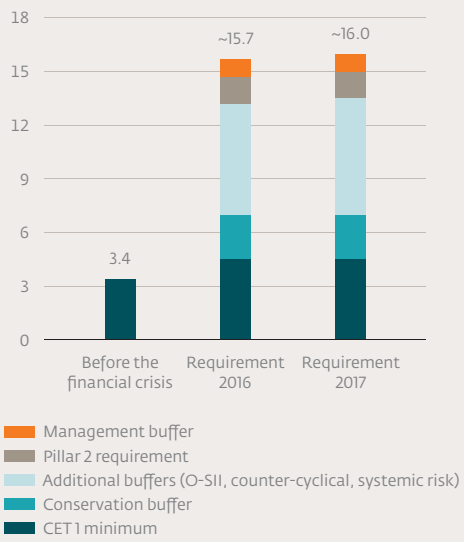
As a supplement to the risk-weighted capital requirements and as a measure to counter adjustments and gaps in the regulations, a non-risk based capital requirement, leverage ratio, will also be introduced. The Basel Committee has recommended and the European Commission has proposed a leverage ratio requirement 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 minimum 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 per cent, well above the upcoming requirement.

Pillar 2

The Pillar 2 requirement comes in addition to the other requirements and is intended to reflect institution-specific capital requirements relating to risks which are not covered, or are only partly covered, by Pillar 1. This requirement may vary between banks, depending on the risk factors of the individual bank. The Pillar 2 requirement for DNB is set at 1.5 per cent common equity Tier 1 capital. 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.

Common equity Tier 1 capital requirement for DNB
(incl. management buffer)
Per cent



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 (the Financial Supervisory Authority of Norway), 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 reason why Finanstilsynet has set this margin is that DNB must be able to retain normal lending growth during a downturn while the capitalisation of the Group must help ensure access to the capital markets even under difficult market conditions. The DNB Group's common equity Tier 1 capital ratio was 16.0 per cent as at 31 December 2016.

Failure to comply with the total common equity Tier 1 capital requirement of 14.7 per cent will not automatically result in restrictions on the allocation of the bank's profits, including payments of dividends, variable remuneration and interest on additional Tier 1 capital. However, the bank is expected to explain the reason for the situation in writing and to present an action plan to increase capital adequacy or reduce the risk level. This is in line with regulations in other countries. Any decision by Finanstilsynet to introduce restrictions will be based on the different priorities of equity and additional Tier 1 capital when covering losses, which means that restrictions on variable remuneration and dividend payments will be introduced before interest payments on additional Tier 1 capital are reduced.

The Ministry of Finance has approved a regulatory change that clarifies the regulations on the consolidation of capital requirements for banks and insurance companies which entered into force on 31 January 2016. 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.

The Basel Committee has proposed revisions of several parts of the Basel III standards for capital adequacy calculations, aiming, among others, to facilitate comparability of banks' reported capital adequacy figures and capital requirements. Changes in the standardised approach and the IRB approach have been proposed, along with the introduction of a new capital floor for IRB banks. Revisions of the standards may influence future capital adequacy regulations in the EU and Norway.

LIQUIDITY REQUIREMENTS FOR BANKS

The EU capital requirements regulations include stipulations on two quantitative liquidity requirements, the Liquidity Coverage Ratio, LCR, and the Net Stable Funding Ratio, NSFR.

The LCR requires that banks hold sufficient eligible liquid assets to cover, as a minimum, total net payments over a 30-day period under stressed conditions. Net payments thus reflect a possible loss of deposits from customers, public entities and central banks. This requirement was introduced in the EU on 1 October 2015, with a gradual increase to full effect as of 1 January 2018.

In Norway, the LCR will be introduced ahead of the EU schedule. The O-SIIs were required to meet the 100 per cent LCR requirement as early as from 31 December 2015. For other banks, the requirement will be phased in by 70 per cent as of 31 December 2015, 80 per cent as of 31 December 2016 and 100 per cent as of 31 December 2017.

The NSFR requires banks to have an amount of stable funding which, as a minimum, corresponds to the so-called "required amount of stable funding". Banks are thus required to use stable funding to finance their assets, such as loans and securities. Stable funding is defined as deposits and funding with residual maturities of minimum 12 months or longer. There are weighting rules for both assets and deposits which reflect the items' liquidity characteristics.

According to the Basel Committee's proposal, the NSFR requirement must be met by 1 January 2018. On 23 November 2016, the European Commission submitted a proposal for a minimum requirement of 100 per cent. The banks will →

→ be given a period of two years to meet the requirement after the regulation enters into force. In Norway, Finanstilsynet has given its recommendation to the Ministry of Finance, stating that the NSFR should be introduced as a minimum requirement for the O-SIIs and other enterprises with total assets in excess of NOK 20 billion as soon as a final decision on the NSFR has been reached in the EU. Until the NSFR has been introduced in Norway, Finanstilsynet will continue to use liquidity indicator 1 when monitoring the bank's long-term funding. Liquidity indicator 1 resembles the NSFR.

NEW RULES ON DEPOSIT GUARANTEES AND CRISIS MANAGEMENT

January 2015, the EU introduced extensive regulations in this field, the Bank Recovery and Resolution Directive, BRRD.

The purpose of the directive is to establish a crisis management system which ensures financial stability by giving banks and the authorities the tools required to prevent and handle crises at an early stage. The crisis management system shall ensure that large banks can be wound up or refinanced without threatening financial stability while deposits and public funds are protected.

Resolution fund and deposit guarantee fund

Under the BRRD, each country will establish a national resolution fund to be used to be used by the resolution authorities as a crisis management tool. In accordance with the revised Deposit Guarantee Directive, each country must also have a deposit guarantee fund. Norway has one of the best capitalised deposit guarantee funds in Europe with total capital that is well above the combined EU requirements to the deposit guarantee fund and the resolution fund of 1.8 per cent of guaranteed deposits in 2024.

The Norwegian deposit guarantee scheme currently covers NOK 2 million. In consequence of the revised Deposit Guarantee Directive, Norway will have to lower its guarantee to EUR 100 000. There is a transitional period up until year-end 2018 for countries with a higher guaranteed coverage level.

Bail-in

A key element in the BRRD is that any losses in connection with the liquidation or recapitalisation of a bank shall be borne by the bank's investors and not by the taxpayers. Thus, the directive opens up for so-called "bail-in" of banks' liabilities, which means that unsecured creditors may experience, as part of a crisis solution, that their debt is written down and/or converted into equity. The bail-in rules became effective in the EU as of 1 January 2016. The purpose is to ensure the continued operation of the most important bank functions. In such a situation, investors cannot demand that a bank be wound up in accordance with general liquidation rules, and thus lose leverage with the authorities in cases where the continued operation of a bank is considered to be important to financial stability and the economy.

According to the BRRD, bail-in should be the final alternative, and such measures should not be initiated until the bank is close to insolvency. An underlying principle is that investors, as a minimum, should receive the same financial return as if the bank had been liquidated according to normal insolvency proceedings. Deposits covered by the deposit guarantee will normally be protected from losses.

All banks in the EU must have a minimum level of own funds and eligible liabilities (Minimum Requirement for Own Funds and Eligible Liabilities, MREL) that can be written down or converted into equity (bail-in) when a bank is close to liquidation. The Financial Stability Board, FSB, has previously proposed a similar requirement whereby global systemically important institutions, G-SIIs, must hold minimum levels of capital and other instruments that can absorb losses or be converted to equity. On 26 November 2016, the European Commission proposed that this requirement, known as Total Loss-Absorbing Capacity, TLAC, be integrated in MREL.

Crisis plans

The BRRD sets a number of other requirements to the institutions. Among other things, banks must prepare recovery plans describing how they will strengthen their capital adequacy and improve their liquidity and funding if their position is significantly impaired. The plans must be approved by the national supervisory authorities. The authorities, on the other hand, must prepare resolution plans for the banks. This will be resource-demanding for the finance industry and entail new, extensive processes vis-à-vis the supervisory authorities.

The implementation of the BRRD and the revised Directive on Deposit Guarantee Schemes 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. In addition, the Banking Law Commission has proposed that the Ministry of Finance should act as the crisis resolution authority in Norway. The Ministry circulated the draft legislation for public consultation in the autumn of 2016. Crisis resolution rules relating to insurance and pensions will be considered in a separate report to be presented during the first half of 2017.

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 by Norway, Liechtenstein and Iceland. to make legally binding decisions addressed to national supervisory authorities and individual institutions in the respective countries. 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.

The Norwegian government is working 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. Important legislative acts include the capital adequacy requirements for banks (CRR/CRD IV), the crisis management regulations for banks (BRRD), the revised Directive on Deposit Guarantee Schemes (DGS) and the capital adequacy regulations for insurance companies (Omnibus II).

DEBT REGISTER AND MARKETING OF CONSUMER LOANS

DEBT REGISTER IS INTENDED TO PREVENT FINANCIAL PROBLEMS

Credit cards and consumer loans are an integral part of financial institutions' total product offering. However, these products can also present challenges if individuals incur higher levels of debt than they can manage. Thus, it is important that consumers receive good and correct information about the products and what the consequences will be if they fail to repay their debts in a timely manner.

The Norwegian government wishes to set up a register to prevent individuals from assuming greater personal debt and credit obligations than they are able to afford and has therefore circulated for public comment draft legislation on the registration of individuals' debt. All institutions granting unsecured consumer credit, such as consumer loans and credit cards, shall have a duty to report such debt to a privately run debt register. The government plans to present draft legislation on the debt register for consideration by the Parliament (Stortinget) in the spring of 2017, and aims to have the register in place in the autumn of 2017.

The plan is that the register should be run by private players by establishing one or more debt register companies approved by the public authorities. Financial institutions will be able to obtain information from the register in connection with credit applications, which will provide a better basis for credit assessments and thus contribute to reducing payment problems among private individuals.

PROPOSED RESTRICTIONS ON THE MARKETING OF CREDIT CARDS AND CONSUMER LOANS

Among other things, the Norwegian Consumer Council has proposed to introduce a ban on the direct marketing of credit cards and unsecured credit to consumers in the form of addressed marketing, telemarketing, door-to-door selling and selling stands. Nor should the marketing emphasise how quickly you can get answers to a credit application or how easily accessible money is. Furthermore, the Consumer Council wants a ban on discounts and bonuses linked to this type of credit agreement and a ban on competitions that encourage taking up credit. The government is considering whether any of the proposals should be followed up in the form of regulations.

NEW 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. It has been important for the financial services industry to keep this flexibility to be able to grant loans to customers who do not meet all the requirements.

The regulation will remain in effect until 30 June 2018.

THE EU'S REVISED PAYMENT SERVICES DIRECTIVE, PSD2

PSD2 will enter into force in the EU on 13 January 2018 and will be introduced in Norway through the EEA agreement. The directive will have a profound impact on the regulatory framework for the payment services market.

The directive regulates payments in general, including online payments, and goes a long way in defining new rules of the game for payment service providers. Among other things, banks have to give third party providers direct access to customers' account balances and transaction history, and the opportunity to transfer money to and from accounts, subject to customer approval. Such third party providers may be other banks, players in the retail industry, pure payment service providers, large digital companies or fintech companies that do not offer accounts themselves. Banks cannot charge a higher price than the ordinary price charged to the end customer.

Allowing third parties to access account information and initiate payments is more common in other countries than in Norway, such as in Sweden, the United Kingdom, China and the US. Based on experience from these markets, there is reason to believe that many consumers will want to take such services into use once they are regulated and made generally available throughout the European Economic Area.

The directive also introduces strict security rules for the authentication of such access as well as enhanced consumer rights and protection against fraud. The European Banking Authority (EBA) will prepare guidelines on security measures when customers initiate payments through third party providers. The final wording of these guidelines could greatly affect public confidence in the payment services and the security of the funds in customer accounts. →

→ PSD2 could pose a threat to traditional banks as the banks' value chain and customer base will be opened up to new players. However, the changes also give banks the opportunity to develop new products, services and business models. Technology is changing the industry fast, and customers' expectations are changing even faster.

Finanstilsynet has been given the mandate to look into how PSD2 should be implemented in Norwegian law. A proposal will probably be circulated for public comment in mid-2017.

REGULATORY FRAMEWORK FOR LIFE INSURANCE COMPANIES

The regulatory framework for Norwegian life insurance companies has been subject to significant changes over the past few years. On 1 January 2016, new solvency regulations for insurance companies called Solvency II were implemented. In addition, the regulations for occupational pensions and disability pensions have been adapted to the changes made to the Norwegian National Insurance Scheme. The pace of change is expected to slow in the period ahead.

In consequence of the regulatory framework and customer preferences, guaranteed return products are being converted to products where customers can choose between different investment profiles. This is especially evident in the occupational pension market in the private sector, where the majority of large companies have terminated their defined-benefit pension schemes in whole or in part. The transition to products with investment choice means that employees are given greater responsibility for their own pension and must choose the risk level of their actively managed pension funds. In addition, a number of employees have occupational pension schemes that provide a low retirement pension. For this reason, coupled with reduced payments from the National Insurance Scheme, there is an increased need for individual pension savings. The individualisation of occupational pensions requires that products are simple and easy to understand. Over the last few years, pensions have been on the agenda in wage negotiations, and the parties in the labour market, represented by the individual associations in the Norwegian Confederation of Trade Unions and NHO, the Confederation of Norwegian Enterprise, have asked the authorities to issue a report on new product solutions for occupational pensions, referred to as an "Own Pension Account", as well as the possibilities of having individual pension savings with higher levels of tax relief.

The authorities' report on an Own Pension Account and private pension savings was handed over to the parties in the labour market in December 2016.

OWN PENSION ACCOUNT

A large majority of employees in the private sector have defined-contribution occupational pension schemes. The product in itself is transparent. However, it gets more complicated as employees receive a pension capital certificate every time they change jobs and must keep track of and take responsibility for these certificates themselves. Accumulating all pension entitlements in one account which follows employees throughout their entire professional career, has been a topic in the Norwegian pension debate for many years. In the autumn of 2016, the authorities described such a product, where the goal is to contribute to:

- better overview of and information about own accumulated pension entitlements
- greater freedom of choice and the opportunity to influence the accumulation of pension entitlements
- more streamlined pension fund management to ensure that pension funds generate the highest possible pension

The Own Pension Account can be realised in many ways. The most logical solution seems to be that companies pay contributions to the life insurance companies in the usual manner, while employees are free to choose the pension provider managing their funds. In addition to funds from the active contribution scheme, each employee's pension account may also include pension capital certificates issued by former employers and any private pension savings. Such a solution may contribute to a simple and effective pension system. The introduction of an Own Pension Account requires the support of the parties in the labour market. Thus far, support for this solution has not been clarified.

PRIVATE PENSION SAVINGS

For many employees, the total pension entitlements earned through occupational pension schemes and the National Insurance Scheme provide a retirement pension which is insufficient. Thus, there is a greater need for private pension savings. Over the past few years, the level of private savings through insurance-based schemes has been low. This is because the tax advantages on pension schemes have not been good enough, both due to low tax relief limits and as the income tax rate on pension payments is higher than the tax relief on pension contributions. The authorities' report on Own Pension Account and private pension savings includes several proposals regarding how the use of tax incentives can stimulate savings. Tax deductions can be linked to employers' unutilised tax deduction entitlement for occupational pensions. Alternatively, limits can be set independent of employees' occupational pension schemes. New rules for private pension savings that qualify for tax relief can, in principle, be introduced independent of the Own Pension Account and take effect as from 2018 at the earliest.

IMPORTANT IFRS AMENDMENTS

A number of new International Financial Reporting Standards, IFRSs, have been proposed over the past few years. Some of the standards, of which the most important for the banking industry is IFRS 9 Financial Instruments, have already been approved by the standard-setting body, the International Accounting Standards Board, IASB. See description in note 1 Accounting principles to the annual accounts, Approved standards and interpretations that have not entered into force. The amendments will become effective for Norwegian listed companies, including companies issuing listed bonds, after being endorsed by the European Commission and the Norwegian authorities.

Future amendments to IFRS which could be expected to have the most pronounced impact for DNB are new accounting requirements for insurance contracts.

NEW ACCOUNTING REQUIREMENTS FOR INSURANCE CONTRACTS

New accounting requirements for insurance contracts have been under review for several years. In 2013, the IASB published an exposure draft on the accounting treatment of insurance contracts. The standard was previously called IFRS 4 Phase II and has been renamed IFRS 17 Insurance Contracts. The exposure draft and comment letters have since been subject to review and discussion in the IASB, and a number of issues relating to the accounting requirements for insurance contracts are still under review.

The exposure draft proposes that insurance liabilities be measured at the present value of the cash flows arising from the insurance contracts, including a risk margin and a service margin. The effects of changes in estimated cash flows and the discount rate, respectively, shall be recognised in profit or loss or in other comprehensive income according to special rules. The proposal is expected to result in greater complexity in preparing and presenting the financial statements. Under the current standard, liabilities are measured according to requirements which are further defined in the Act on Insurance Activity, and changes in insurance liabilities are recognised in profit or loss.

The final requirements are expected to be published in the first half of 2017, and it has been proposed that the new standard should enter into force as of 1 January 2021. Special transitional rules for insurance companies relating to IFRS 9 have been prepared, since IFRS 17 will become effective after the introduction of IFRS 9.

TAXES AND FEES FOR THE FINANCIAL SERVICES INDUSTRY

BEPS

BEPS (Base Erosion and Profit Shifting) is a political project initiated by the OCED to gain better insight into the global structures of multinational enterprises and ensure that tax is paid where income is generated. Recommended measures for implementation in national legislation, tax treaties and OECD guidelines, particularly with respect to transfer pricing, were presented on 5 October 2015.

The recommended measures are under implementation in national legislation in several countries where DNB has operations. In Norway, some measures have already been initiated, and other measures are expected to be implemented in the period ahead. A multilateral treaty, presented on 24 November 2016, has been negotiated to enable amendments to bilateral tax treaties. The BEPS project will thus result in extensive changes in international taxation. DNB will have to relate to a number of the changes as and when they are introduced. Moreover, BEPS will entail more extensive documentation requirements and stricter supervisory control, partly due to the requirement for country-by-country reporting. The extensive changes in both national legislation and tax treaties will increase the risk of double taxation.

CORPORATE TAX RATE

With effect from 2017, the corporate tax rate has been reduced to 24 per cent. After a tax compromise was reached by the Norwegian parliament (Stortinget), the tax rate on ordinary income will be reduced to 23 per cent by 2018. With respect to companies that are liable to financial activities tax, the current tax rate for 2016 of 25 per cent will be retained, cf. the paragraph on financial activities tax below.

FINANCIAL ACTIVITIES TAX

Financial services are exempt from value added tax. The Norwegian government is now following up the Scheel Committee's recommendation to introduce a financial activities tax, partly to compensate for the fact that such services are exempt from VAT. The Ministry of Finance states that, ideally, the financial activities tax should be designed to have all of the neutrality qualities of VAT, but that it has not been possible to introduce such a tax from 2017. Consequently, a simpler form of financial activities tax in the form of two elements has been introduced:

- an additional tax of 5 per cent on the payroll of companies in the financial services industry. For DNB, this tax is estimated at approximately NOK 400 million before tax each year
- a continuation of the 25 per cent tax rate, while the tax rate for companies that are not liable to financial activities tax will be reduced to 24 per cent

Financial activities tax will be determined on the basis of the company's total payroll liable to employer's national insurance contributions. The tax base for the financial activities tax is thus the same as for the calculation of employer's national insurance contributions. Financial activities tax on salaries will be tax deductible just like other wage costs. The 25 per cent tax rate will apply to all companies covered by the extra payroll tax. The financial activities tax will be levied on all companies with employees in the finance and insurance sectors.

However, no financial activities tax will be levied on

- companies with less than 30 per cent financial activity
- companies with more than 70 per cent financial activity subject to VAT

Denmark has long had a financial activities tax ("payroll tax").

WITHHOLDING TAX ON INTEREST PAID OUT OF NORWAY

The government has announced that it will review a proposal to introduce withholding tax on cross-border interest payments and that it aims to submit a consultation paper in 2017. Withholding tax on cross-border interest payments will be a Norwegian tax on international creditors.

A helping hand

Having an independent life is important for most people, but not something everyone can take for granted. Andrea Galåsen can live the life she wants thanks to three personal assistants – and some assistance from DNB. →

FACTS

DNB'S HEALTHCARE COMMITMENT

- The healthcare sector is a focus area for DNB in the Nordic region and internationally.
- DNB is the market leader within banking services for the healthcare sector in the Nordic region and among the ten leading players in the United States.
- DNB is an active business partner, regardless of where in the value chain and the development phase customers are, and offers, at all times, relevant services, including capital raising, financing and advisory services.
- Throughout 2016, DNB's position was further strengthened due to a number of high-profiled transactions in the Nordic region. These included advisory assignments (M&A), IPOs, capital raising and bond issues.





Andrea Galåsen lives at Romsås in Oslo. She is living an active life as the mother of seven-year-old Arne. But there is one thing that sets her apart from most other people: Andrea Galåsen is blind. However, thanks to the government scheme of user-controlled personal assistance, she receives good help, on a daily basis, to live the life she wants to live. A life with independence and dignity.

"Suddenly, the weather can be so nice that Arne and I would like to go for a walk. I can then consider whether we should go alone or whether to call an assistant. If we have walked in the nearby wood, lit an open fire and grilled hot dogs alone, it is rather tiring. Sometimes it is a good idea to call an assistant," says Galåsen.

Day Fonbæk is her regular assistant, and in addition, she has two on-call assistants who she can call if necessary. It is Galåsen herself who decides how to use the assistants' time.

"The whole scheme is based on self-respect and dignity. This means that I can build Lego with my son or see which birds are on the bird table because my assistant whispers their names to me," explains Galåsen, adding: "Basically, this gives me two eyes and more energy so that I can do everything I would have done if I could see."



"My assistants do not do things for me, but they make it possible for me to do them myself."

ANDREA GALÅSEN, USER OF THE BPA SCHEME

STRONG RELATIONSHIPS. Galåsen's three personal assistants are supplied through Human Care, the healthcare firm owned by the Swedish company Humana. This is where DNB enters the story. When Humana was listed on Oslo Børs (the Norwegian stock exchange) in 2016, it was DNB that assisted in the process before and after the initial public offering (IPO). The cooperation with DNB means that Humana can now offer even more users assistance through its healthcare firms.

"There are two main cornerstones in this story: DNB's commitment to the healthcare sector goes beyond being a bank that solely lends money. This was the starting point for our cooperation with Humana. From then on, the relationship developed as we helped Humana with their IPO and made it possible for the company to grow further," says Peter Behncke, head of Investment Banking in DNB.

The healthcare sector has been a focus area in the Group since 2007. This industry will continue to grow, both nationally and globally, mainly as a result of the wave of older people that is hitting the western world with full force now and in the years to come. As a result of this, the need for private healthcare services will increase – and DNB has a stated goal and a desire to help more private healthcare businesses become commercially viable.

"The healthcare sector has the potential to build up a key position in Norway and become a major industry. As a bank, we can support and assist companies that are in a growth phase. For all new companies, the start-up phase is particularly demanding, and they need access to venture capital and advisory services. This is where we come in," Behncke points out and continues:

"DNB has extensive expertise across its organisation and it is important that we capitalise on this. We are not just a lender, but have industry competence, capital market expertise and in-depth knowledge of individual companies, such as Humana."

IMPORTANT SUPPORT. Services that DNB offers to healthcare companies beyond access to capital and advisory services during a start-up phase, include marketing, networking, regional and global cash management services, deposits, guarantees and trade finance services.

When DNB and Humana initiated a dia-



"DNB has been an important partner for us, both as a lender and in connection with, for example, the initial public offering."

ULF BONNEVIER, CHIEF FINANCIAL OFFICER OF HUMANA



1. Committed to healthcare: "DNB wishes to contribute to more private healthcare companies becoming commercially viable," says Peter Behncke, head of Investment Banking.

2. Mother: Andrea is Arne's mother, and it is considerably easier when she has an assistant on the sidelines who can contribute when needed.

3. Regular assistant: Dag Fonbæk is Andrea's regular assistant, and she decides how his time should be spent. According to Andrea, respect and dignity are important to the success of the BPA scheme.

FACTS

Humana

- Nordic idea-driven private care company, established in Sweden in 2001, publicly listed in 2016.
- Offers a variety of health and care services, such as user-controlled personal assistance, care of the elderly, child welfare and other health and care services.
- 9 000 clients and 16 000 employees in Sweden, Norway and Finland.
- From 2014 to 2015, Humana increased its income by 12 per cent to SEK 5 655 million.

logue in 2014, it was to get Humana listed on the stock exchange.

"We contacted various investors and managed to generate so much interest for the company that it was launched on the stock exchange with a good price per share. In actual fact, the interest surrounding the public offering resulted in oversubscription, and the share price rose by nearly 20 per cent on its first day of trading," says Behncke.

"Humana has grown rapidly since its start in 2001 because it offers good service and more independence for its customers," says Ulf Bonnevier, chief financial officer of Humana. He emphasises the good co-operation with DNB:

"DNB has been an important partner for us, both as a lender and in connection with, for example, the initial public offering. It is very beneficial for us that DNB has its finger on the pulse in Norway."

PATHWAY TO INDEPENDENCE. Jon Torp is head of user-controlled personal assistance (called BPA in Norway) in the Norwegian Human Care. BPA has been a statutory right in Norway since 2015.

"The core of Humana's work can be summed up in the slogan 'Everyone has the right to a good life. Yes, everyone'. This is about people who have assistants to live the life they want to live," says Torp.

The essence of Humana's Human Care's work is that the customers are the assistants' supervisors.

"If you are going to live a life with assistants, it is essential that you can decide yourself who they should be, when they are going to come, what they will do and how. It is about turning traditional thinking on its head. Being a supervisor is a bit like managing a small company. It is the responsibility of the supervisors to ensure that the assistants are satisfied so that they are happy in their jobs and want to stay on," says Torp.

At Romsås, Andrea Galåsen is the supervisor of three personal assistants. "I am not the only one who is fortunate because I have assistants. They are also fortunate to be working for me," she says.

For her, the assistants mean that she can do what she wants.

"I decide whether the assistant should sit for three hours and read his book while I tidy up my wardrobe. Then I can ask now and again what colour is this or that garment, or whether the cake I am baking looks like it should. My assistants do not do things for me, but they make it possible for me to do them myself," says Galåsen.

"We need to break down silos and established processes and integrate innovation in our corporate culture."

TRUNG MINH TRAN

Brand ambassador

DNB's brand ambassador programme is an internal initiative whereby DNB employees each year select 100 colleagues to be brand builders. The network of brand ambassadors will help build a culture characterised by employee engagement and customer orientation, while being a driving force of change.

Trung Minh Tran is one of them. He is head of transformation projects for Lean & Quality.

What do you think is important if DNB is to create long-term value and how can you contribute?

"If DNB is to create long-term value, we need to speed up our pace of innovation and our ability to deliver through positive customer experiences. Our contribution is to improve processes and create greater efficiency. With good Lean tools and a structured approach, we can focus on our customers' journeys and facilitate digitalisation and automation."



6

The DNB share

The DNB share **122**

Taxation of shareholders according to Norwegian law **129**



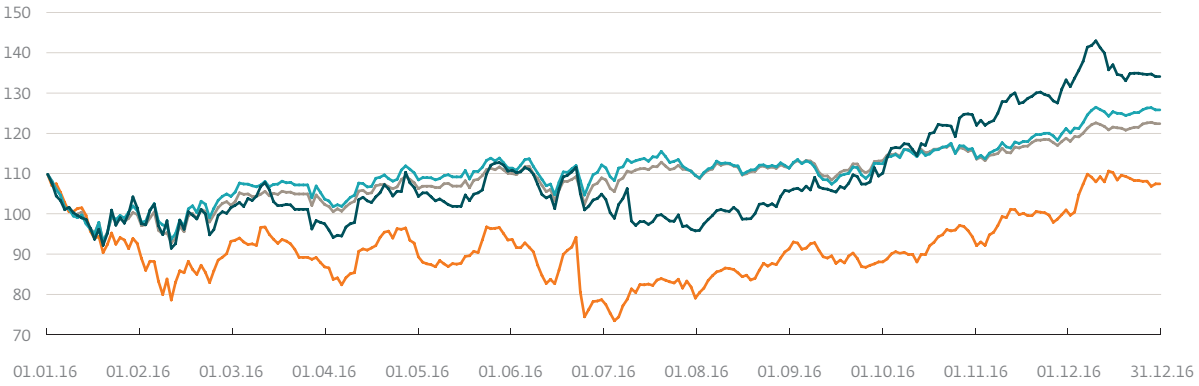
The DNB share

The DNB share price rose from NOK 109.80 to NOK 128.40 in 2016. In consequence of a more positive outlook for the Norwegian economy and higher oil prices, there was a strong increase in the share price from the start of August. In addition, the extensive build-up of capital in the Group contributed to greater confidence that DNB will deliver on its ambition to increase dividend payments.

Relative share price development 2016

DNB compared with OBX, OSEFX and SX7GR

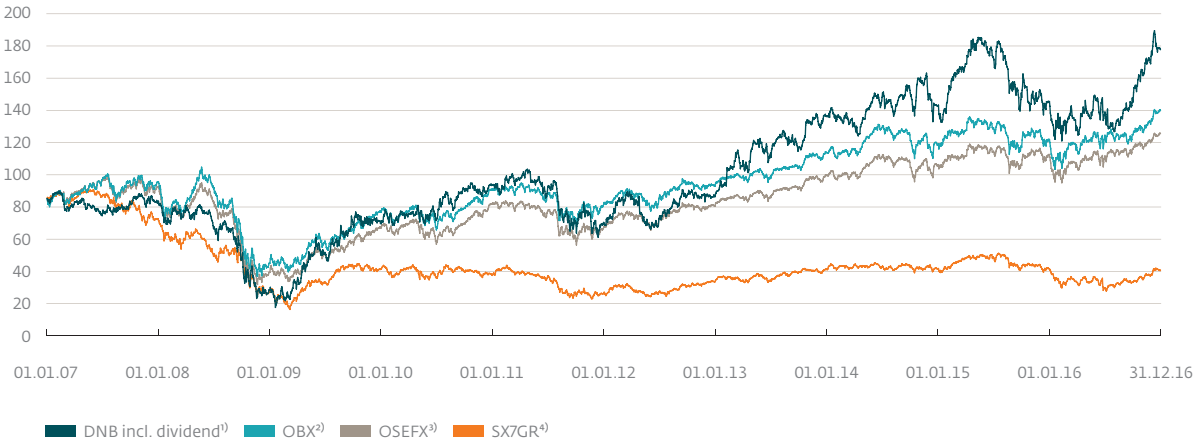
Local currency 1 January 2016 = NOK 109.80 = DNB opening price in 2016



Relative share price development last ten years

DNB compared with OBX, OSEFX and SX7GR

Local currency 1 January 2007 = NOK 84.00 = DNB opening price in 2007



1) The DNB share price has been adjusted for dividends (gross).
2) Index comprising the 25 most traded shares on Oslo Børs.
3) The Oslo Børs Mutual Fund Index is a value-weighted version of OSEBX, the Oslo Børs Benchmark Index.
4) STOXX Europe 600 Banks Gross Return is an index comprising European banks. The index shows total gross return.

Source: Bloomberg

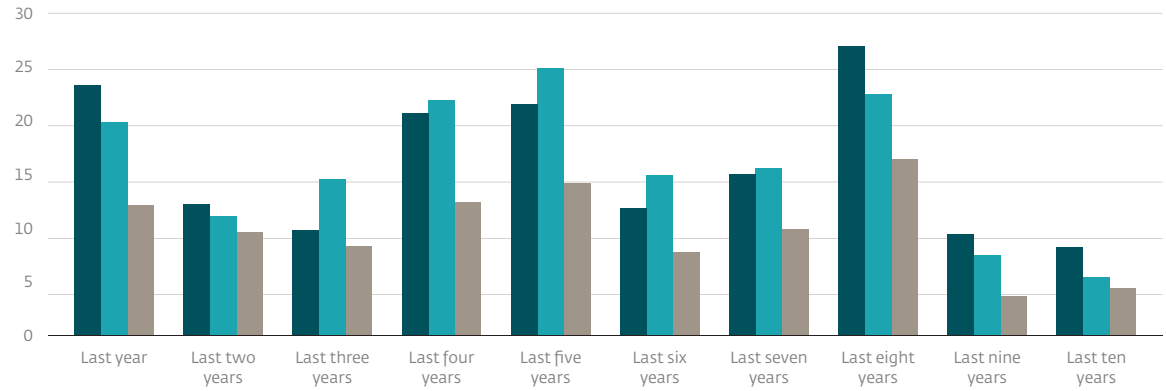
RETURN AND SHARE PRICE DEVELOPMENT

The total return on the DNB share, including dividends, was 21 per cent in 2016, while the Oslo Børs Benchmark Index rose by 12 per cent. The price of oil, which fell towards the end of 2015, was recorded at less than USD 30 per barrel in mid-January 2016, which was the lowest level during the year. From mid-January and through the first half of the year, the oil price rose and stabilised at around USD 50 a barrel during the second half of 2016, ending at just over USD 57 per barrel at end-December. The flat trend in the DNB share price during the first half of 2016 reflected continued uncertainty surrounding the Norwegian economy and impairment losses on loans. The other large Nordic financial services groups all recorded positive returns in 2016. DNB achieved a stronger return than the average unweighted return for other Nordic financial services groups in 2016.

Over the past ten years, the DNB share has generally been priced higher than the Group's recorded equity. Towards the end of 2015 and at the start of 2016, the share was traded below recorded equity, while at year-end 2016, the share was once again traded above recorded equity.

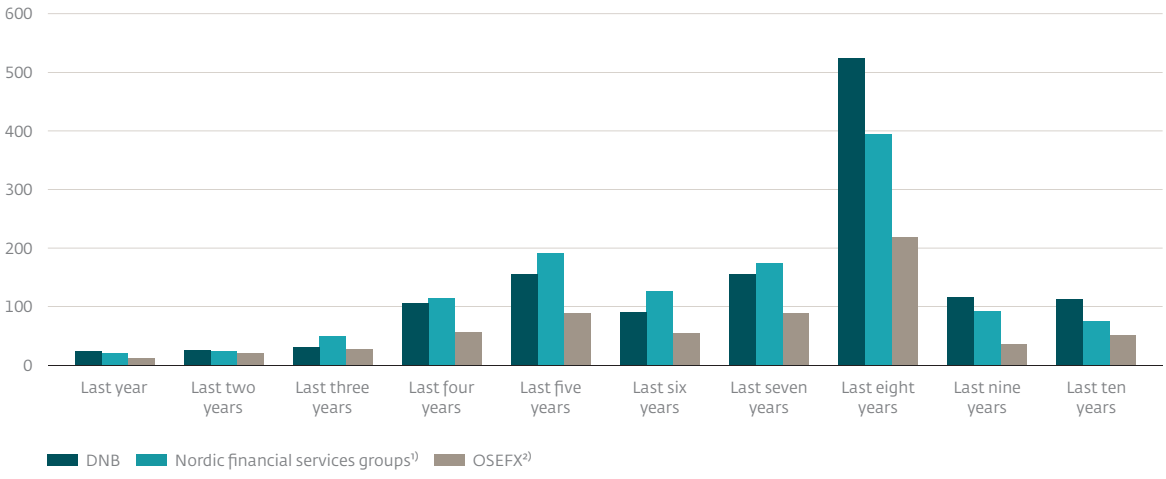
Annualised total return as at 31 December 2016

Per cent



Cumulative total return as at 31 December 2016

Per cent

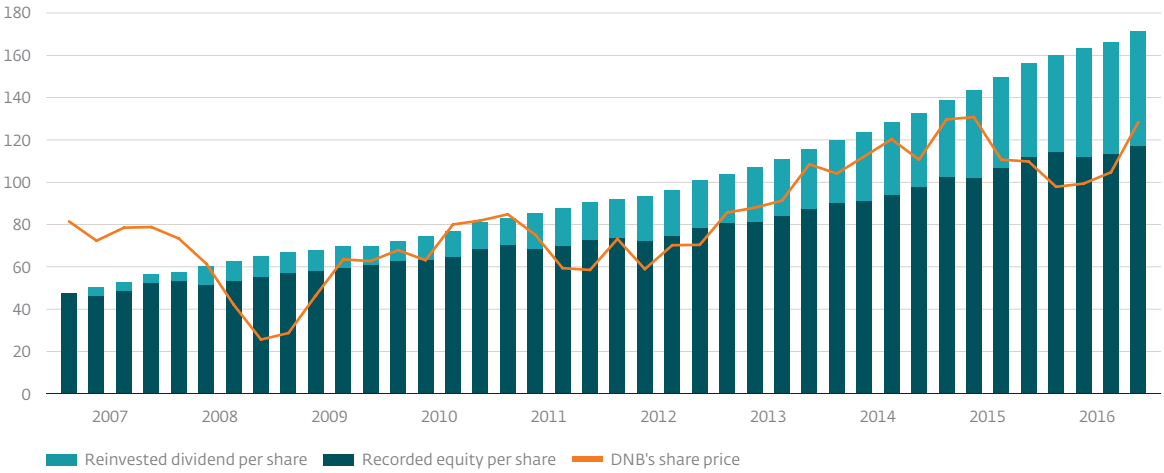


1) Unweighted average in local currency of Nordic bank shares (Nordea, Svenska Handelsbanken, SEB, Swedbank and Danske Bank).
2) The Oslo Børs Mutual Fund Index is a value-weighted version of OSEBX, the Oslo Børs Benchmark Index.

Source: Bloomberg

Developments in DNB's share price and recorded equity per share including reinvested dividend[1)]

NOK



1) Recorded equity and the share price for the period 2007–2009 have been adjusted for the share issue in the autumn of 2009. Return on equity, which is used to calculate reinvested dividends, has not been adjusted for the share issue.

Source: DNB, Oslo Børs

MARKET CAPITALISATION AND TURNOVER

DNB was the second largest primary listed company on Oslo Børs at year-end 2016 and the sixth largest financial services group in the Nordic region, with a market capitalisation of NOK 209 billion, up NOK 30 billion from end-December 2015.

Trading volume in the DNB share rose in 2016, which was the third year with an increased turnover rate. The total trading volume in 2016 was up 6 per cent to 2 714 million shares, which corresponded to just under eleven million shares per day. Trading on open market places, mainly Oslo Børs, continued to rise and was up 36 per cent. There was a significant increase in trading on private exchanges ("dark pools"). Off-exchange trading (OTC or "over-the-counter") declined by 22 per cent.

The value of all traded DNB shares was reduced by just over NOK 40 billion to NOK 281 billion. The value of OTC trading declined significantly from NOK 177.5 billion to NOK 108.5 billion. There was an increase on open markets, such as Oslo Børs, from NOK 123.9 billion to NOK 146 billion. These market places' share of total trading increased by 13.3 percentage points to 51.9 per cent. Trading on private exchanges rose by NOK 7.4 billion to NOK 26.6 billion, which represented 9.5 per cent of total trading.

INDICES

At the beginning of 2017, the DNB share was weighted on all relevant Oslo Børs indices, with 10.05, 12.20, 14.33 and 8.91 per cent, respectively, on the Benchmark, All-share, OBX and Mutual Fund Indices. DNB was also represented on global indices, but with relatively low weights.

DIVIDEND POLICY

DNB's Board of Directors has approved a dividend policy which aims to create value for shareholders through both increases in the share price and dividend payments. Overall, this will ensure an attractive and competitive return.

The Group's long-term dividend policy is to have an ordinary dividend payout ratio of more than 50 per cent. The Group aims to increase nominal ordinary dividends each year. In addition to dividend payments, DNB will consider a share buy-back programme. This will be a flexible way to allocate any surplus capital to the Group's shareholders.

The Group's aim is to have a common equity Tier 1 capital ratio of approximately 16.0 per cent, including a management buffer.

SHARE CAPITAL AND SHAREHOLDER STRUCTURE

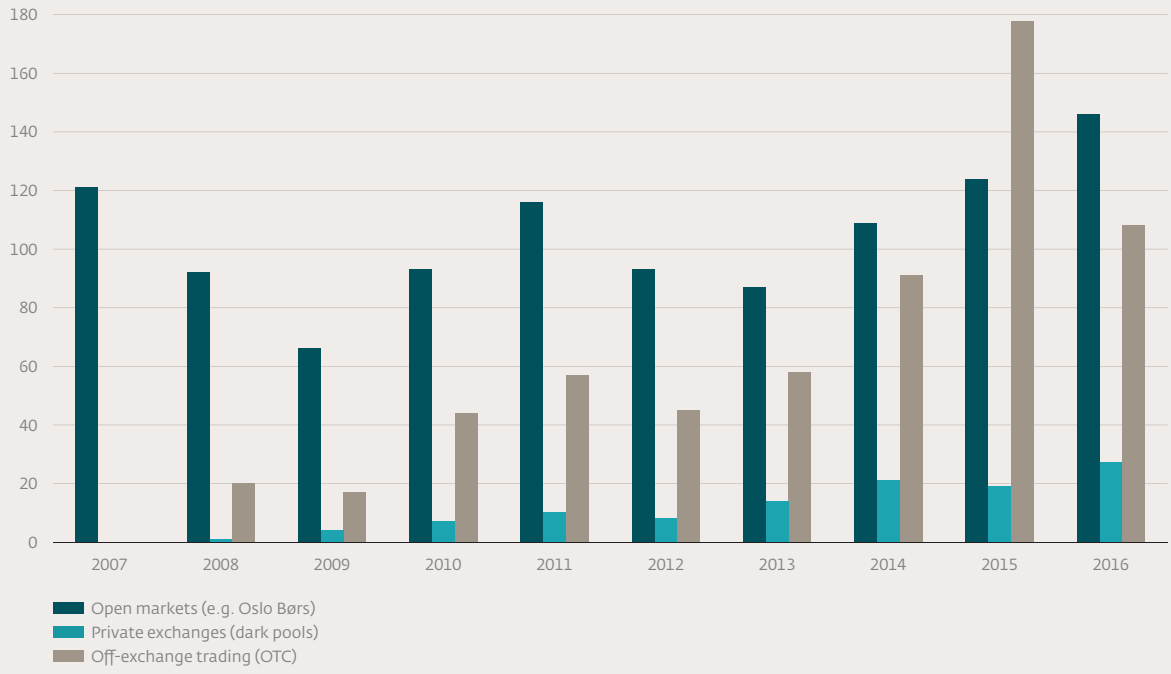
At end-December 2016, the share capital of the company was NOK 16 286 million divided into 1 628 798 861 shares, each with a nominal value of NOK 10. DNB has approximately 42 300 private and institutional shareholders, of which the two largest are the Norwegian government, represented by the Ministry of Trade, Industry and Fisheries, and Sparebankstiftelsen DNB (the DNB Savings Bank Foundation). A further description of the government's ownership can be found in the chapter "Corporate governance", section 4, about equal treatment of shareholders. The object of the Savings Bank Foundation is to manage its long-term ownership interests in DNB and support the company in its efforts to continue the savings bank tradition. The Foundation may donate a portion of annual profits to non-profit causes. The Foundation's governing

Key figures

	2016	2015	2014	2013	2012
Number of shares at year-end (million)	1 629	1 629	1 629	1 629	1 629
Number of shares traded (million)	2 714	2 555	2 011	1 740	2 242
Total value of shares traded per day (NOK million)	1 111	1 277	886	643	584
Share of total value traded on public market places, e.g. Oslo Børs (%)	52.0	38.6	49.4	54.5	63.6
Share of total value traded in dark pools (%)	9.5	6.0	9.6	9.0	5.6
Share of total value traded over-the-counter (OTC) (%)	38.6	55.4	41.1	36.5	30.8
Average number of shares traded per day (million)	10.7	10.2	8.0	6.9	8.9
Number of trading days	253	251	250	249	251
Earnings per share (NOK)	11.46	14.98	12.67	10.75	8.48
Return on equity (%)	10.1	14.5	13.8	13.1	11.7
Share price at year-end (NOK)	128.40	109.80	110.70	108.50	70.40
Highest closing price (NOK)	136.90	142.20	126.50	110.80	74.80
Lowest closing price (NOK)	91.40	102.90	98.90	71.00	54.00
Price/earnings ratio	11.2	7.3	8.7	10.1	8.3
Price/book value	1.10	0.98	1.14	1.25	0.90
Dividend per share (NOK)	5.70	4.50	3.80	2.70	2.10
Pay-out-ratio (%)	49.8	30.0	30.0	25.1	24.8
Dividend yield (%)	4.44	4.10	3.16	2.49	2.98
Equity per share including allocated dividend at year-end (NOK)	116.94	111.57	97.45	87.15	78.11

Trading volume per market[1)]

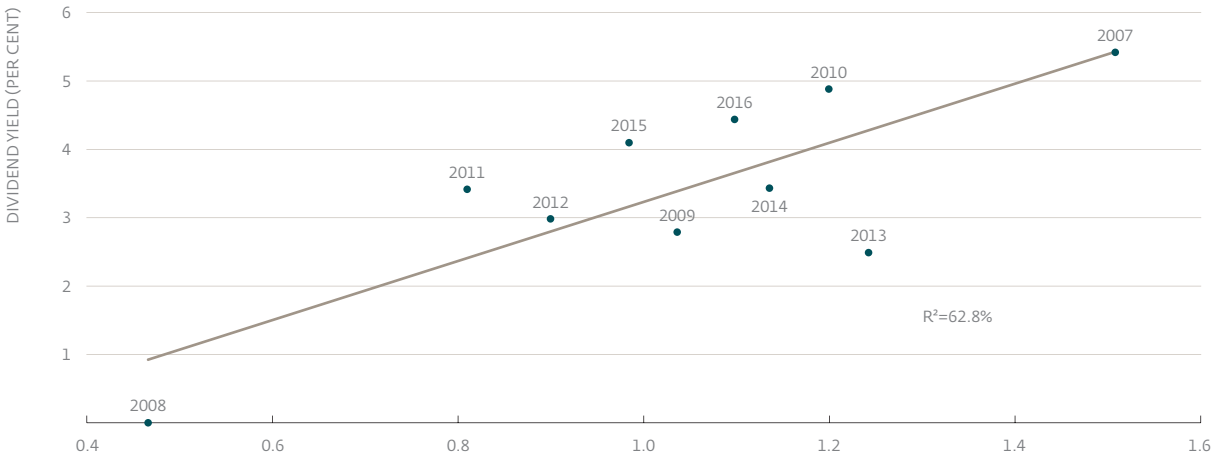
NOK billion



1) *Including market places other than Oslo Børs in Europe as from 1 May 2008 and from outside Europe as from 26 July 2010.*

Source: DNB, Oslo Børs, Fidessa

Dividend yield relative to P/B



Source: DNB, Oslo Børs

body is the general meeting, with members elected among the bank's depositors and by county councils in eastern Norway. The general meeting has elected a board with six members.

ANALYST COVERAGE

It is in the interests of DNB that high-quality equity analyses are published on a regular basis, reflecting the information that is distributed to the stock market. The DNB share is covered by 33 brokerage houses, of which 13 are Nordic-based. Emphasis is thus placed on providing relevant and complete information and on ensuring that all analysts receive equal treatment at all times. A list of analysts following the share can be found on dnb.no/investor-relations. Daily contact with investors and analysts is handled by the Investor Relations department.

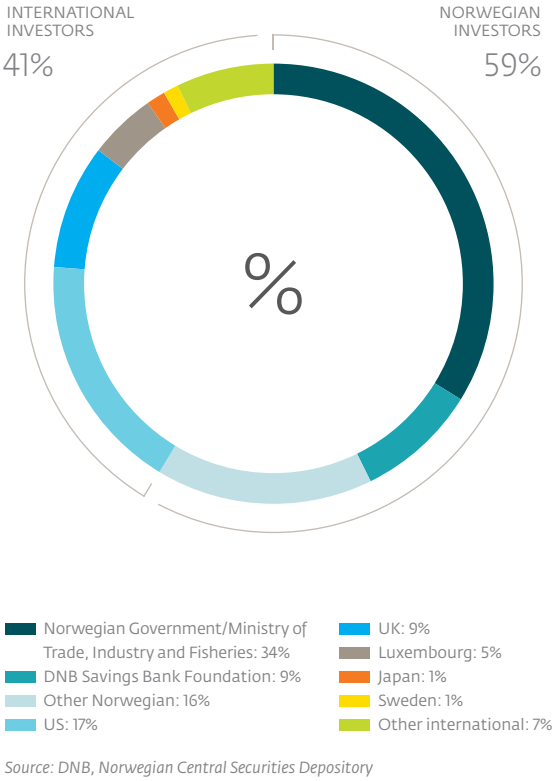
Early in 2016, analyst price targets for the DNB share were significantly higher than the actual share price. The price target was lowered somewhat during the first three quarters of the year, while from October, it was increased in step with the rising share price. There was a predominance of buy recommendations throughout 2016. Due to a strong increase in the share price towards the end of 2016 and rising price targets, the DNB share was traded at a price that was in line with average estimates from analysts in the fourth quarter of 2016.

INVESTOR RELATIONS

DNB Investor Relations provides information to and communicates with capital market participants, including shareholders, potential investors, analysts, portfolio managers, investment banks and others that are interested in the company's shares. Investor relations activity

Ownership according to nationality

As at 31 December 2016
Per cent



Source: DNB, Norwegian Central Securities Depository

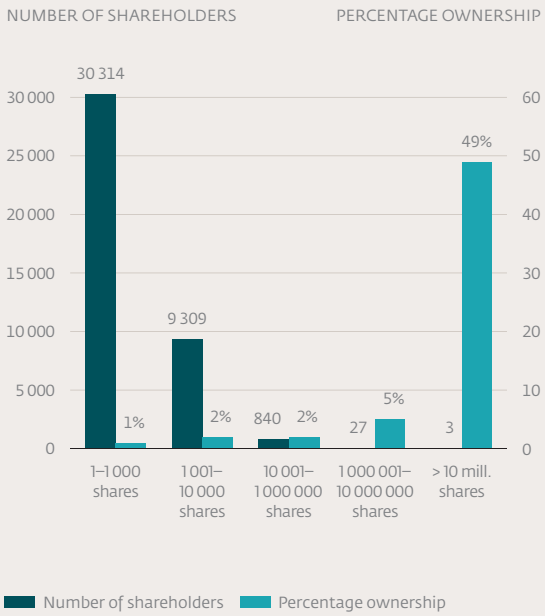
20 largest shareholders as at 31 December 2016[1)]

	Number of shares in 1 000	Ownership in per cent	Percentage change from 2015
Norwegian Government/Ministry of Trade, Industry and Fisheries	553 792	34.00	-
DNB Savings Bank Foundation	146 541	9.00	(3.95)
Folketrygdfondet	100 470	6.17	12.28
Fidelity International Limited (FIL)	43 129	2.65	4.11
BlackRock	37 303	2.29	(4.38)
Schroder Investment	27 111	1.66	(10.97)
T. Rowe Price Group	26 898	1.65	19.03
The Vanguard Group	24 377	1.50	11.02
MFS Investment Management	24 310	1.49	(35.30)
Newton Investment Management / BNY Mellon	23 630	1.45	11.89
State Street Global Advisors	23 043	1.41	12.81
Deutsche Asset Management	21 701	1.33	New among top 20
AXA / AllianceBernstein	17 435	1.07	New among top 20
BNP Paribas Investment / Alfred Berg	15 823	0.97	1.35
KLP Asset Management	15 745	0.97	3.09
Storebrand Asset Management	15 615	0.96	New among top 20
Danske Capital	15 371	0.94	6.86
DNB Asset Management	15 347	0.94	(4.36)
SAFE Investment Company	13 506	0.83	(34.24)
Columbia Threadneedle Investments	12 813	0.79	New among top 20
Other shareholders	454 840	27.92	(5.30)
Total	**1 628 799**	**100.00**	

1) The beneficial owners of shares in nominee accounts are determined on the basis of third-party analyses.

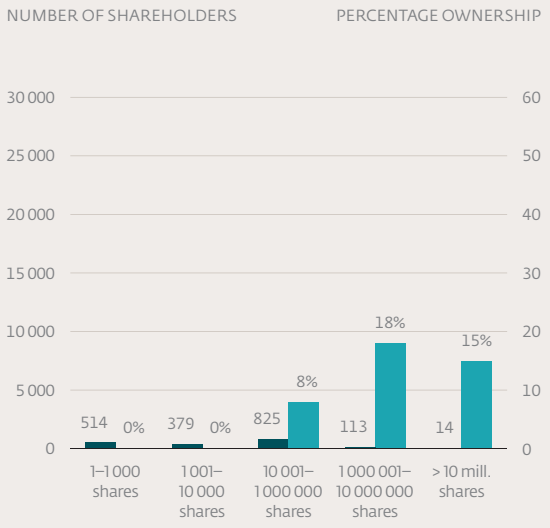
Source: DNB, Norwegian Central Securities Depository, Nasdaq

Norwegian shareholders
As at 31 December 2016



Source: DNB, Norwegian Central Securities Depository

International shareholders
As at 31 December 2016



→ is primarily aimed at giving the market a correct picture of the company's activities and future prospects. All price-sensitive information must be given simultaneously to all market participants. DNB thus complies with Oslo Børs' recommendation on the reporting of IR information issued in June 2014. DNB Investor Relations arranged more than 300 meetings with investors and analysts in 2016.

In connection with the release of DNB's quarterly financial results, Investor Relations arranges presentations to help promote greater understanding of the Group's business operations. In addition, the department holds meetings, with or without representatives from group management, with existing and potential investors in and outside Norway. Investor Relations maintains contact with investors in both equity and debt capital markets. Presentations used in meetings with individual investors are not different from the ones that have previously been published by the Group. Nor are individual investors given verbal information that is not disclosed to the rest of the market. Information about events of a price-sensitive nature which will have an extraordinary impact on profits, must be released when it is known to ensure that all market participants receive the information at the same time.

Investor Relations helps the Group ensure that the company's shares are priced effectively on the stock exchange, manage market expectations with respect to share price performance and ensure sound liquidity.

A further description of equal treatment of shareholders can be found in the chapter "Corporate governance", section 4 on page 90.

FUNDING AND RATING

There are two companies in the DNB Group that issue commercial paper. DNB Bank ASA issues senior and subordinated loans, while the subsidiary DNB Boligkreditt AS issues covered bonds. Norwegian regulations require that covered bonds are issued by a separate legal entity.

As the Norwegian capital market is of limited size, DNB has to cover parts of its total funding requirement in international capital markets. The Group obtains a significant share of its international funding in the euro market, but has also established funding programmes in the US and Japan.

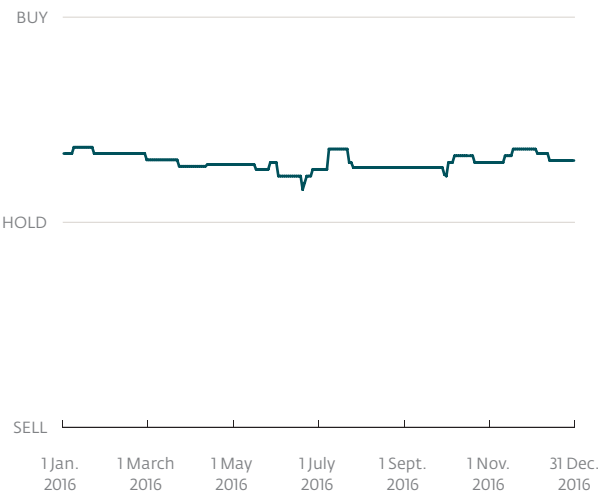
DNB continuously seeks to improve the bank's credit rating. This is important, as a higher credit rating will result in lower funding costs over time.

The creditworthiness of DNB Bank ASA is assessed by the rating agencies Moody's, Standard & Poor's (S&P) and DBRS. DNB Bank ASA had the following ratings as at 31 December 2016: Aa2 from Moody's, A+ from S&P and AA (low) from DBRS. The ratings from Moody's and S&P had a negative outlook, while the rating from DBRS had a stable outlook. In 2016, the rating from Moody's was upgraded from Aa3 to Aa2 and changed to negative outlook. The ratings from S&P and DBRS were unchanged throughout the year.

Covered bonds issued by DNB Boligkreditt are rated AAA by S&P and Aaa by Moody's, both with a stable outlook.

Average analyst recommendations in 2016

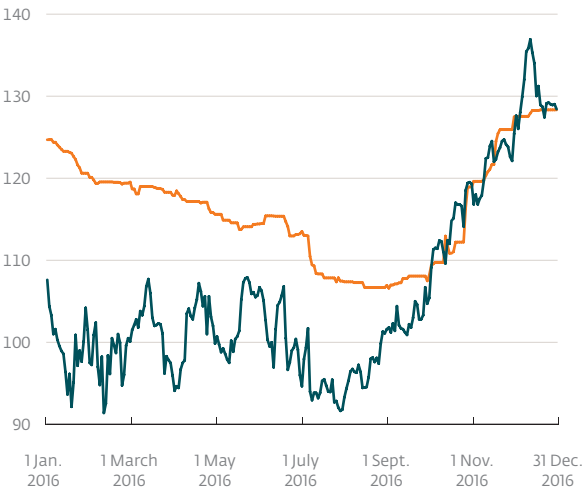
Recommendation



Source: DNB, Oslo Børs, Bloomberg

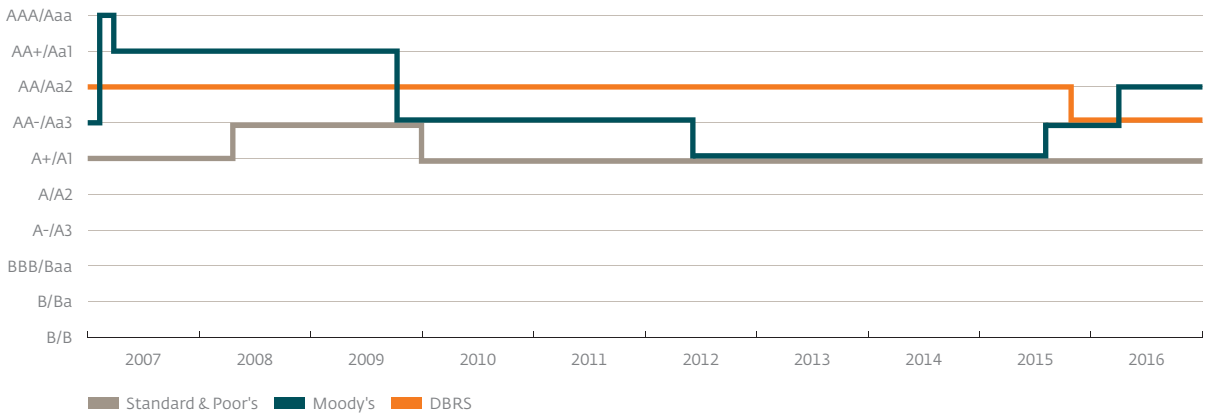
Average price targets and share price development in 2016

NOK



Source: DNB, Oslo Børs, Bloomberg

Credit ratings for DNB Bank ASA



Source: DNB, Standard & Poor's, Moody's and DBRS

Taxation of shareholders according to Norwegian law for the 2016 income year

Limited liability companies and corresponding companies as shareholders. The tax exemption method, cf. Section 2-38 of the Norwegian Taxation Act, implies that shareholders organised as limited companies etc. as a rule are exempt from tax on dividends received and capital gains on shares, mutual fund holdings and financial instruments with shares comprised by the tax exemption method as underlying assets. Losses on the sale of shares and holdings comprised by the tax exemption method are not tax deductible. With respect to dividends comprised by the tax exemption method and dividends from businesses assessed as partnerships, 3 per cent of such income is liable to tax.

Natural persons as shareholders. The shareholder model applies to shareholders who are natural persons resident in Norway. When the tax rate for companies was reduced in 2016, the taxation of shareholder income (capital gains and dividends) was adjusted upward by a factor of 1.15. The tax rate for personal shareholders is thus 28.75 per cent (25 per cent x 1.15) in excess of a shielded amount (the shielding deduction). There is a corresponding deduction right for losses on the sale of shares.

The shielding rules shall ensure that an amount of income corresponding to the normal return on a shareholder's investment in a company is not taxed as dividends. Each year, a shielding deduction is computed, forming the basis for the dividend personal shareholders can receive free of tax. The annual shielding deduction is calculated by multiplying the shielding basis for the share by a shielding interest. The shielding basis represents the amount the shareholder has paid for the share, with the addition of any unused shielding deduction carried forward from previous years.

Foreign shareholders. Gains/losses on the sale of shares are, as a rule, taxable in the country where the shareholder is resident for tax purposes.

As a general rule, dividends received by foreign shareholders are subject to tax in Norway if the dividends are distributed by a limited company domiciled in Norway (withholding tax).

For shareholders who are natural persons resident outside Norway, withholding tax should be assessed and deducted. The company distributing the dividends is responsible for making advance tax deductions to cover the income tax on such dividends at a rate of 25 per cent. However, Norway has entered into tax treaties with a number of countries, whereby the withholding tax rate is often reduced, normally to 15 per cent. Shareholders who are tax resident in other EEA countries are entitled to a shielding deduction. If the deducted tax is higher than the tax payable on dividends after the shielding deduction, the shareholder may advance a claim for a refund of excess withholding tax. All such matters must be handled by the Central Tax Office for Foreign Tax Affairs.

Dividends paid to companies that are eligible for exemption according to the tax exemption method and domiciled in an EEA country will as a rule be exempted from withholding tax in Norway. The tax exemption is conditional on the company being the real beneficial owner of the share dividends.

Changes from the 2017 income year. In consequence of a reduction in the tax rate from 25 to 24 per cent as from 2016, the upward adjustment factor has been increased to 1.24 per cent for shareholder income. This means that the effective tax rate for personal shareholders on dividends and capital gains will be 29.76 per cent (24 per cent x 1.24) as from the 2017 income year.

Share savings account. In order to make more small depositors invest in listed companies and investment funds, it has been decided to introduce a share savings account for individual taxpayers. The share savings account will probably not be available until the spring of 2017, as the government will first submit a consultation paper regarding who should be allowed to offer this product. Gains on the realisation of shares and mutual fund holdings will not be taxed in connection with the actual sale, but when money is withdrawn from the account. Nevertheless, dividends received will accrue to the shareholder and be taxed on an ongoing basis.

Building a better working world

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Medlemmer av Den norske revisorforening

To the Board of Directors of DNB ASA

Independent assurance report – Reporting on corporate social responsibility for 2016

We have performed an independent verification of DNB ASA's reporting on corporate social responsibility (CSR) for 2016, which involves a review of DNB ASA's 11 most material CSR aspects, presented in the company's materiality matrix for CSR. The material CSR aspects are outlined in the chapters "Responsible operations" in the annual report and in the company's overview of reporting on GRI indicators (GRI index, see dnb.no/en/about-us/csr/sustainability-library.html), hereinafter referred to as Reporting on CSR. We have assessed if the information being presented in the Reporting on CSR is based on relevant criteria from the guidelines for sustainability reporting from the Global Reporting Initiative Standards option "core" (GRI Standards).

Management's responsibility

DNB's management is responsible for the selection of the information and collection of the data for presentation and for the preparation of Reporting on CSR in accordance with the GRI Standards.

Our Independence and Quality Control

We have complied with the independence requirements of the Norwegian Law on Auditors and Auditing and other ethical requirements from the Code of Ethics of the Norwegian Institute of Public Accountants which are founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

We apply International Standard on Quality Control (ISQC1) "Quality control for firms that perform audits and reviews of financial statements, and other assurance and related services engagements" and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Auditor's tasks and duties

Our task is to issue an independent report to the Board of Directors on the Reporting on CSR based on our work. Our work is conducted in accordance with ISAE 3000 "Assurance Engagements Other than Audits or Reviews of Historical Financial Information". The standard requires that we plan and perform procedures to obtain limited assurance that the information in the Reporting on CSR is prepared and presented in accordance with relevant criteria for sustainability reporting in accordance with GRI Standards and does not contain material errors.

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Our work has consisted of the following procedures:

- Review of DNB ASA's process for the preparation and presentation of the Reporting on CSR to provide us with an understanding of how CSR is ensured in practice within the business
- Interviewed those in charge of CSR reporting to develop an understanding of the process for the preparation of the Reporting on CSR
- Verified on a sample basis the information in the Reporting on CSR against source data and other information prepared by DNB ASA
- Assessed the overall presentation of Reporting on CSR against the criteria in GRI Standards including a review of the consistency of information

In our opinion, the evidence obtained is sufficient and appropriate to provide a basis for our conclusion.

Conclusion

Based on our work, nothing has come to our attention that causes us to believe that the Reporting on CSR, in all material respects, is not prepared and presented in accordance with the GRI Standards, and that the information in the Reporting on CSR contains material misstatements. Indicators covered by our assurance report are listed in the GRI index.

Oslo, 8 March 2017
Ernst & Young AS

Anders Gøbel
State Authorised Public Accountant

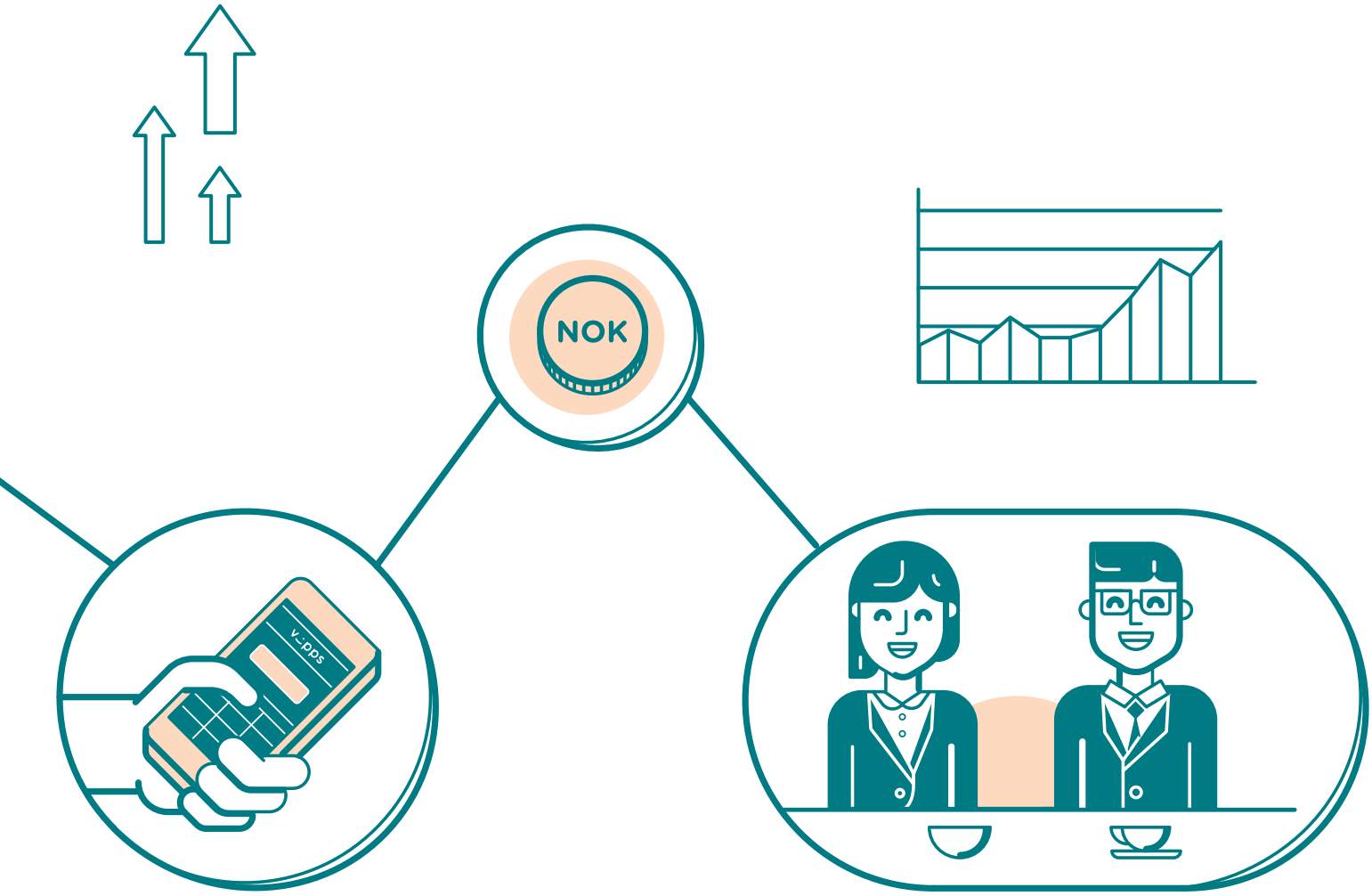
(This translation from Norwegian has been made for information purposes only.)

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Directors' report

OPERATIONS IN 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 during the year. Profits generated during the period and a strategic reduction in loans to large international corporates with low profitability contributed to the increase in the common equity Tier 1 ratio. The payout ratio is in accordance with the Group's ambition to increase dividend payments.

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

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 inclined 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 segments for large corporates and international customers.

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 approximately NOK 4 750 million.

2016 was characterised by increasing digitalisation of the financial services industry and swifter changes in customer behaviour. In step with customers' escalating use of self-service solutions, 59 branch offices were closed during the first half of 2016. Parallel to this, the Group continued to develop new digital services.

At year-end 2016, the Vipps payment app had been downloaded by approximately 2.1 million Norwegians. The app was further developed, and both Vipps Invoice and Vipps SME were launched in 2016. In addition, DNB, Nets and Verifone signed an agreement enabling customers to use Vipps as a means of payment in shops. DNB also entered into agreements with large commercial companies.

In October, Nordea and DNB announced an agreement to combine their operations in Estonia, Latvia and Lithuania, aiming to create a leading bank in the Baltics with strong Nordic roots. The transaction is conditional upon regulatory approvals and is expected to close in the second quarter of 2017.

In the wake of the Panama Papers case, which became known in April, the law firm Hjort was engaged to make an external review of DNB's involvement in the matter. The report was presented in mid-September and concluded that DNB had not violated the law. On the other hand, DNB's internal guidelines had been breached, and measures have been decided.

In November, the NXT Conference was held at DNB's head office in Oslo. The conference was part of Oslo Innovation Week, and aimed to create a digital and physical meeting place for entrepreneurs and investors for networking, knowledge sharing and inspiration. After the conference, DNB and StartupLab launched NXT Accelerator, a programme to help promising technological start-up companies to expand quickly, establish partnerships and create commercial opportunities for both the companies themselves and DNB.

In the fourth quarter, 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 consequence of the competitive situation and rising market rates, DNB decided to increase interest rates on home mortgages on two occasions in 2016.

DNB performed well in a number of surveys undertaken by Prospera, Universum and the Career Barometer during the year. In addition, DNB was ranked top by Norwegian companies for its pension services and best among banks in Norway in the consumer survey Sustainable Brand Index.

In October, DNB received the Confederation of Vocational Unions' (YS) equal opportunity award due to its work to equalise salary differences between men and women. In November, DNB was the first Norwegian financial institution to be awarded a rating of A- for its climate work by the Carbon Disclosure Project, CDP.

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, an increase from 4.4 per cent in 2015. The special follow-up of units with high sickness absence rates continued.

New solvency regulations for European insurance companies, Solvency II, entered into force on 1 January 2016.

In a stress test conducted by the European Banking Authority, ESA, DNB was described as having the greatest resilience to economic crises among the tested banks.

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

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. The Board of Directors would like to thank all employees for their dedication and hard work in 2016.

STRATEGY AND TARGETS

DNB's vision and values are about putting the customers in focus. The aim to be strongly customer-oriented and to create good customer experiences is reflected in DNB's vision: "Creating value through the art of serving the customer".

The Group will ensure long-term value creation for all its stakeholders: customers, shareholders, employees and society at large.

DNB is organised to enable the Group to quickly and effectively adapt to changes in customer behaviour and develop products and services that meet the needs in the various customer segments. In order to reach its targets and succeed in realising its vision, DNB is dependent on having motivated employees with the right competencies. DNB's corporate culture should be characterised by change capacity, engagement, good leadership and effective communication. Strong cooperation between various units in the Group will ensure customers access to DNB's total product range.

DNB aims to achieve a return on equity, a rate of growth and a market capitalisation which are competitive in relation to its Nordic peers. At the Group's Capital Markets Day in November 2016, the long-term ambition to achieve a return on equity above 12 per cent was retained. In consequence of stricter capital requirements and the prolonged low interest rate level, combined with expectations of relatively high impairment losses on loans to oil-related industries over the next few years, the ambition of 12 per cent return on equity is not expected to be reached until towards the end of 2019. Developments in 2016 reflected the economic downturn and high impairment losses on loans, and the return on equity of 10.1 per cent was thus below the long-term target.

A competitive return on equity is required to ensure that DNB is attractive in the market. In addition, the operations of the Group are conditional on adequate capitalisation. In line with the authorities' requirements, DNB raised its common equity Tier 1 capital ratio target to 15.7 per cent from year-end 2016. The target comprises a requirement of approximately 14.7 per cent and a recommended buffer of around 1 percentage point. From year-end 2017, the common equity Tier 1 capital ratio shall be approximately 16.0 per cent, including the announced increase in the counter-cyclical capital buffer. DNB had a common equity Tier 1 capital ratio of 16.0 per cent at end-December 2016 and had thus reached its target one year ahead of plan and is well positioned for possible new requirements.

Cost-efficient operations are a prerequisite for fulfilling the Group's return on equity target, and the Group aspires to have a cost/income ratio below 40 per cent. The cost/income ratio was 40.9 per cent in 2016.

The Group's long-term dividend policy is to have a dividend payout ratio of more than 50 per cent of profits. Cash dividends may be combined with a share buy-back programme. A payout ratio of 49.8 per cent has been proposed for 2016, and a capital adequacy ratio in line with the long-term target increases the probability that the Group will have a dividend capacity in excess of 50 per cent in the period ahead.

REVIEW OF THE ANNUAL ACCOUNTS

In accordance with the provisions of the Norwegian Accounting Act, the Board of Directors confirms that the accounts have been prepared on a going concern basis and that the going concern assumption applies.

Pursuant to Section 3-9 of the Norwegian Account- →

→ ing Act, DNB prepares consolidated annual accounts in accordance with IFRS, International Financial Reporting Standards, approved by the EU. The statutory accounts of DNB ASA have been prepared in accordance with Norwegian IFRS regulations.

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 of NOK 644 million compared with 2015, and an increase in long-term funding costs. Due to changes in customer behaviour, amortisation periods are increasing, and customers are no longer so inclined to refinance their loans. 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. 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)
Other 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. 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.

Impairment 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 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 in the risk classification of loans and less favourable economic conditions in the above-mentioned industries. The other credit portfolios are still of high quality, and the difficult situation in the oil-related industries 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 was 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 and was lower than the anticipated rate of 22 per cent, mainly due to equity sales under the tax exemption method, 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, compared with 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.

CORPORATE GOVERNANCE

The management of DNB is based, inter alia, on the Norwegian Accounting Act and the Norwegian Code of Practice for Corporate Governance. Read more about the Group's corporate governance principles and practice on page 88 in the Governance chapter.

RISK AND CAPITAL ADEQUACY

ORGANISATION AND MONITORING

The Board of Directors continually monitors the Group's capital situation.

DNB's group policy for risk management serves as a guide for the Group's overall risk management and describes the ambitions for, attitudes to and work on risk. Read more about risk aspects and the capitalisation of the Group from page 94 under Corporate governance and in the Group's Pillar 3 report at dnb.no/investor-relations.

RISK DEVELOPMENTS IN 2016

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	31 Dec. 2015
Credit risk	54.4	55.5
Market risk	7.0	7.1
Market risk in life insurance	5.3	8.3
Insurance risk	1.7	2.0
Operational risk	11.5	11.2
Business risk	7.3	7.1
Gross economic capital	87.2	91.2
Diversification effect[1)]	(14.2)	(15.5)
Net economic capital	73.0	75.7
Diversification effect in per cent of gross economic capital[1)]	16.3	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, the operational stability of DNB's IT systems 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.

SEGMENTS

Financial governance in DNB is adapted to the different customer segments. The follow-up of total customer relationships and segment profitability are important dimensions when making strategic priorities and deciding where to allocate the Group's resources. Reported figures reflect the Group's total sales of products and services to the relevant segments.

PERSONAL CUSTOMERS

This segment includes the Group's more than 2 million personal customers in Norway. The personal customer segment recorded a strong level of income in 2016, and the return on allocated capital stood at 18.4 per cent. Some reduction in income, partly due to pressure on spreads, affected profits. The decline in income was partly offset by reduced costs. Reversals on impairment losses on loans related to the sale of portfolios of non-performing loans affected accounting figures in both 2015 and 2016.

			Change	
Income statement in NOK mill.	2016	2015	NOK mill.	%
Total income	18 189	18 593	(404)	(2.2)
Operating expenses	(8 698)	(8 877)	179	2.0
Pre-tax operating profit before impairment	9 491	9 716	(225)	(2.3)
Net gains on fixed and intangible assets	(0)	0	(0)	
Impairment of loans and guarantees	392	939	(547)	
Pre-tax operating profit	9 883	10 655	(772)	(7.2)
Profit for the year	7 411	7 780	(369)	(4.7)
Average balance sheet items in NOK billion				
Net loans to customers	701.7	690.5	11.2	1.6
Deposits from customers	400.5	381.6	18.8	4.9
Key figures in per cent				
Return on allocated capital[1)]	18.4	23.0		

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

Net loans to customers showed a satisfactory trend, rising by 4.0 per cent on average from 2015 to 2016 after adjusting for the sale of fixed-rate loans from DNB Boligkreditt to DNB Livsforsikring representing NOK 20 billion in 2015 and NOK 5 billion in 2016. The customers are still served by the bank, though the loans are included in DNB Livsforsikring's portfolio as an investment that yields a healthy return for the company.

In spite of growth in volumes, net interest income was down 3.1 per cent from 2015 to 2016. Lower interest rate levels and strong competition caused pressure on lending spreads, while deposit spreads widened. Volume-weighted interest rate spreads contracted by 0.10 percentage points from the previous year.

There was a stable trend in other operating income from 2015. Increased digitalisation, discount schemes linked to card use and reduced interchange fees from September 2016 had a negative impact on income from payment transfers. The decline in income from payment services was counteracted by higher income from, among other things, insurance, savings products, equities and foreign exchange products, while there was a stable level of income from real estate broking in spite of a certain reduction in the number of residential properties sold.

Expenses were reduced by 2.0 per cent from 2015 despite an increase in provisions for severance packages and vacated premises in consequence of the restructuring of the branch network. Implemented restructuring measures have reduced the underlying cost base in the personal customer segment, and thus made the Group better prepared to meet the future banking reality.

Net impairment losses on loans reflected the sale of portfolios of non-performing loans, which resulted in net reversals on loans in both 2015 and 2016, representing NOK 990 million and NOK 654 million, respectively, for the two years. Adjusted for the reversals, net impairment losses increased from 0.01 per cent of average loans in 2015 to 0.04 per cent in 2016. There was low risk in the home mortgage portfolio, and there was also a stable level of impairment on consumer loans throughout the year.

The market share of credit to households stood at 25.1 per cent at end-November 2016, down from 25.4 per cent at end-December 2015. The market share of total household savings was 31.8 per cent. DNB Eiendom had a stable market share of approximately 19 per cent during the year.

DNB aspires to achieve continued profitable growth in the personal customer segment and is well under way with adapting products, service concepts and cost levels to the banking market of the future. As a result of a higher self-service ratio, the number of branch offices serving personal customers was reduced from 116 to 57 during the first half of 2016. Parallel to this, the innovation of new, digital services, such as Vipps, is being strengthened. During 2016, Vipps was downloaded by 50 per cent of Norway's adult population. Impairment losses on loans are expected to remain stable at a low level.

SMALL AND MEDIUM-SIZED ENTERPRISES

This segment includes sales of products and advisory services to the Group's small and medium-sized corporate customers in Norway. Strong growth in both net interest and operating income helped raise pre-tax operating profits by 4.9 per cent from 2015.

			Change	
Income statement in NOK mill.	**2016**	**2015**	**NOK mill.**	**%**
Total income	8 327	7 860	468	5.9
Operating expenses	(3 356)	(3 078)	(278)	(9.0)
Pre-tax operating profit before impairment	4 971	4 782	189	4.0
Net gains on fixed and intangible assets	2	(2)	3	
Impairment of loans and guarantees	(1 082)	(1 068)	(14)	(1.3)
Profit from repossessed operations	6	3	3	
Pre-tax operating profit	3 896	3 715	182	4.9
Profit for the year	2 922	2 712	211	7.8
Average balance sheet items in NOK billion				
Net loans to customers	226.0	216.0	10.0	4.6
Deposits from customers	177.3	171.4	5.9	3.4
Key figures in per cent				
Return on allocated capital[1)]	11.9	12.7		

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

Average net loans to customers rose by 4.6 per cent from 2015, while deposits were up 3.4 per cent during the same period. Higher volumes and wider lending and deposit spreads contributed to a 3.7 per cent rise in net interest income compared with 2015.

Net other operating income showed a satisfactory trend from 2015, increasing by 13.9 per cent. Demand for both currency and interest rate hedging products gave a boost to income. There was also a positive trend for payment services.

Operating expenses were up 9.0 per cent from 2015, reflecting higher IT development and restructuring costs. In addition, strong activity levels and increased product sales resulted in higher costs from product suppliers.

Net impairment of loans was on a level with the previous year. Impairment losses represented 0.48 per cent of →

average net loans in 2016 and stemmed primarily from a few exposures spread over various segments. Thus far, no general deterioration has been observed in the quality of the loan portfolio, which is considered to be satisfactory. Close follow-up of customers and preventive measures are vital to retaining the level of quality. Developments in oil-related sectors and the regions which are most seriously affected, are being closely monitored.

DNB expects lending growth in this segment on a level with the expected domestic credit growth in the corporate customer segment. The segment is expected to show continued strong profitability.

LARGE CORPORATES AND INTERNATIONAL CUSTOMERS

This segment includes the Group's largest Norwegian corporate customers and international customers, including all customer segments in the Baltics and Poland. Lower volumes and higher impairment losses on loans gave a reduction in pre-tax profits compared with 2015.

			Change	
Income statement in NOK mill.	**2016**	**2015**	**NOK mill.**	**%**
Total income	20 444	21 280	(836)	(3.9)
Operating expenses	(7 856)	(8 053)	197	2.4
Pre-tax operating profit before impairment	12 588	13 227	(639)	(4.8)
Net gains on fixed and intangible assets	24	53	(30)	
Impairment of loans and guarantees	(6 734)	(2 108)	(4 626)	
Profit from repossessed operations	8	(67)	75	
Pre-tax operating profit	5 886	11 105	(5 220)	
Profit for the year	4 300	7 885	(3 585)	
Average balance sheet items in NOK billion				
Net loans to customers	550.4	568.1	(17.7)	(3.1)
Deposits from customers	375.8	393.0	(17.2)	(4.4)
Key figures in per cent				
Return on allocated capital[1)]	5.0	11.1		

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

Volumes were affected by measures to rebalance operations, which included restructuring the portfolios and reducing exposures within shipping and oil and offshore-related segments.

Average loans to customers were down 3.1 per cent from 2015, while there was a reduction of 8.6 per cent from year-end 2015 to year-end 2016. In addition to restructuring in certain segments, DNB sold some loans and entered into guarantee contracts relating to other exposures to help strengthen the Group's capital adequacy ratios. Among other things, a portfolio of commercial property loans totalling NOK 6.2 billion was sold to DNB Livsforsikring towards the end of 2016. In the period ahead, portfolio management will also help improve profitability as capital can be reallocated to the segments with the highest returns. Average customer deposits declined by 4.4 per cent from 2015, while deposit volumes were virtually unchanged from year-end 2015 to year-end 2016.

Due to the reduction in volumes, there was a decline in net interest income, in spite of wider spreads. Volume-weighted spreads widened by 0.05 percentage points from 2015, to 1.29 per cent in 2016. Lower activity levels and a decline in fee income were other factors behind the reduction in net interest income.

There was a slight increase in net other operating income compared with 2015. In consequence of continued high volatility through 2016, there was strong demand for currency, interest rate and commodity hedging products, which generated increasing income. On the other hand, there was a certain reduction in income from arranging debt capital issues and within syndication. In addition, gains from a profit-sharing agreement had a positive impact, while costs related to measures to reduce risk-weighted assets had a negative effect on income towards the end of the year.

Operating expenses were down 2.4 per cent from 2015. The number of full-time positions was reduced by 74 from end-December 2015. Adjusted for the number of employees working on a time-limited development project, there was an actual reduction of approximately 150 full-time positions during 2016. The reductions took place in both Norwegian and international operations.

There was an increase in net impairment losses on loans compared with 2015, partly due to the exposure to oil-related industries and the offshore and shipping markets. Net impairment represented 1.22 per cent of average loans in 2016, up 0.85 percentage points from the previous year. There was a 0.50 percentage point rise in individual impairment losses, to 0.83 per cent in 2016. Higher collective impairment losses accounted for the rest of the increase, reflecting weaker economic conditions. 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

Large Corporates and International 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 proprietary 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.

			Change	
Income statement in NOK mill.	**2016**	**2015**	**NOK mill.**	**%**
Total income	3 004	1 592	1 412	88.7
Operating expenses	(548)	(505)	(43)	(8.5)
Pre-tax operating profit	2 455	1 087	1 369	125.9
Profit for the year	1 841	804	1 037	129.0
Key figures in per cent				
Return on allocated capital[1)]	25.4	11.2		

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

Various measures implemented by central banks and unexpected international political events contributed to market volatility in 2016. Sound risk management ensured a high level of income from market making and proprietary trading. Total income was up close to 90 per cent compared with 2015. Steeper yield curves towards the end of the year helped raise income from fixed-income instruments in Norwegian kroner, while income from international fixed-income instruments and money market activities remained high. Income from bonds increased, partly in consequence of narrower credit spreads, while the fact that Norway has its own currency resulted in strong income levels from currency trading.

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.

			Change	
Income statement in NOK mill.	**2016**	**2015**	**NOK mill.**	**%**
Upfront pricing of risk and guaranteed rate of return	288	535	(247)	
Owner's share of administration result	241	203	37	18.4
Owner's share of risk result	177	257	(80)	(31.2)
Owner's share of interest result	(366)	(1 350)	984	
Return on corporate portfolio	439	500	(61)	(12.1)
Pre-tax operating profit	779	145	634	
Profit for the year	783	912	(129)	(14.1)
Key figures in per cent				
Cost/income ratio	35.9	76.7		
Return on allocated capital[1)]	4.0	5.1		

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

There was a healthy level of profits in 2016, in spite of a reduction in income from upfront pricing. The decline in income reflected the conversion from defined-benefit to defined-contribution pension schemes. In 2015, the owner's share of the interest result was 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 few 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 end-December 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 1.4 billion in 2016. 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 211 per cent as at 31 December 2016. Without the transitional rules, DNB Livsforsikring had a solvency margin of 152 per cent. At year-end 2015, the solvency margins were 192 per cent and 113 per cent, respectively. The significant strengthening of the company's solvency position without the transitional rules reflected a rise in market rates, higher buffer capital and reserves for higher life expectancy.

CORPORATE SOCIAL RESPONSIBILITY

As Norway's largest bank, DNB wants to promote sustainable value creation by integrating ethical, environmental and social aspects into its business operations. DNB's policy and appurtenant guidelines for corporate social responsibility set the standards for all of the Group's work on both the observance and the further development of sustainable business operations. Read more about how DNB meets its corporate social responsibility commitments and the challenges the Group considers to be most important to meet to ensure long-term value creation and responsible operations in the chapter Responsible operations on page 55 and at dnb.no/en/about-us.

EMPLOYEES

Adapting to the new banking reality, with rapid changes in customer behaviour, digitalisation and stricter capital adequacy requirements, characterised organisational and leadership development in 2016. Systematic efforts were made to ensure that the Group has the right competencies and to promote change capacity and employee engagement. Read more about the priorities that are considered to be essential to ensuring the right competencies, and about the working environment, equality and discrimination in the chapter Responsible operations on page 66 and a more detailed description in note 22 Salaries and other personnel expenses in the annual accounts.

NEW REGULATORY FRAMEWORK

The regulation of the financial services industry is based on a set of regulatory parameters. Over the last few years, a number of new regulations setting stricter requirements for the financial services industry have been introduced or announced. The Norwegian authorities have introduced more stringent capital adequacy requirements and earlier implementation compared with the EU. Read more about regulations and the regulatory framework in the chapter New regulatory framework on page 109.

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 a target for its common equity Tier 1 capital ratio of 16.0 per cent from year-end 2017, including the announced change in the counter-cyclical buffer. DNB achieved a common equity Tier 1 ratio of 16.0 per cent at end-December 2016, and thus reached the target one year ahead of plan. The Group 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.

DIVIDENDS AND ALLOCATION OF PROFITS

DNB's Board of Directors has approved a dividend policy which aims to provide an attractive and competitive return for shareholders through a combination of increases in the share price and dividend payments. DNB is well capitalised and fulfills the statutory requirements in addition to having an adequate buffer. The significant build-up of capital through 2016 provides for a normali- →

→ sation of dividends to a level above 50 per cent in the form of a cash dividend combined with a share buy-back programme as from 2017.

When considering the dividend proposal for 2016, the Board of Directors has taken into account the capital adequacy requirements and the Group's ambition to return to a normalised dividend payout ratio. The Board of Directors has thus proposed a dividend for 2016 of NOK 5.70 per share. The proposed dividend gives a dividend yield of 4.4 per cent based on a share price of NOK 128.40 as at 31 December 2016 and implies that DNB ASA will distribute a total of NOK 9 284 million in dividends for 2016. The payout ratio represents 49.8 per cent of profits. A dividend of NOK 4.50 per share was paid for 2015.

In connection with the satisfactory attainment of the Group's financial targets, the Board of Directors has decided to make allocations of NOK 247 million to the Group's employees.

ALLOCATIONS

Profits for 2016 in DNB ASA came to NOK 10 472 million, compared with NOK 5 916 million in 2015. The profits for 2016 attributed mainly to the transfer of group contributions and dividends from subsidiaries.

Amounts in NOK million	**2016**	**2015**
Profit for the year	10 472	5 916
Proposed dividend per share (NOK)	5.70	4.50
Share dividend	9 284	7 330
Transfers to other equity	1 188	(1 414)
Total allocations	**10 472**	**5 916**

The Board of Directors proposes allocating a group contribution of NOK 4 200 million after tax to DNB Bank ASA. At the same time, DNB ASA will receive dividends of NOK 9 183 million and a group contribution of NOK 101 million after tax from DNB Bank ASA, totalling NOK 9 284 million. In addition, the Board of Directors proposes allocating a group contribution of NOK 1 090 million after tax to DNB Livsforsikring AS. At the same time, DNB ASA will receive a group contribution of NOK 1 090 million after tax from DNB Livsforsikring AS.

In view of the DNB Group's capital adequacy ratio of 19.5 per cent and common equity Tier 1 capital ratio of 16.0 per cent at year-end 2016, the Board of Directors is of the opinion that, following the proposed allocations, DNB ASA will have adequate financial strength and flexibility to provide sufficient support to operations in subsidiaries and meet the Group's expansion requirements and changes in external parameters.

Oslo, 8 March 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)

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INCOME STATEMENT

		DNB Group	
Amounts in NOK million	Note	2016	2015
Total interest income	18	52 424	57 532
Total interest expenses	18	(18 314)	(22 174)
Net interest income	18	**34 110**	**35 358**
Commission and fee income	20	11 452	11 963
Commission and fee expenses	20	(3 172)	(3 101)
Net gains on financial instruments at fair value	21	6 513	8 683
Net financial result, DNB Livsforsikring [1)]	1	(72)	(1 251)
Net risk result, DNB Livsforsikring		736	861
Net insurance result, DNB Forsikring [1)]	1	648	534
Profit from investments accounted for by the equity method	37	1 189	(72)
Net gains on investment properties	36	(35)	269
Other income		795	762
Net other operating income		**18 053**	**18 648**
Total income		**52 163**	**54 006**
Salaries and other personnel expenses	22	(11 904)	(9 822)
Other expenses	23	(7 251)	(7 790)
Depreciation and impairment of fixed and intangible assets	24	(2 177)	(2 298)
Total operating expenses		**(21 333)**	**(19 910)**
Pre-tax operating profit before impairment		**30 830**	**34 096**
Net gains on fixed and intangible assets		(19)	45
Impairment of loans and guarantees	9, 10	(7 424)	(2 270)
Pre-tax operating profit		**23 387**	**31 871**
Tax expense [1)]	1, 26	(4 140)	(7 048)
Profit from operations held for sale, after taxes		4	(51)
Profit for the year		**19 251**	**24 772**
Portion attributable to shareholders		18 656	24 398
Portion attributable to additional Tier 1 capital holders		595	374
Profit for the year		**19 251**	**24 772**
Earnings/diluted earnings per share (NOK)	50	11.46	14.98
Earnings per share for operations held for sale (NOK)	50	0.00	(0.03)
Earnings per share for continuing operations excluding operations held for sale (NOK)	50	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 Accounting principles.*

COMPREHENSIVE INCOME STATEMENT

	DNB Group	
Amounts in NOK million	2016	2015
Profit for the year	**19 251**	**24 772**
Actuarial gains and losses	(183)	673
Property revaluation	47	(204)
Items allocated to customers (life insurance)	(47)	204
Items that will not be reclassified to the income statement	(183)	673
Currency translation of foreign operations [1)]	(6 476)	9 612
Currency translation reserve reclassified to the income statement	(43)	
Hedging of net investment [2)]	4 346	(6 203)
Investments according to the equity method [3)]	(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	(3 052)	4 298
Other comprehensive income for the year (net of tax)	**(3 236)**	**4 972**
Comprehensive income for the year	**16 015**	**29 744**

1) *Currency translation effects related to the Baltics represented a loss of NOK 449 million in 2016.*
2) *Hedging of net investments in the Baltics came to NOK 275 million in 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	DNB Group 31 Dec. 2015
Assets			
Cash and deposits with central banks	27, 28, 29	208 263	19 317
Due from credit institutions	6, 7, 27, 28, 29, 30	176 442	301 216
Loans to customers	6, 7, 27, 28, 29, 30	1 509 078	1 542 744
Commercial paper and bonds at fair value	27, 29, 33	296 642	289 695
Shareholdings	27, 29, 31, 33	22 512	19 341
Financial assets, customers bearing the risk	27, 29, 34	60 220	49 679
Financial derivatives	15, 27, 29, 30	157 940	203 029
Commercial paper and bonds, held to maturity	27, 28, 35	94 008	105 224
Investment properties	36	15 912	16 734
Investments accounted for by the equity method	37	7 768	9 525
Intangible assets	38	5 814	6 076
Deferred tax assets	26	1 404	1 151
Fixed assets	39	7 949	8 860
Assets held for sale	40	52 541	200
Other assets	42	36 709	25 739
Total assets		**2 653 201**	**2 598 530**
Liabilities and equity			
Due to credit institutions	27, 28, 29, 30	212 882	161 537
Deposits from customers	27, 28, 29, 30, 43	934 897	944 428
Financial derivatives	15, 27, 29, 30	130 161	154 663
Debt securities issued	27, 28, 29, 44	765 869	804 928
Insurance liabilities, customers bearing the risk	17, 34	60 220	49 679
Liabilities to life insurance policyholders in DNB Livsforsikring	17	208 160	208 726
Insurance liabilities, DNB Forsikring	17	1 892	1 846
Payable taxes	26	8 874	2 093
Deferred taxes	26	3 816	7 672
Other liabilities	27, 46	44 568	37 675
Liabilities held for sale	40	41 243	71
Provisions		2 094	1 285
Pension commitments	25	2 756	2 549
Subordinated loan capital	27, 28, 29, 45	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		151 256	142 888
Total equity	47	**206 423**	**190 425**
Total liabilities and equity		**2 653 201**	**2 598 530**

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

STATEMENT OF CHANGES IN EQUITY

DNB Group

Amounts in NOK million	Share capital [1]	Share premium	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 December 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 January 2015 restated	**16 273**	**22 609**		**(3 247)**	**8 671**	**(5 645)**	**120 399**	**159 059**
Profit for the year			374				24 398	24 772
Other comprehensive income (net of tax)				673	9 612	(6 203)	889	4 972
Comprehensive income for the year			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 December 2015 restated	**16 257**	**22 609**	**8 353**	**(525)**	**18 317**	**(11 848)**	**137 263**	**190 425**
Balance sheet as at 31 December 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 December 2015 restated	**16 257**	**22 609**	**8 353**	**(525)**	**18 317**	**(11 848)**	**137 263**	**190 425**
Profit for the year			595				18 656	19 251
Other comprehensive income (net of tax)				(183)	(6 519)	4 346	(880)	(3 236)
Comprehensive income for the year			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 December 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 profit and loss							*(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 Accounting principles.*

CASH FLOW STATEMENT

Amounts in NOK million	DNB Group 2016	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 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)**
Investment activities		
Net receipts/payments on the acquisition of fixed assets	(1 540)	2 979
Net receipts/payments, 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**
Funding activities		
Receipts on issued bonds and commercial paper (see note 45)	8 995 908	3 142 451
Payments on redeemed bonds and commercial paper (see note 45)	(9 000 786)	(3 145 857)
Interest payment on issued bonds and commercial paper	(16 016)	(15 129)
Receipts on the raising of subordinated loan capital (see note 46)	738	3 805
Redemptions of subordinated loan capital (see note 46)	(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 as at 31 December *)	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.

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

NOTE 1 Accounting principles

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1. Corporate information

DNB ASA is a Norwegian public limited company listed on the Oslo Stock Exchange (Oslo Børs). The consolidated financial statements for 2016 were approved by the Board of Directors on 8 March 2017.

The DNB Group offers banking services, securities and investment services and insurance and asset management services in the Norwegian and international retail and corporate markets.

The visiting address to the Group's head office is Dronning Eufemias gate 30, Bjørvika, Oslo, Norway.

2. Basis for preparation

DNB has prepared the consolidated financial statements for 2016 in accordance with International Financial Reporting Standards (IFRSs), as issued by the International Accounting Standards Board (IASB) and endorsed by the European Union (EU).

The consolidated financial statements are based on the historic cost principle, with the following exceptions: financial assets and liabilities measured at fair value, investment properties and owner-used properties. The consolidated financial statements are presented in Norwegian kroner. Unless otherwise specified, all amounts are rounded to the nearest million.

The Group's consolidated balance sheets are primarily based on an assessment of the liquidity of the assets and liabilities.

3. Changes in accounting principles

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 at the end of this note, under the heading Implementation effects new rules, show comparative figures for 2015 with implementation effect on 1 January 2015.

4. Consolidation

The consolidated financial statements for DNB ASA ("DNB") include DNB Bank ASA, DNB Livsforsikring AS, DNB Asset Management Holding AS and DNB Forsikring AS, all including subsidiaries.

The accounting principles are applied consistently when consolidating ownership interests in subsidiaries and are based on the same reporting periods as those used for the parent company.

When preparing the consolidated financial statements, intra-group transactions and balances, along with gains and losses on transactions between group units, are eliminated.

Subsidiaries

Subsidiaries are defined as companies in which DNB, directly or indirectly, has control. Control over an entity is evidenced by the Group’s ability to exercise its power in order to affect any variable returns that the Group is exposed to through its involvement with the entity. When assessing whether to consolidate an entity the Group evaluates a range of control factors, including

- the purpose and design of the entity,
- the relevant activities and how these are determined,
- whether the Group’s rights result in the ability to direct the relevant activities
- whether the Group has exposure or right to variable returns

NOTE 1 Accounting principles (continued)

- whether the Group has the ability to use its power to affect its return

Where voting rights are relevant, the Group is deemed to have control where it holds, directly or indirectly, more than half of the voting rights in an entity, unless DNB through agreements does not have corresponding voting rights in relevant decision-making bodies. With respect to companies where the Group's holding represent less than half of the rights, DNB makes an assessment of whether other factors indicate de facto control. Subsidiaries are fully consolidated from the date on which control is obtained and until control ceases.

The non-controlling interests that do not meet the definition of equity are classified as financial liabilities in the balance sheet (Other liabilities).

Consolidation of structured entities

The Group engages in various business activities with structured entities which are designed to achieve a specific business purpose. A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity. An example is when voting rights relate to administrative tasks only, and the relevant activities are directed by means of contractual arrangements.

DNB (represented by DNB Livsforsikring) invests in both investment funds where DNB Asset Management is the fund manager and investment funds managed by unrelated asset managers. The principal uses of structured entities are to provide customers with access to specific portfolios of assets, especially in the insurance business. Fund managers apply various investment strategies to accomplish their respective investment objectives. Most of the investment funds finance their operations by issuing redeemable shares which are redeemable at the holder's option and entitle the holder to a proportional stake in the respective fund's net assets. DNB's investment strategy entails trading in funds on a regular basis, with the objective to achieve long-term capital growth.

Structured entities are consolidated when the substance of the relationship between the Group and the structured entities indicate that the structured entities are controlled by the Group due to contractual arrangements.

See Note 31 Shareholdings for information about unconsolidated structured entities.

Associated companies and joint arrangements

Associated companies are companies in which DNB has a significant influence, that is the power to participate in the financial and operating policy decisions of the companies, but is not in control or joint control of the companies. DNB assumes that significant influence exists when the Group holds between 20 and 50 per cent of the voting share capital or primary capital in another entity. Associated companies are recognised in the consolidated financial statements according to the equity method.

Joint arrangements are classified as either joint ventures or joint operations. When accounting for joint ventures, the equity method is applied. For joint operations, the parties recognise their rights to assets and liabilities in their balance sheets and recognise their share of income and costs incurred jointly in their income statements. DNB's joint arrangements are determined to be joint ventures.

Under the equity method of accounting, the investment is recognised at cost at the time of acquisition and is adjusted for subsequent changes in the Group's share of equity in the associated company or joint venture. Any goodwill is included in the acquisition cost. The Group's share of profits or losses is recognised in the income statement and added to the cost price of the investment along with other changes in equity which have not been reflected in the income statement. The Group's share of losses is not reflected in the income statement if the carrying amount of the investment will be negative, unless the Group has taken on commitments or issued guarantees for the commitments of the associated company or joint venture.

At the end of each reporting period the Group assess whether any indication of impairment exists. If such indication exists, the investment will be tested for impairment. The carrying value of the investment will be compared with the recoverable amount (the higher of fair value less costs to sell and value in use). If necessary, the carrying value will be written down to the recoverable amount.

The Group's share of unrealised gains on transactions between the Group and its associated companies or joint ventures is eliminated. The same applies to unrealised losses unless the transaction indicates an impairment of the transferred assets.

Conversion of transactions in foreign currency

The presentation currency in the Group's consolidated financial statements is Norwegian kroner. The most significant subsidiary in the Group, DNB Bank ASA, has Norwegian kroner as its functional currency. Balance sheet items of foreign branches and subsidiaries in other functional currencies are translated into the presentation currency, Norwegian kroner, according to the exchange rates prevailing on the balance sheet date, while profit or loss items are translated according to exchange rates on the transaction date. Changes in net assets resulting from exchange rate movements are recognised in other comprehensive income.

Monetary assets and liabilities in foreign currency are translated into the entities' functional currency at the exchange rates prevailing on the balance sheet date. Changes in the carrying amount of such assets due to exchange rate movements between the transaction date and the balance sheet date, are recognised in the income statement.

5. Operations presented as held for sale

The Group classifies operations as held for sale when the carrying amount will be retrieved through a sale. Operations are classified as held for sale from the time management has approved a concrete plan to sell the operations in their current form and it is highly probable that the sale will take place shortly.

Subsidiaries which are acquired with a view to their subsequent sale, including companies taken over as part of loan restructuring, are immediately classified as assets held for sale if the Group intends to sell the subsidiary.

Operations held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Acquired operations which are immediately classified as held for sale are recorded at fair value less costs to sell upon initial recognition.

Profits after taxes for such operations, which meet the criteria for "discontinued operations" in IFRS 5, are presented separately as "Profit from operations held for sale, after taxes" in the consolidated accounts. Total assets and liabilities from these operations are presented separately under "Assets held for sale" and "Liabilities held for sale" in the Group's balance sheet.

6. Segment information

Financial governance in DNB is adapted 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. Reported figures for the various segments reflect the Group's total sales of products and services to the specific segment.

NOTE 1 Accounting principles (continued)

The segment information has been prepared on the basis of internal financial reporting to the group management team (chief operating decision-making body) for an assessment of developments and the allocation of resources. Figures for the operating segments are based on DNB's management model and the Group's accounting principles. The figures are based on a number of assumptions, estimates and judgmental distribution.

According to DNB's management model, the operating segments are independent profit centres that are fully responsible for their profit after tax and for achieving the targeted returns on allocated capital. All of the Group's customer activities are divided among the operating segments, along with the related balance-sheet items, income and expenses.

Excess liquidity and liquidity deficits in the operating segments are placed in or borrowed from the Group Treasury at market terms, where interest rates are based on duration and the Group's financial position.

When operating segments cooperate on the delivery of financial services to customers, internal deliveries are based on market prices.

Services provided by group services and staff units are charged to the operating segments in accordance with service agreements. Joint expenses which are indirectly linked to activities in the operating segments, are charged to the operating segments on the basis of distribution formulas.

A number of key functions and profits from activities not related to the operating segments' strategic operations are presented within the Group units. This item comprises income and expenses relating to the Group's liquidity management, income from investments in equity instruments not included in the trading portfolio, interest income assigned to the Group's unallocated capital, ownership-related expenses and income from the management of the bank's real estate portfolio.

Net profits from repossessed operations which are fully consolidated in the Group are presented as "Profit from repossessed operations" in the segment reporting. The effect of consolidation of the repossessed companies is presented within the Group units.

Return on capital is estimated on the basis of internal measurement of risk-adjusted capital requirements. See note 2 Segments for further information about the principles for allocation of capital.

7. Recognition in the income statement and in other comprehensive income

Interest income is recognised using the effective interest method. This implies that interest is recognised when incurred, with the addition of amortised front-end fees and any other fees which are regarded as an integral part of the effective interest rate.

The effective interest rate is set by discounting contractual cash flows based on the expected life of the asset. Cash flows include front-end fees and direct transaction costs which are not paid directly by the customer.

Interest is recognised according to the effective interest method with respect to both balance sheet items carried at amortised cost and balance sheet items carried at fair value in the income statement, with the exception of front-end fees on loans at fair value, which are recognised when earned. Interest on impaired loans corresponds to the effective interest rate on the book value, net of impairment.

Interest income on financial instruments presented as lending is recognised in "Net interest income".

"Net other operating income" includes, among others, fees and commissions relating to money transfers, asset management, including success fees, credit broking, real estate broking, corporate finance, securities services, insurance products and lease income from investment properties. Credit broking commissions include syndication income in the form of fees and commissions from transactions where DNB arranges the loans without retaining parts of the loan itself or participates in a loan syndicate and receives compensation in excess of the effective interest received by the other participants. Fees which are not included in effective interest rate calculations, as well as commissions, are recognised during the period when the services are rendered or the transactions are completed.

Success fees are recognised when the fees with a high degree of certainty have been earned and can be measured in a reliable manner.

Fees that are incurred when establishing financial guarantees are recognised over the term of the contract within the line item "Net gains on financial instruments at fair value".

Dividends on investments are recognised from the date the dividends are approved at the general meeting.

Income from financial instruments carried at fair value through profit or loss is described under Financial instruments while net income from investment property is described under Investment property and fixed assets.

Items of income and expense in other comprehensive income are grouped based on whether or not they can be reclassified to the income statement, at a future date.

8. Financial instruments

Recognition and derecognition

Recognition of assets and liabilities

Financial assets and liabilities are recognised in the balance sheet on the trading date, i.e. the date that the Group becomes a party to the contractual provisions of the financial instrument.

Derecognition of financial assets

Financial assets are derecognised when the right to receive and retain cash flows from the asset has expired or been transferred. The Group enters into certain transactions where it transfers assets recognised on its balance sheet, but retains either all or parts the risks and rewards of the transferred asset. If all or substantially all of the risks and rewards are retained, the transferred financial asset is not derecognised from the balance sheet, but reclassified to separate assets or liabilities reflecting the rights and obligations created or retained in the transfer. Such transactions could entail the transfer of a loan portfolio where the Group retains the risks and returns associated with the transferred portfolio by guaranteeing for all risks in the portfolio or entering into a total return swap.

Derecognition of financial liabilities

Financial liabilities are derecognised when the contractual obligations have been discharged, cancelled or have expired.

Repurchase and reverse repurchase agreements

Securities purchased under agreements to resell are generally not recognised in the financial statements as the risk and returns are normally not taken over by the Group. This is done irrespective of whether the Group has the right to sell or repledge the securities. Upon the sale of securities received, the Group recognises an obligation in the balance sheet. For more information, see note 33 Securities received which can be sold or repledged.

Securities sold under agreements to repurchase are generally not derecognised as the risk and returns are normally not transferred. This is done irrespective of whether the recipient is entitled to sell or repledge the securities. These securities are presented as securities in the Group's balance sheet and are specified in note 32 Transferred assets or assets with other restrictions.

NOTE 1 Accounting principles (continued)

Securities borrowing and lending agreements

Transactions mainly include equity borrowing or lending. Agreements on securities borrowing and lending are generally based on collateral in the form of cash or securities.

Equities which have been received or transferred in such transactions, are generally not recognised or derecognised, as risks and returns associated with ownership of the assets are normally not taken over or transferred.

Equities received, including equities received as collateral, are registered off the balance sheet irrespective of whether the Group has the right to sell or repledge the securities. Upon the sale of securities received, the Group will recognise an obligation in the balance sheet. For more information, see note 33 Securities received which can be sold or repledged.

Transferred equities and collateral which the recipient is entitled to sell or repledge, are presented as equities or securities in the Group's balance sheet and are specified in note 32 Transferred assets or assets with other restrictions.

Classification and presentation

On initial recognition financial assets are classified in one of the following categories according to the type of instrument and the purpose of the investment:

- financial assets held for trading and derivatives carried at fair value with changes in value recognised in profit or loss (trading portfolio)
- financial assets designated as at fair value with changes in value recognised in profit or loss
- financial derivatives designated as hedging instruments
- loans and receivables, carried at amortised cost
- held-to-maturity investments, carried at amortised cost
- financial assets available for sale carried at fair value with changes in value recognised in other comprehensive income

On initial recognition financial liabilities are classified in one of the following categories:

- financial liabilities held for trading and derivatives carried at fair value with changes in value recognised in profit or loss (trading portfolio)
- financial liabilities designated as at fair value with changes in value recognised in profit or loss
- financial derivatives designated as hedging instruments
- other financial liabilities carried at amortised cost

Guidelines for classification in the various portfolios of the DNB Group are given below.

Financial assets and liabilities in the trading portfolio

Financial instruments in the trading portfolio are initially recognised at fair value.The fair value corresponds to the transaction price, unless another value can be justified based on observable market transactions. See the paragraph below on determining fair value at subsequent valuation.

Changes in the fair value of the financial instruments are presented within "Net gains on financial instruments at fair value" in the income statement. Interest income and interest expenses from interest-bearing securities are presented within "Net interest income".

Financial derivatives are presented as an asset if the fair value is positive and as a liability if the fair value is negative.

The trading portfolio mainly includes financial assets and liabilities in Markets and financial derivatives not used for hedge accounting purposes. In addition, the portfolio includes securities borrowing and deposits that are used actively in interest rate and liquidity management and have a short remaining maturity.

Financial assets and liabilities designated as at fair value with changes in value recognised in profit or loss

Financial instruments in the portfolio are recognised at fair value. See the paragraph below on determining fair value at subsequent valuation. Financial instruments are classified in this category if one of the following criteria is fulfilled:

- The classification eliminates or significantly reduces measurement or recognition inconsistency that would otherwise arise from measuring financial assets or liabilities or recognising the gains and losses on them on different bases
- The financial instruments are part of a portfolio that is managed and evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.

Changes in fair value of the financial instruments are presented within "Net gains on financial instruments at fair value" in the income statement. Interest income and interest expenses on loans designated as at fair value and other fixed-income securities are presented within "Net interest income".

Changes in fair value of financial instruments within life insurance are presented within the line item "Net financial result, DNB Livsforsikring".

The portfolios include commercial paper, bonds, equities, fixed-rate loans in Norwegian kroner, financial assets - customers bearing the risk, current financial assets within life insurance, fixed-rate securities issued in Norwegian kroner, such as index-linked bonds and equity-linked bank deposits and other fixed-rate deposits in Norwegian kroner.

Financial derivatives designated as hedging instruments

The Group enters into hedging transactions to manage interest rate risk on long-term borrowings and deposits in foreign currencies. These transactions are recognised as fair value hedges. See item Hedge accounting.

Loans and receivables carried at amortised cost

Loans and receivables carried at amortised cost are recognised at the transaction price plus direct transaction expenses. Subsequent measurement follows the effective interest method, less any impairment charges. The effective interest method is described under Recognition in the income statement and in other comprehensive income.

Interest income on financial instruments classified as lending is presented within "Net interest income" using the effective interest method.

A decrease in value on the balance sheet date based on objective indications of impairment for loans valued at amortised cost and in the portfolios of fixed-rate loans measured at fair value, are presented within "Impairment of loans and guarantees".

Held-to-maturity investments carried at amortised cost

Held-to-maturity investments are carried at amortised cost and recognised at the transaction price plus direct transaction expenses. Subsequent measurement follows the effective interest method, less any impairment charges. The effective interest method is described under Recognition in the income statement and in other comprehensive income.

Interest income relating to the instruments is presented within "Net interest income".

This category mainly comprises the international bond portfolio in DNB Markets and investments in bonds in DNB Livsforsikring.

NOTE 1 Accounting principles (continued)

Financial assets available for sale carried at fair value with changes in value recognised in other comprehensive income

Financial assets in the available for sale category are recognised at fair value with the subsequent change in fair value presented in other comprehensive income. See the paragraph below about the determination of fair value. At the time of realisation the change in fair value shall be included as a part of the gain that is presented in the income statement. Financial assets are classified in this category if they do not meet the criteria for being classified in any of the other categories presented above.

Other financial liabilities carried at amortised cost

Financial liabilities carried at amortised cost are recognised at the transaction price plus direct transaction expenses.

Interest expenses on such instruments are presented within "Net interest income" using the effective interest method.

This category includes deposits from customers and credit institutions, commercial paper issued, bonds, subordinated loan capital and perpetual subordinated loan capital securities.

Issued financial guarantees

Contracts resulting in the Group having to reimburse the holder for a loss incurred because a specific debtor fails to make payment when due, are classified as issued financial guarantees.

On initial recognition, issued financial guarantees are recognised at the consideration received for the guarantee. Issued financial guarantees are subsequently measured at the higher of the consideration received for the guarantee excluding any amortised amounts recognised in the income statement and the best estimate of the payment due if the guarantee is honoured.

When issuing financial guarantees, the consideration for the guarantee is presented within the line item "Provisions" in the balance sheet. Changes in the carrying amount of financial guarantees are recognised within the line item "Net gains on financial instruments at fair value", except for changes related to guarantees which are part of loans which are individually impaired. Changes in the value of such guarantee contracts are recognised within the line item "Impairment of loans and guarantees".

Financial instruments with the characteristics of equity

Issued additional Tier 1 capital instruments are instruments where DNB has a unilateral right not to repay interest or the principal to the investors. As a consequence of these terms, the instruments do not meet the requirements for a liability and are therefore presented on the line Additional Tier 1 capital within the Group's equity. Transaction expenses and accrued interest are presented as a reduction in Other equity, while the advantage of the tax deduction for the interest will give an increase in Other equity.

Equity in foreign currency shall be converted to Norwegian kroner based on the exchange rate on the transaction date and is not subject to subsequent revaluation.

Offsetting

Financial assets and financial liabilities are offset and presented net in the balance sheet when the Group has a legally enforceable right to offset recognised amounts and has agreed to settle the balances on a net basis or to realise the asset and settle the liability simultaneously. Master netting agreements or similar agreements give the right to offset in the event of default. Such agreements reduce the Group's exposure in the event of default, but do not on their own qualify for offsetting in accordance with IFRS, as there also needs to be an intention to settle the contractual cash flows net on an ongoing basis. See note 30 Offsetting for details about the financial assets and financial liabilities subject to offsetting agreements.

Determination of fair value

Fair value is the price that would be received by selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Financial assets and liabilities in active markets are measured at the price within the bid-ask spread that is most representative of the fair value at the measurement date. In most cases bid or asking prices for these instruments are the most representative price for assets and liabilities respectively. Derivatives which are carried net are recognised at midmarket prices at the balance sheet date.

Financial instruments measured at fair value are valued on a daily basis with the exception of a few financial instruments that are valued on a monthly or quarterly basis. As far as possible, directly observable market prices are used. Valuations of the various types of financial instruments are based on well-acknowledged techniques and models. The prices and input parameters used are controlled and assessed based on established routines and control procedures.

The control environment for fair value measurement of financial instruments is an integrated part of the company's financial reporting. A number of controls are carried out on a daily basis, including controls of the day-one results on traded positions and controls of the key input parameters in the valuation. At the end of each month and quarter, extended controls are carried out to ensure that the valuations are consistent with the accounting policy for fair value including variation analyses. Special emphasis is placed on valuations in the level 3 in the valuation hierarchy, where the effects may be significant or particularly challenging.

Instruments traded in an active market

With respect to instruments traded in an active market, quoted prices are used, obtained from a stock exchange, a broker or a price-setting agency.

A market is considered active if it is possible to obtain external, observable prices, exchange rates or interest rates and these prices represent actual and frequent market transactions.

Some investments in equities and commercial paper and bonds are traded in active markets.

Instruments not traded in an active market

Financial instruments not traded in an active market are valued according to different valuation techniques and are divided into two categories:

Valuation based on observable market data:

- recently observed transactions in the relevant instrument between informed, willing and independent parties
- instruments traded in an active market which are substantially similar to the instrument that is valued
- other valuation techniques where key parameters are based on observable market data.

Valuation based on other factors than observable market data:

- estimated cash flows
- valuation of assets and liabilities in companies
- models where key parameters are not based on observable market data
- possible industry standards

In the valuation of OTC derivatives, a fair value adjustment is made for the counterparty's credit risk (CVA) and for the Group's own credit risk (DVA). In addition, an adjustment is made for expected funding costs (FVA).

The Group estimates CVA as a function of a simulated expected positive exposure, the counterparty's probability of

NOTE 1 Accounting principles (continued)

default and loss given default. The majority of the Group's derivative counterparties have no market-implied credit spread and no external rating. Internal ratings are therefore combined with historical credit default swap (CDS) spreads as well as current CDS index prices to arrive at the counterparty's estimated CDS spreads. This means that the Group uses its own credit models and their discriminatory power, but calibrates against pricing levels for similar credit risk in the market. The DVA is based on the same approach, using an assessment of DNB's credit spread.

FVA reflects the estimated present value of the future funding costs associated with funding uncollateralised derivative exposures. It is calculated by applying a market funding spread to the expected exposure. Funding benefits are not estimated for positions for which DNB calculates DVA.

For financial instruments measured by using valuation techniques, a gain or loss might from time to time occur at initial recognition when the estimated fair value is different from the actual transaction price. When the measurement is based on non-observable input parameters (level 3), the gain or loss is deferred and therefore not recognised at day one. Fair value changes in later period are only recognised to the extent the change is caused by factors that market participants would take into account.

Impairment of financial assets

At end of each reporting period, the Group considers whether any objective evidence of impairment exist as a result of one or more events have taken place after initial recognition (loss event) and the loss event has impact on the estimated future cash flows . A financial asset or group of financial assets is impaired if there is any objective evidence of impairment. Objective indications of impairment include an assessment of the following loss events:

- serious financial problems on the part of the debtor,
- non-payment or other serious breaches of contract,
- the probability that the debtor will enter into debt negotiations or
- other special circumstances that have occurred.

Renegotiation of loan terms to ease the position of the borrower qualifies as a loss event.

Individual impairment of loans

If objective evidence of impairment exists, impairment of loans is calculated as the difference between the carrying amount and the net present value of estimated future cash flows discounted by the original effective interest rate.

The business areas calculate estimated future cash flows based on developments in the exposure, past experience with the debtor, the probable outcome of negotiations and expected macroeconomic trends that will influence the customer's cash flow. In addition, the probability of debt settlement proceedings and bankruptcies is taken into consideration, including the probability that assets provided as collateral will be taken over. When measuring collateral, recognised methods for measuring underlying assets are used.

Individual impairment of loans reduces the carrying amount of loans and guarantees. Impairment during the period is recognised as "Impairment of loans and guarantees" in profit or loss.

Collective impairment of loans

Loans which are not individually impaired are assessed collectively for impairment. The assessment is based on whether objective evidence of impairment exists that can be related to a group of financial assets.

Loans are grouped on the basis of similar credit risk characteristics and in accordance with the division of customers into sectors or industries and risk categories. Impairment is estimated per group of financial assets based on estimates of the general economic situation and loss experience for the respective groups.

Collective impairment reduces the carrying amount of the line item "Loans to customers" in the balance sheet. Changes during the period are recognised within the line item "Impairment of loans and guarantees" in the income statement. Like individual impairment, collective impairment is discounted. The discount factor is based on statistics derived from individual impairment.

Repossession of assets

Assets which are repossessed as part of the management of non-performing and impaired loans are recognised at fair value at the time of acquisition. Such assets are recognised in the balance sheet according to the nature of the asset. Any difference between the carrying amount of the loan and the fair value of the asset is presented within the line item "Impairment of loans and guarantees" in the income statement. Subsequent valuations and presentation of the impact to the income statement follow the principles for the relevant balance sheet item.

Hedge accounting

When instruments are individually hedged, there is a clear, direct and documented correlation between changes in the value of the hedged item resulting from the hedged risk and changes in the value of the financial derivative (hedging instrument).

Upon entering into the hedging relationship, the correlation between the hedged item and the hedging instrument is documented. In addition, the underlying risk management objective and strategy are documented. Changes in fair value related to the hedged risk of the hedged item and instrument are evaluated periodically to ensure the necessary hedge effectiveness. Hedging instruments are recognised at fair value in the financial statements and changes in the fair value are presented within "Net gains on financial instruments at fair value" in the income statement.

For fair value hedging, the changes in the fair value of the hedged item attributable to the hedged risk will be recognised as an addition to or deduction from the balance sheet value of financial liabilities and assets and presented within "Net gains on financial instruments at fair value" in the income statement.

If the hedge relationship ceases or adequate hedge effectiveness cannot be verified, the accumulated change in fair value of the hedged item is amortised over the remaining maturity.

The Group undertakes hedging of investments in foreign subsidiaries to eliminate the currency risk on the invested amount. Hedging transactions are in the form of currency swaps or long-term borrowings in foreign currency. In the consolidated financial statement, the hedge relationships are presented as hedging of net investments in international operations.

9. Investment property and fixed assets

Properties held to generate profits through rental income or for an increase in value, are presented in the balance sheet as investment property. Properties which are mainly used for own operations, are presented as owner-used properties.

Other tangible assets are presented as fixed assets in the balance sheet.

On initial recognition, investment properties and owner-used properties are measured at cost including acquisition costs.

In subsequent periods, investment properties are measured at fair value. Therefore, no annual depreciation is made on an investment property. Fair value is determined by using well-acknowledged valuation techniques. Internal and external expertise is used for valuations. A selection of external appraisals are obtained and compared with internal valuations for control purposes. In addition, analyses are made of changes from the previous period,

NOTE 1 Accounting principles (continued)

as well as sensitivity analyses of key assumptions which are included in the overall evaluation of the fair value measurement. Providers of valuations are also followed up on an ongoing basis through dialogue and enquiries concerning the valuation of individual properties. Changes in fair value of investment property within life insurance are recognised within the line item "Net financial result, DNB Livsforsikring". Changes in fair value of other investment property in the Group are presented within the line item "Net gains on investment property" in the income statement.

Buildings which are owned by DNB Livsforsikring as part of the company's common portfolio and used by the Group, are recognised according to the revaluation model.

Other tangible assets are measured at cost less accumulated depreciation and impairment losses. Cost includes expenses directly related to the acquisition of the asset. Subsequent expenses are capitalised on the relevant assets when it is probable that future economic benefits associated with the expenditure will flow to the Group and can be measured reliably. Expenses for repairs and maintenance are recognised in the income statement as they occur.

The residual values and useful lives of the assets are reviewed annually and adjusted if required. Gains and losses on the sale of fixed assets are recognised within the line item "Net gain on fixed and intangible assets" in the income statement.

10. Intangible assets

Goodwill

Goodwill is initially measured at the acquisition date, as the excess of the aggregate of the consideration transferred and the amount recognised for any non-controlling interest over the fair value of the identifiable assets acquired and liabilities assumed in a business combination. Goodwill acquired is allocated to each cash generating unit, or group of units, expected to benefit from the combination's synergies. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Development of IT systems and software

Acquired software is recognised at cost with the addition of expenses incurred to make the software ready for use. Identifiable costs for internally developed software controlled by the Group where it is probable that economic benefits will cover development expenses at the balance sheet date, are recognised as intangible assets. When assessing balance sheet values, the economic benefits are evaluated on the basis of profitability analyses. Development expenses include expenses covering pay to employees directly involved in the project, materials and a share of directly related overhead expenses. Expenses relating to maintenance of software and IT systems are charged to the income statement as they occur. Software expenses recognised in the balance sheet are depreciated according to a straight line principle over their expected useful life, usually five years. The assessment for whether there is a need for impairment is considered according to the principles described below.

11. Impairment of fixed and intangible assets

At end of each reporting period the Group considers whether any indication of impairment of fixed or intangible assets exists. If such indication exists, the recoverable amount of the asset is calculated to estimate possible impairment. Goodwill and intangible assets with an indefinite useful life are tested for impairment minimum once a year even if no indication of impairment exists. DNB has chosen to perform this annual test in the fourth quarter.

The recoverable amount represents the higher of an asset's fair value less costs to sell and its value in use. If the asset's carrying amount exceeds the estimated recoverable amount, the asset is written down to its recoverable amount. See note 38 Intangible assets for description of impairment testing.

The following relevant criteria are considered when assessing whether indications of impairment exists:

- a decline in the asset's market value
- changes in the long-term return requirement which may affect the discount rate used in the calculation of the asset's value in use
- plans to restructure or liquidate the asset
- the asset generates less income than anticipated.

Calculations of value in use are based on historical results and plan figures approved by management. On the basis of plan figures for the cash-generating units, a future cash flow is estimated, defined as the potential return to the owner. The return includes profits from the cash-generating unit adjusted for the need to build sufficient capital to meet expected future capital adequacy requirements. Higher capital requirements due to expanded operations could make it necessary to retain part of the profits or to inject more capital from the owner, if profits from the cash-generating unit are not adequate to build the necessary capital. Beyond the plan period, which is three years, cash flow trends are assumed to reflect market expectations for the type of operations carried out by the cash-generating unit. Future expected cash flows are established for a ten year period where the Gordons growth formula is used to estimate the terminal value to be included.

The required rate of return is based on an assessment of the market's required rate of return for the type of operations carried out by the cash-generating unit. The required rate of return reflects the risk of the operations.

12. Liabilities to policyholders

Products offered by DNB Livsforsikring include group pension insurance, group association insurance, individual endowment insurance, individual annuity and pension insurance, products with a choice of investment profile, group life insurance and occupational injury insurance. In addition, DNB Livsforsikring offers individual risk non-life insurance, mainly statutory occupational injury insurance and appurtenant coverage.

Technical insurance reserves in life insurance

Technical insurance reserves, as defined in the Act on Insurance Activity, include the premium reserve, additional allocations, the market value adjustment reserve, the claims reserve, the risk equalisation fund and other technical reserves. In addition, the premium fund, deposit fund and the pensioners' surplus fund are included in insurance pro-visions. Apart from the risk equalisation fund, which is classified as equity, all insurance provisions are classified as liabilities to policyholders.

The premium reserve is a reserve to secure future insurance liabilities to policyholders and insured persons. The premium reserve represents the technical cash value, i.e. the net present value, of the company's total insurance liabilities including costs, less the cash value of future agreed premiums.

Additional allocations are a conditional allocation to policyholders where changes during the year are recognised in the income statement. The Insurance Act includes stipulations on the use and volume of additional allocations. According to these stipulations, maximum additional allocations per contract cannot exceed 12 per cent of the premium reserve for the contract. Actual allocations for the individual years are determined in connection with year-end adjustments. Additional allocations can be used to cover any rate-of-return shortfall if the annual return is lower than the guaranteed return.

NOTE 1 Accounting principles (continued)

The market value adjustment reserve represents the sum total of unrealised gains on current financial assets included in the common portfolio. If the portfolio of current financial assets shows a net unrealised loss, the market value adjustment reserve is set at zero. Unrealised gains and losses arising from exchange rate movements on derivatives used for currency hedging of properties, loans and held-to-maturity bonds in foreign currency are not included in the market value adjustment reserve.

The claims reserve shall cover the company's anticipated indemnity payments for insurance claims which have not been settled or advanced against the company at the end of the accounting year. The claims reserve represents only the funds that would have been disbursed during the accounting year if the processing of the insurance claims had been completed.

The risk equalisation fund can be used to cover negative risk results and to strengthen premium reserves in connection with changes in demographic assumptions in the calculation base. Each year, up to 50 per cent of the company's total risk result can be allocated to the risk equalisation fund for the products defined-benefit pension and paid-up policies. The annual return is reviewed in connection with year-end adjustments. The risk equalisation fund is classified as equity in the balance sheet.

The premium fund contains premiums prepaid by policyholders within individual and group pension insurance. A share of annual profits is allocated to the pensioners' surplus fund. The fund is used to strengthen the premium reserve for pensioners in connection with adjustments in pension payments.

Liabilities, customers bearing the risk

Allocations relating to insurance liabilities for which customers bear the risk represent the market value of invested policyholders' funds at any given time. The reserve covers a share of the surplus on the risk result and the guaranteed rate of return on the portfolio of products with a choice of investment profile and should correspond to expected payments from the company to customers reaching retirement age.

Assessment of liabilities to policyholders

Liabilities should be in reasonable proportion to the associated risk. This is ensured through continual monitoring of existing contracts. Furthermore, all premium rates prepared by the company shall be reported to the Financial Supervisory Authority of Norway (Finanstilsynet), which has overall responsibility for controlling that adequate premiums are applied. Prevailing premium rates are continually reviewed.

With respect to group pension insurance, the company has over several years increased reserves to reflect higher life expectancy. The company's plan for increasing reserves is valid from 1 January 2014 to 31 December 2020 and has been approved by Finanstilsynet. The financing represents surplus from the interest rate result and risk result, as well as utilisation of the risk equalisation fund and equity.

The basis for calculating disability risk is more recent, taking account of the increase in disability registered in society at large. The base rate is used to calculate the present value of future premiums, payments and insurance provisions. The maximum base rate is stipulated by Finanstilsynet, based on the yield on long-term government bonds. The maximum base rate within pension products will be 2.0 per cent for new rights earned.

Adequacy test

The Group carries out a quarterly adequacy test to assess whether its premium reserves are adequate to cover its liabilities to policyholders. The adequacy test is susceptible to changes in the interest rate curve as well as to assumptions for increased reserves to reflect higher life expectancy. The test is described in more detail in note 17 Insurance risk.

Recognition of changes in liabilities to policyholders

Insurance premiums and insurance settlements are recognised by the amounts earned and accrued during the year. Accrual of premiums earned takes place through allocations to the premium reserve in the insurance fund.

Insurance contracts transferred from other companies are recognised at the time the insurance risk is taken over. If the risk is transferred as at 31 December, it is reflected in the financial statement for the subsequent year. Transfer amounts include the policies' shares of additional allocations, the market value adjustment reserve and profits for the year.

The line item "Net financial result, DNB Livsforsikring" includes returns and gains less all losses, adjusted for allocations to or elimination of the market value adjustment reserve. In addition, it includes the company's guaranteed rate of return on policyholders' funds, increases in reserves to reflect higher life expectancy within group insurance, plus policyholders' share of profits including changes in additional allocations. If changes in the value of owner-used properties owned by DNB Livsforsikring as part of the company's common portfolio are recognised in other comprehensive income, a corresponding share of changes in liabilities to policyholders is recognised in other comprehensive income.

The line item "Net risk result, DNB Livsforsikring" includes risk premiums and the cost of claims for own account, plus claims handling costs. Claims include gross claims payments and changes in gross claims reserves, excluding the reinsurance share.

Administrative expenses are charged to policyholders through premium payments, returns and the dissolution of reserves. Total charges for policyholders are included in "Commission and fee income etc.". Operating expenses and commission expenses are recognised in the consolidated financial statements according to type of expense.

Technical insurance reserves in non-life insurance

Technical insurance reserves are presented in the financial statement pursuant to the Act on Insurance Activity with appurtenant regulations. This implies that the technical insurance reserves in the financial statement represent the gross unearned premium reserve in the annul accounts.

The gross unearned premium reserves represent accrual accounting of gross premiums written. The reserve corresponds to that part of gross premiums written which represents the remaining term of insurance policies on the balance sheet date.

The claims reserve shall cover anticipated future compensation payments for claims which have been incurred, but not fully settled on the balance sheet date. This includes both reported but not settled claims (RBNS) and incurred but not reported claims (IBNR). Reserves relating to known claims are assessed individually by the claims settlement team, while IBNR reserves are based on empirical data, using statistical models to estimate the scope of subsequent claims. In addition, there is a reserve for future claims processing costs linked to the RBNS and IBNR reserves. The accuracy of the model is measured by estimating differences between previous subsequent claims estimated by the model. The claims reserve is discounted by using industry-specific inflation assumptions, such as developments in the basic amount (G), KPI and the risk-free interest rate from EIOIPA.

Recognition in the income statement

"Net insurance result, DNB Forsikring" includes premium income for own account. Insurance premiums are recognised as income in accordance with the insurance period. In addition, it includes the

NOTE 1 Accounting principles (continued)

cost of claims for own account and costs related to the processing of claims. The cost of claims comprises paid gross compensation payments and changes in gross claims reserves, excluding the reinsurance share.

13. Pensions

Defined-benefit pension schemes

At year-end 2016, the defined-benefit scheme in DNB had principally been converted to a defined-contribution scheme.

The basis for calculating DNB's pension expenses is a linear distribution of pension entitlements measured against estimated accumulated commitments at the time of retirement.

Pension commitments are matched against the pension funds in the schemes. Pension commitments are estimated based on the present value of estimated future pension payments at the balance sheet date. The calculation of the pension commitments is based on actuarial and economic assumptions about life expectancy, rise in salaries and early retirement. The discount rate used is determined by reference to the yield on covered bonds at the balance sheet date, plus an add-on that reflects the relevant duration of the pension commitments.

The financial effects of changes in pension schemes are recognised as an expense at the earlier of the following dates:

- when the plan amendment or curtailment occurs; and
- when the entity recognises related restructuring costs or termination benefits, if any.

When calculating pension expenses, the discount rate is used on the net pension commitment. Employer's national insurance contributions are included in pension expenses and pension commitments.

When the defined-benefit pension scheme was converted during 2015 and 2016, the employees in the scheme were assigned paid-up policies. In addition, a compensation scheme was established for employees who were not yet pensioners. The scheme is unfunded. Compensation is earned on an ongoing basis, and the Group's has no commitments beyond payments and estimated interest. The compensation scheme is therefore measured in the same way as the defined-contribution scheme, see below.

See note 25 Pensions for more information.

Defined-contribution pension schemes

Under defined-contribution pension schemes, the Group does not commit itself to paying specified future pension benefits, but makes annual contributions to the employees' pension savings. Future pensions will depend on the size of annual contributions and the annual return on pension savings. After paying annual contributions, the Group has no further commitments linked to employees' work performance. The expenses following from the defined-contribution pension schemes are recognised in the income statement

14. Income tax

Taxes for the year comprise payable taxes for the financial year, any payable taxes for previous years and changes in deferred taxes on temporary differences. Temporary differences are differences between the carrying amount of an asset or liability and the taxable value of the asset or liability. The most significant temporary differences refer to changes in the fair value of financial assets and liabilities, changes in the fair value of investment properties, pension obligations, depreciation of fixed assets and properties and impairment losses for goodwill. Deferred taxes on investment property are based on the expectation that the value of the property will be recovered through a sale of the property.

Deferred taxes are calculated on the basis of tax rates and tax rules that are applied on the balance sheet date or are highly likely to be approved and are expected to be applicable when the deferred tax asset is realised or the deferred tax liability settled.

Deferred tax assets are recognised in the balance sheet to the extent that it is probable that future taxable income will be available against which they can be utilised. Deferred taxes and deferred tax assets within the same tax group are presented net in the balance sheet.

Taxes payable and deferred taxes relating to elements of other comprehensive income are presented net along with the related income or cost in the comprehensive income statement.

15. Restructuring

If restructuring plans that change the scope of DNB's operations or the way DNB carries out its operations are approved and communicated to the affected employees, the need for restructuring provisions is considered. This includes provisions for agreements on severance packages with employees when used as part of the restructuring. The provisions are reviewed on each reporting date and are reversed as expenses are incurred.

16. Leasing

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. Other leases are classified as operating leases.

DNB as lessor

Operating leases

Operating leases are leases where not an insignificant share of the risk and rewards relating to the investment in the leased object accrues to DNB at the end of the lease period. Operating assets are recognised as fixed assets in the balance sheet. Income from operating leases is recognised over the lease term on a straight-line basis. Depreciation of the fixed assets is presented as ordinary depreciation in the income statement.

Financial leases

Financial leases are presented as lending in the balance sheet, and at inception the lease is measured at an amount equal to the net investment in the lease. The net investment represents minimum lease payments, unguaranteed residual values and any direct expenses incurred by the lessor in negotiating the lease, discounted by the implicit interest rate (internal rate of return). Leasing income is recognised in the income statement according to the annuity method, where the interest component is recognised within the line item "Net interest income" while instalments reduce the balance sheet value of the loan.

DNB as lessee

Operating leases

Lease payments are recognised in the income statement as an expense on a straight-line basis over the lease term unless another systematic basis is more representative of the time pattern of DNB's use of the asset.

17. Cash flow statements

The cash flow statements show cash flows grouped according to source and use. The cash flows are presented as operating activities, investment activities or funding activities. Cash is defined as cash, deposits with central banks and deposits with credit institutions with no agreed period of notice. The cash flow statement has been prepared in accordance with the direct method.

NOTE 1 Accounting principles (continued)

18. Dividends

Proposed dividends are part of equity until approved by the general meeting. At that time, the dividend is presented as liability in the financial statement. Proposed dividends are not included in capital adequacy calculations.

19. Approved standards and interpretations that have not entered into force

By the end of 2016, the IASB had published a number of amendments to current regulations which have not entered into force. Below is a description of the amendments which may have impact on the Group's future reporting.

IFRS 9 Financial Instruments

In July 2014, the IASB issued the new standard for financial instruments IFRS 9 Financial Instruments, which will replace the current IAS 39. The new standard introduces a business model oriented approach for classification of financial assets, an expected loss model for impairment and a new general hedge accounting model. IASB is still working on a new requirement related to macro hedge accounting. This work has been established as a separate project and is expected to be finalised at a later point in time.

IFRS 9 is effective from 1 January 2018. The standard was endorsed by the EU in November 2016.

General description of the new rules

Under IFRS 9, financial assets are classified on the basis of the business model adopted for managing the assets and their contractual cash flow characteristics. Assets held with the objective of collecting contractual cash flows that are solely payments of principal and interest, are measured at amortised cost. Assets held with the objective of both collecting contractual cash flows and selling, which at the same time have contractual cash flows that are solely principal and interest, are measured at fair value through other comprehensive income. This results in assets recognised at fair value in the balance sheet and at amortised cost in the income statement. Other financial assets are measured at fair value through profit or loss. The option in IAS 39 to designate assets as being held at fair value through profit or loss if certain criteria are fulfilled has been retained in the new standard.

For financial liabilities the requirements are generally unchanged compared to the current IAS 39. As the main rule, financial liabilities are still to be measured at amortised cost with the exception of financial derivatives measured at fair value, financial instruments being part of the trading portfolio and financial liabilities designated as being held at fair value through profit or loss. With respect to financial liabilities designated at fair value through profit or loss, changes in fair value relating to the company's own credit risk shall, however, be recognised in other comprehensive income.

According to prevailing rules, impairment for credit losses shall only be recognised if there is objective evidence of impairment loss due to one or several events that have taken place after initial recognition (loss event) and the loss event has had a negative impact on estimated future cash flows. This model has, in the aftermath of the financial crisis, been criticised for recognising impairments losses too late and with too small amounts. Impairment provisions according to IFRS 9 shall be measured using an expected loss model, which involves recognising the underlying credit risk to a larger extent on the reporting date. The impairment rules in IFRS 9 will be applicable to all financial assets measured at amortised cost or at fair value through other comprehensive income. In addition, loan commitments, financial guarantee contracts and lease receivables are within the scope of the standard.

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

Impact for DNB

The new rules and concepts introduced by IFRS 9 require considerable development of the bank's models and IT systems. In 2015, DNB started the process to analyse and identify the need for changing the bank's models and IT systems as a consequence of implementing the new rules. This work proceeded in 2016 and will continue in 2017, focusing on implementing and completing chosen solutions, compared to earlier phases where the main focus was on analyses and mapping.

In 2016, DNB established its own project organisation with close cooperation between Group Finance and Group Risk Management in order to ensure the implementation. This work is divided into separate sub-projects covering (1) classification and measurement, (2) impairment and (3) the Group's reporting process and internal control framework, respectively. The project reports to its own steering committee led by the CFO.

The following choices concerning its accounting principles have been made in DNB as part of the implementation:

- The IAS 39 rules for hedge accounting are retained
- The opportunity for early implementation of the rules for recognising the change in fair value of financial liabilities, which is attributable to changes in the credit risk of that liability in other comprehensive income, will not be used
- DNB will not restate comparable figures. For the 2018 reporting, this means that the figures for earlier periods will be in accordance with the prevailing IAS 39 rules

Classification and measurement:

DNB has principally completed analyses related to classification under IFRS 9. During this process, DNB has focused on analysing the business models in the different parts of operations and on mapping relevant loan terms in order to assess the contractual cash flow characteristics. The study has led to some changes in classification and measurement, however, they are not considered to be significant compared to today's rules. The final assessments will be completed during the first half of 2017.

Impairment:

DNB will calculate the loss provisions according to the new rules as the present value of exposure at default (EAD) multiplied by the probability of default (PD) multiplied by loss given default (LGD).

DNB has chosen to base the development of the new model on the models and parameters currently applied by the Group according to today's IRB framework. This will help to ensure consistency between the bank's risk management and loss calculations.

In order to ensure the best estimate, IRB PDs needs, for instance, to be converted from "through the cycle" to "point in time". This is due to the fact that the measurement should be based on PD at the reporting date and not a normalised PD level. DNB will employ acknowledged models for such a conversion. A

NOTE 1 Accounting principles (continued)

corresponding conversion needs also to be made for EAD and LGD, which will be more forward-looking according to IFRS 9.

Another direct consequence of the transition to an expected loss model is that the loss provision shall include the effect of DNB's forward-looking view (macro scenarios). The different parameters in the model shall include adjustments for the effects of forward-looking information. In DNB there is a separate working group handling this in the project, focusing on how instruments with identical credit risk characteristics should be grouped, the identification of relevant risk drivers and the number of macro scenarios that the loss calculation should be based on. This work is expected to be finished in the first half of 2017. By introducing the use of macro scenarios, the complexity of the estimation process increases, while professional judgment is applied.

According to the new rules one of the most significant factors affecting the loss provision will be the transfer from the calculation of 12-month expected loss ("stage 1") to the calculation of lifetime expected loss ("stage 2"). The transfer to "stage 2" will occur when the commitment has been subject to a significant increase in credit risk since initial recognition. When assessing what could be considered a significant change in credit risk, DNB has chosen an approach based on three factors:

1) Quantitative criteria
   - Changes in the relative level of probability of default over the expected lifetime of the instrument ("lifetime PD"), combined with an absolute change.
2) Backstop
   - Forbearance
   - 30 days past due
3) A qualitative assessment related to events that are not captured in the quantitative criteria or in the backstop, for instance, the reason why a customer is put on the watchlist.

The thresholds for quantitative criteria (change in "lifetime PD") are based on an assessments of what is considered to be a significant change in credit risk in the bank's risk management and in customer follow-up. The work is principally finished, however, some analyses remain before the final criteria can be decided upon.

At present, it is still too early to give a reliable estimate of the expected implementation effect for the group accounts. The preliminary expectations are that the implementation of IFRS 9 will lead to increased provisions for credit losses due to the change from an incurred loss model to an expected loss model. This implementation effect will reduce the Group's equity capital at the time of implementation. In addition, increased volatility in the income statement is expected in the period ahead. The impact on capital requirements will depend on the final regulations from the Basel Committee, including the transitional rules that are expected at implementation. Proposed rules have been issued for consultation, however, no final version is available.

IFRS 15 Revenue from contracts with customers

IFRS 15 was published by the IASB in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognising revenue.

The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Contracts with customers that will be accounted for in accordance with the IFRS 9 Financial instruments shall however follow the requirements in IFRS 9 as they are scoped out of IFRS 15.

IFRS 15 will be effective as of 1 January 2018 and the standard was endorsed by the EU in September 2016. The Group has started the process to analyse the impact of the new rules. No significant changes are expected in the way the Group recognises revenues. The Group will apply the standard as from 2018.

IFRS 16 Leases

In January 2016, the IASB issued the new standard IFRS 16 "Leases". The new standard will have large implications for lessees, as all leases (with the exception of short-term leases and small asset leases) will be recognised in the balance sheet as a right-of-use asset with a corresponding liability. At initial recognition, the lease liability and the right-of-use asset are measured at the present value of future lease payments. Lease payments shall be recognised as interest expenses and amortisations. The accounting requirements for lessors are unchanged.

IFRS 16, which has yet to be endorsed by the EU, will be effective from 1 January 2019. The Group has started to analyse the consequences of the new standard. It is too early to give a reliable estimate of the effects on the Group's financial statements when the Group acts as lessee. DNB will apply the standard from 2019.

20. Important accounting estimates, judgments and assumptions

When preparing the consolidated financial statements, management makes estimates, judgment 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.

Impairment of loans

Estimates of future cash flows are based on empirical data and management's judgment of future macroeconomic developments and developments in the performance of the actual loans, and on the situation at the balance sheet date. The estimates are the result of a process which involves the business areas and central credit units, and represents management's best estimate. When considering impairment of loans, there will be several elements of uncertainty with respect to the identification of objective evidence of impairment, the estimation of amounts and the timing of future cash flows, including the valuation of collateral. See note 5 Credit risk for information about the management and follow-up of credit risk.

Individual impairment

When estimating impairment of individual loans and guarantees, both the current and the future financial positions of the customer are considered. For corporate customers, the prevailing market situation is also reviewed, along with market conditions within the relevant industry and general market conditions which could affect the customers' ability to repay the loans. In addition, the probability and outcome of restructuring, refinancing and re-capitalisation are taken into account, as well as the probability of bankruptcies and the possible foreclosure of assets provided as collateral. There is uncertainty related to the valuation of collateral for which no observable market data are available. An overall assessment of these factors forms the basis for estimating the future cash flow. In the event of a prolonged weak economic trend in certain industries and/or geographical areas, the application of judgement and estimations are more demanding. The discount period is estimated on an individual basis or based on empirical data about the period it normally takes to reach a solution to the problems that caused the objective indication of impairment.

NOTE 1 Accounting principles (continued)

Collective impairment

The expected future cash flow is estimated on the basis of expected losses and the anticipated economic situation for the respective groups. Expected losses are based on historical loss experience for the relevant groups. The economic situation is assessed by means of economic indicators for each group based on external information about the markets. Various parameters are used depending on the group in question. Key parameters are production gaps, which give an indication of capacity utilisation in the economy, housing prices, oil prices, salmon prices and shipping freight rates. The economic indicators that are used show a high degree of correlation with historical impairment. To estimate the net present value of expected future cash flows for loans subject to collective impairment, a discount factor based on observed empirical data from individually evaluated loans is used.

Fair value of financial derivatives and other financial instruments

The fair value of financial instruments that are not traded in an active market is determined by using different valuation techniques. The Group considers and chooses techniques and assumptions that as far as possible are based on observable market data representing the market conditions on the balance sheet date. When measuring financial instruments for which observable market data are not available, the Group makes assumptions regarding what market participants would use as the basis for valuing similar financial instruments. The valuations require application of significant judgment when calculating liquidity risk, credit risk and volatility among others. Changes in these factors would affect the estimated fair value of the Group's financial instruments. For more information see note 29 Financial instruments at fair value.

Measurement of liabilities under insurance contracts in DNB Livsforsikring

With respect to technical insurance reserves in DNB Livsforsikring, risks and uncertainties are mainly related to the likelihood of death and disability, as well as the interest rate level. Higher life expectancy affects future expected insurance payments and provisions. For more information see note 17 Insurance risk.

Valuation of properties within DNB Livsforsikring

Investment property is measure at fair value by discounting the expected net future cash flows to its presented value. Establishment of the future cash flows requires high degree of judgment and the fair value depend to a large extent upon the selection of assumption about the future, as example required rate of return and the level of future rental rates. The assumptions used in calculating the fair value of the property portfolio in DNB Livsforsikring can be found in note 36 Investment properties.

Income taxes, including deferred tax assets and uncertain tax liabilities

The Group is subject to income taxes in a number of jurisdictions. Significant judgment is required in determining the income tax in the consolidated financial statements, including assessments of recognised deferred tax assets and uncertain tax liabilities.

Deferred tax assets are recognised to the extent it is probable that the Group will have future taxable income against which they can be utilised. Extensive assessments must be made to determine the amount which can be recognised, included the expected time of utilisation, the level of profits computed for tax purposes as well as strategies for tax planning and the existence of taxable temporary differences.

There will be uncertainty related to the final tax liability for many transactions and calculations. The Group recognises liabilities related to the future outcome of tax disputes based on estimates of changed income taxes. When assessing the uncertain tax liabilities to be recognised in the balance sheet, the probability of the liability arising is considered. If the final outcome of the tax disputes deviates from the amounts recognised in the balance sheet, the deviations will impact the income tax expense in the income statement for the applicable period.

Implementation effects new rules

The table below presents the effects on DNB's consolidated financial statement resulting from the changes in the regulations on annual accounts for non-life and life insurance companies, as described in item 3 Changes in accounting principles.

Income statement

DNB Group

	Full year 2015		
Amounts in NOK million	Reported	Effect	Restated
Net financial result, DNB Livsforsikring	(1 251)		(1 251)
Net insurance result, DNB Forsikring	521	13	534
Taxes	(7 045)	(3)	(7 048)
Profit for the period	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 adapted 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 the 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, markets risk and operational risk. The allocation of credit risk is based on the Group's internal measurement of risk-adjusted capital requirements for credit. Capital requirements for market risk are allocated directly in accordance with risk-weighted volume, and operational risk is allocated based on the respective units' total income.

NOTE 2 Segments (continued)

Income statement

DNB Group

Amounts in NOK million	Personal customers 2016	Personal customers 2015	Small and medium-sized enterprises 2016	Small and medium-sized enterprises 2015	Large corporates and international customers 2016	Large corporates and international customers 2015	Trading 2016	Trading 2015	Traditional pension products 2016	Traditional pension products 2015	Other operations/ eliminations [1] 2016	Other operations/ eliminations [1] 2015	DNB Group 2016	DNB Group 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
Total operating expenses	(8 523)	(8 698)	(3 018)	(2 738)	(6 806)	(6 907)	(547)	(504)	(421)	(464)	159	1 698	(19 155)	(17 612)
Deprecation and impairment of fixed and intangible assets	(175)	(179)	(339)	(340)	(1 051)	(1 146)	(1)	(2)	(14)	(13)	(598)	(618)	(2 177)	(2 298)
Total 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 year	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 other operations/eliminations.
2) See note 10 Impairment of loans and guarantees for principal customer groups for an analysis of the gross change in impairment for the Group.

Balance sheets

DNB Group

Amounts in NOK billion	Personal customers 31.12.16	Personal customers 31.12.15	Small and medium-sized enterprises 31.12.16	Small and medium-sized enterprises 31.12.15	Large corporates and international customers 31.12.16	Large corporates and international customers 31.12.15	Trading 31.12.16	Trading 31.12.15	Traditional pension products 31.12.16	Traditional pension products 31.12.15	Other operations/ eliminations 31.12.16	Other operations/ eliminations 31.12.15	DNB Group 31.12.16	DNB Group 31.12.15
Loans to customers [1] [2]	718	685	233	220	521	570	30	33	39	28	(31)	6	1 509	1 543
Assets held for sale		0			0	0					52	0	53	0
Other assets	65	64	65	55	139	126	1 240	1 241	163	174	(580)	(604)	1 092	1 056
Total assets	783	749	297	275	660	696	1 270	1 274	202	202	(559)	(598)	2 653	2 599
Assets under management	47	45	20	19	179	229					22	16	267	308
Total combined assets	830	794	318	294	838	925	1 270	1 274	202	202	(537)	(582)	2 921	2 907
Deposits from customers [1] [2]	397	393	190	167	379	380	14	13			(45)	(9)	935	944
Liabilities held for sale						(0)					41	0	41	0
Other liabilities	346	324	83	88	195	246	1 249	1 253	182	184	(585)	(631)	1 471	1 464
Total liabilities	744	716	273	255	574	627	1 263	1 266	182	184	(589)	(640)	2 447	2 408
Allocated capital [3]	39	33	25	20	85	69	7	7	20	18	30	42	206	190
Total liabilities and equity	783	749	297	275	660	696	1 270	1 274	202	202	(559)	(598)	2 653	2 599

1) Loans to and deposits from customers in the Baltics are included under Large corporates and international customers in spite of being reclassified as asset and liabilities held for sale in August 2016. The reclassification is reflected under Other operations/eliminations. Reclassified loans amounted to NOK 45.0 billion and deposits to NOK 36.5 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.

Key figures

DNB Group

Per cent	Personal customers 2016	Personal customers 2015	Small and medium-sized enterprises 2016	Small and medium-sized enterprises 2015	Large corporates and international customers 2016	Large corporates and international customers 2015	Trading 2016	Trading 2015	Traditional pension products 2016	Traditional pension products 2015	Other operations/ eliminations 2016	Other operations/ eliminations 2015	DNB Group 2016	DNB Group 2015
Cost/income ratio [1]	47.8	47.7	40.3	39.2	38.4	37.8	18.3	31.7	35.9	76.7			40.9	36.9
Ratio of deposits to loans as at 31 December [2]	55.4	57.3	81.4	75.8	72.9	66.8							62.0	61.2
Return on allocated capital [3]	18.4	23.0	11.9	12.7	5.0	11.1	25.4	11.2	4.0	5.1			10.1	14.5

1) Total operating expenses relative to total income.
2) Deposits from customers relative to loans to customers.
3) Allocated capital for the segments is calculated based on the external capital adequacy requirement (Basel III) which must be met by the Group. Recorded capital is used for the Group.

NOTE 2 Segments (continued)

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	2016	2015
Unallocated interest income.	(265)	(83)
Income from equity investments (see note 21)	36	124
Mark-to-market adjustments on financial instruments (see note 21)	436	990
Basis swaps (see note 21)	(542)	2 685
Profit from associated companies	1 190	(45)
Net gains on investment properties	34	312
Profit from repossessed operations	(14)	64
Ownership-related expenses (costs relating to shareholders, investor relations, strategic planning etc.)	(465)	(408)
Unallocated personnel expenses (see note 22) [1]	(136)	1 450
Unallocated IT and Operations expenses	205	278
IT restructuring		(234)
Reversal of provisions (see note 23)	24	46
Impairment of fixed assets and value adjustments on investments properties	34	(60)
Other	(47)	44
Pre-tax operating profit	488	5 164

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

Geographic areas

Income statement **DNB Group**

	International operations		Norway		DNB Group	
Amounts in NOK million	2016	2015	2016	2015	2016	2015
Net interest income	7 863	8 321	26 246	27 037	34 110	35 358
Net other operating income	2 851	4 132	15 202	14 516	18 053	18 648
Total income	10 714	12 453	41 449	41 553	52 163	54 006

Balance sheet items **DNB Group**

	International operations		Norway		DNB Group	
Amounts in NOK billion	31.12.16	31.12.15	31.12.16	31.12.15	31.12.16	31.12.15
Loans to customers	218	293	1 291	1 249	1 509	1 543
Total assets	308	335	2 345	2 263	2 653	2 599
Guarantees	35	37	63	74	99	110

Product information

See note 18 Net interest income, note 19 Interest rates on selected balance sheet items, note 20 Net commission and fee for further information on products.

NOTE 3 Capitalisation policy and capital adequacy

The DNB Group aims to maintain a management buffer of approximately 1.0 percentage point in addition to the total regulatory common equity Tier 1 (CET1) capital ratio. The object of the management buffer is to cushion against fluctuations in risk-weighted assets and earnings that can occur as a result of, for example, exchange rate movements or changes in credit spreads, and thereby enable the Group to maintain normal growth in lending and a predictable dividend policy. At year-end 2016, the total regulatory CET1 capital ratio requirement was 14.7 per cent. DNB's internal target was 15.7 per cent. The capitalisation targets relate to the Group's risk-weighted assets at any given time. Norwegian banks are subject to a transitional rule for capital adequacy calculations, which stipulates that total risk-weighted assets cannot be reduced below 80 per cent of the corresponding figure calculated according to the Basel I regulations.

At year-end 2016, the DNB Group had a CET1 capital ratio of 16.0 per cent and a capital adequacy ratio of 19.5 per cent, compared with 14.4 per cent and 17.8 per cent, respectively, a year earlier. Risk-weighted assets came to NOK 1 051 billion at year-end 2016, compared with NOK 1 129 billion the year before. The Basel I floor for risk-weighted assets applies to DNB and reduced the CET1 capital ratio by 1.6 percentage points relative to calculations based on the Basel III rules at year-end 2016.

The DNB Bank Group had a CET1 capital ratio of 15.7 per cent and a capital adequacy ratio of 20.0 per cent at year-end 2016, compared with 14.3 and 17.9 per cent, respectively, a year earlier.

DNB Bank ASA had a CET1 capital ratio of 19.1 per cent at year-end 2016, compared with 15.1 per cent a year earlier. The capital adequacy ratio was 24.8 per cent at year-end 2016, compared with 19.3 per cent a year earlier.

At year-end 2016, DNB Boligkreditt AS had a CET1 capital ratio of 16.0 per cent and a capital adequacy ratio of 18.0 per cent, calculated according to the transitional rules for risk-weighted assets. If the transitional rules were not applied, DNB Boligkreditt's CET1 capital ratio and capital adequacy ratio would have been 19.6 and 22.1 per cent, respectively, at year-end 2016.

As a supplement to the risk-weighted capital adequacy regime, the Basel Committee introduced a new capital measure, "leverage ratio" or non-risk based CET1 capital ratio. The Basel Committee recommended mandatory disclosure of this ratio as from 2015, and a minimum leverage ratio requirement as of 2018. In line with the Basel Committee's recommendation, the European Commission has recommended the introduction of a minimum requirement of 3 per cent. The Norwegian Ministry of Finance has set a minimum requirement for the leverage ratio in financial institutions and investment firms in Norway that will enter into effect as of 30 June 2017, calculated on the basis of CET1 capital including additional Tier 1 capital. The basis of calculation consists of assets and off-balance sheet items converted by means of the conversion factors used in the standardised approach for calculating ordinary capital adequacy. In addition, some special adjustments are made for derivatives and repo transactions. Insurance operations are not included. The definitions of capital and the basis of calculation are in conformity with international rules. The Norwegian leverage ratio requirement consists of a minimum requirement of 3 per cent that will apply to all financial institutions, a mandatory 2 per cent buffer for banks and an additional mandatory buffer of 1 per cent for systematically important banks. DNB is the only institution in Norway that will be required to have a leverage ratio of 6 per cent. The DNB Group calculates its leverage ratio in accordance with the revised article 429 of the CRR, and the European Commission Regulation that entered into force on 18 January 2015. At year-end 2016, the Group's leverage ratio was 7.3 per cent, up from 6.7 per cent a year earlier. DNB meets the minimum requirement of 6 per cent by a wide margin.

The new rules for the capitalisation of insurance companies in Norway and Europe, Solvency II, entered into effect on 1 January 2016. DNB Livsforsikring had a solvency margin of 152 per cent at year-end 2016 calculated without the use of transitional rules, and 211 per cent calculated according to the transitional rules. A year earlier, the corresponding pro forma ratios were 113 per cent without the use of transitional rules and 192 per cent when the transitional rules were applied. At end-December 2016, the remaining required increase in reserves for higher life expectancy was NOK 0.5 billion. The equity component of the required increase in reserves has already been recorded, whereby the remaining amount must be covered by policyholders' interest result in excess of the guaranteed return. See note 17 Insurance risk.

NOTE 3 Capitalisation policy and capital adequacy (continued)

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	168 104	151 533	190 078	173 412	206 423	190 078
Effect from regulatory consolidation			(181)	(541)	(5 795)	(541)
Non-eligible capital, insurance						(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]					185 509	
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 Capitalisation policy and 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-volume 31 Dec. 2016	Capital requirements 31 Dec. 2016	Capital requirements 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 - mortgage loans	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 - mortgage loans	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	19 712	19 711	229.8	45 291	3 623	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	574 857	431 611	58.0	250 228	20 018	17 195
Total credit risk	2 454 505	2 094 488	40.8	853 714	68 297	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 rule				958 212	76 657	81 317
Additional capital requirements according to transitional rule [2]				93 285	7 463	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 Risk management

Risk management in DNB

The Board of Directors of DNB ASA has a clearly stated goal to maintain a low overall risk profile and to maintain an AA level rating for ordinary long-term debt. The profitability of DNB will depend on the ability to identify, manage and accurately price risk arising in connection with financial services.

Organisation and authorisation structure

- *Board of Directors.* The Board of Directors of DNB ASA sets long-term targets for the Group's risk profile. The risk profile is operationalised through the risk management framework, including the establishment of authorisations. Risk-taking should take place within established limits.
- *Authorisations.* Authorisations must be in place for the extension of credit and for position and trading limits in all critical financial areas.
- *All authorisations are personal.* Authorisations and group limits are determined by the Board of Directors and can be delegated in the organisation, though any further delegation requires approval by an immediate superior.
- *Annual review of limits.* Risk limits are reviewed at least annually in connection with budget and planning processes.
- *Independent risk management functions.* Risk management functions and the development of risk management tools are undertaken by units that are independent of operations in the individual business areas.

Monitoring and use

- *Accountability.* All executives are responsible for risk within their own area of responsibility and must consequently be fully updated on the risk situation at all times.
- *Risk reporting.* Risk reporting in the Group ensures that all executives have the necessary information about current risk levels and future developments. To ensure high-quality, independent risk reports, responsibility for reporting is assigned to units that are independent of the operative units.
- *Capital assessment.* A summary and analysis of the Group's capital and risk situation is presented in a quarterly risk report to DNB ASA's Board of Directors.
- *Use of risk information.* Risk is an integral part of the management and monitoring of business areas. Risk-adjusted return is reflected in product pricing, profit calculations and in monitoring performance in the business areas.

Relevant risk measures

- *Risk appetite.* DNB monitors risk through defined targets and limits. The risk appetite framework consists of 17 statements covering the risk dimensions which are considered to be significant for the DNB Group, and which added up give a good view of the total risk. Developments in the target figures are monitored and reported monthly to the group management team and quarterly to DNB's Board of Directors. See separate paragraph on risk appetite.
- *A common risk measure for the Group.* The Group's risk is measured in the form of economic capital, calculated for all of the Group's business areas and main risk categories, with the exception of liquidity risk. See separate paragraph on economic capital.
- *Supplementary risk measure.* In addition, risk is followed up through supplementary risk measures adapted to operations in the various business areas, for example monitoring of positions relative to limits, key figures and portfolio risk targets.

Risk categories

In DNB, risk is divided into six main categories which are subject to special measurement and monitoring.

- Credit risk is the risk of financial losses due to failure on the part of the Group's customers to meet their payment obligations. Credit risk refers to all claims against customers, principally loans, but also obligations related to other approved credits, guarantees, fixed-income securities, undrawn credits and interbank deposits. Counterparty risk is also a type of credit risk and arises through derivative trading.
- *Market risk* is the risk of losses due to unhedged positions in the foreign exchange, interest rate, commodity and equity markets. The risk arises in consequence of fluctuations in profits due to changes in market prices or exchange rates. Market risk includes both risk that arises through ordinary trading activities and risk that arises as part of banking activities and other business operations. In addition, market risk arises in DNB Livsforsikring AS, reflecting the risk that the return on financial assets will not be sufficient to meet the obligations specified in insurance policies.
- *Operational risk* is the risk of losses due to deficiencies or errors in internal processes and systems, human errors or external events. Operational risk also includes compliance risk, legal risk, conduct risk and IT risk. Compliance risk is the risk of losses in consequence of the violation of laws and regulations. Legal risk is related to the documentation and interpretation of contracts and different legal practices in countries where the bank has operations. Conduct risk is defined as the existing or potential risk of losses related to improper deliveries of financial services or losses resulting from generally reprehensible conduct.
- *Insurance risk* is incurred by DNB Livsforsikring AS and DNB Forsikring AS and is related to changes in future insurance obligations. Within life insurance, such risk reflects changes in policyholders' life expectancy and disability rates. Within non-life insurance, insurance risk is related to the frequency and size of future claims payments.

NOTE 4 Risk management (continued)

- *Liquidity risk* is the risk that the Group will be unable to meet its obligations as they fall due, and the risk that the Group will be unable to meet its liquidity obligations without a substantial rise in appurtenant costs. Liquidity is vital to financial operations. This risk category will often be conditional in the respect that it will not materialise until other events give rise to concern regarding the Group's ability to meet its obligations.
- *Business risk* relates to fluctuations in profits due to changes in external factors such as the market situation, government regulations or the loss of income due to a weakened reputation. Reputational risk is often a consequence of other risk categories. The Group's business risk is primarily handled through the strategy process and ongoing efforts to safeguard and improve the Group's reputation. When determining and following up the Group's risk appetite, reputational risk is defined as a separate risk dimension. Reputational risk is followed up by monitoring media coverage, while the competitive situation is followed up by analysing market trends and developments in market shares.

In addition to the above-mentioned risk categories the Group is exposed to strategic risk, which can be defined as the risk of a decline in profits if the Group fails to exploit existing strategic opportunities. The Group's strategic risk is not measured or reported individually, but is discussed as part of the annual strategy process.

Risk appetite

The Board of Directors of DNB ASA sets long-term targets for the risk profile through the risk appetite framework. The risk appetite framework aims to ensure that risk is managed and integrated with the Group's governance processes. The risk appetite framework should provide a holistic and balanced view of the risk in the business. In 2016, the framework consisted of 17 statements. To support the framework a set of governance principles and operational procedures and responsibilities within the DNB Group have been defined. The targeted risk profile will also be reflected in other parts of the risk management, including the establishment of authorisations and business limits. The risk appetite framework will be reviewed at least annually. The Board of Directors also regularly reviews risk levels, the framework structure and the reporting of relevant risk categories.

The limits in the risk appetite framework are operationalised in the business areas and support units. In the Group's governance system, the risk appetite framework is implemented in the form of target figures for selected risk indicators. The risk indicators will typically take the form of limits (for quantifiable risk) or qualitative assessments of the risk level. They do not need to be based on the same measurement parameters as the ones used at group level, though they must support the same risk types and show the same trend. Continual monitoring of these target figures will ensure that the risks that are considered to be the most significant are also subject to monitoring and discussion in operative units in the organisation.

Economic capital for the DNB Group

Economic capital is a measure of the risk of losses generated by various business operations. Economic capital makes it possible to compare risk across risk categories. Average losses over a normal business cycle represent expected costs which should primarily be covered through correct pricing of the Group's products. Economic capital should cover unexpected losses. The quantification of economic capital is based on statistical probability calculations for the various risk categories on the basis of historical data. DNB has stipulated that economic capital should cover 99.97 per cent of potential losses within a one-year horizon. This level is in accordance with an AA level rating target for the ordinary long-term debt in DNB Bank ASA.

DNB quantifies economic capital for the following risk categories: credit risk, market risk, market risk in life insurance, insurance risk, risk in non-life insurance, operational risk and business risk. A significant diversification or portfolio effect arises when the various risks are considered together, as it is unlikely that all losses will occur at the same time. An economic downturn will normally have a negative effect on most areas, but there will be a diversification effect, as not all areas will be hit equally hard. The diversification effect between risk categories and business areas implies that the Group's economic capital will be much lower than if the business areas had been independent companies.

At end-December 2016, net economic capital for the Group was estimated at NOK 73.0 billion, a reduction of NOK 2.7 billion from end-December 2015.

More about risk in DNB Livsforsikring AS

Risk in DNB Livsforsikring AS includes market, insurance, credit, operational and business risk. Market and insurance risk in life insurance comprises the risk that the return on financial assets will not be sufficient to meet the obligations specified in insurance policies and the risk related to changes in future insurance payments due to changes in life expectancy and disability rates.

According to current parameters for life insurance operations in Norway, DNB Livsforsikring carries the risk of fulfilling the company's commitments in contracts with policyholders. The return on financial assets must be sufficient to meet the guaranteed annual return to the company's policyholders. If this is not the case, additional allocations will have to be used, representing buffer capital built up from profits in previous years. Alternatively, the shortfall could be charged to equity.

Risk management in DNB Livsforsikring is part of the company's strategy, which has been approved by the Board of Directors. Through regular assessments by the Group's Asset and Liability Committee, ALCO, the risk situation in DNB Livsforsikring is reviewed relative to the Group's overall risk profile. DNB Livsforsikring's chief executive officer and Board of Directors are to help ensure that DNB Livsforsikring's risk management and strategy are consistent with the Group's risk profile. The Risk Analysis and Control unit is responsible for reporting, monitoring and follow-up of total risk in DNB Livsforsikring and is organised independent of the Group's financial management and business areas.

NOTE 4 Risk management (continued)

Concentrations of risk

Concentrations of financial risk arise when financial instruments with identical characteristics are influenced in the same way by changes in economic or other factors. The identification of risk concentrations is subject to discretionary assessment. The general purpose of risk management in the Group is to reduce and control risk concentrations. The Group aims to avoid large credit risk concentrations, including large exposures to a customer or customer group as well as clusters of loans in high-risk categories, industries and geographical areas, see notes 2, 6 and 7. Total credit risk as at 31 December 2016 is presented in note 5. With respect to market risk, concentration risk is restricted by limits ensuring that exposure is divided among a number of instruments, securing sound diversification to meet changes in share prices, exchange rates, commodity prices and interest rate levels. Concentrations of interest rate risk are presented in note 13. Currency risk is specified in note 14. The Group's largest investments in shares, mutual funds and equity certificates are specified in note 31. The Group has not identified material risk concentrations apart from in its core operations, including strategic priority areas, which are referred to above.

NOTE 5 Credit risk

Credit risk or counterparty risk is the risk of financial losses due to failure on the part of the Group's customers/counterparties to meet their payment obligations towards DNB. Credit risk refers to all claims against customers/counterparties, mainly loans, but also commitments in the form of other extended credits, guarantees, interest-bearing securities, unutilised credit lines, interbank deposits and loan offers, as well as counterparty risk arising through trading in currency and interest rate derivatives. In addition, counterparty risk is a major element of the settlement risk that arises in connection with payment transfers and the settlement of contracts.

Credit risk also includes concentration risk, including risk relating to large exposures to a particular customer, as well as clusters of loans in geographical areas or industries or to homogeneous customer groups. Residual risk is the risk that the collateral backing a loan is less effective than expected. Credit risk management and measurement is described in further detail in the Risk and Capital Management (Pillar 3) report. The group guidelines for credit activity are approved by the Boards of Directors of DNB. The principal objective of credit activity is to ensure that the quality and composition of the loan portfolio provide a good basis for the Group’s short and long-term profitability. The quality of the portfolio should be consistent with DNB’s aim of maintaining a low risk profile. See also note 4 Risk management, in which credit risk for the Group is quantified in the form of risk-adjusted economic capital.

The maximum credit risk exposure will be the carrying amount of financial assets plus unrecorded exposure, which mainly includes guarantees, unutilised credit lines and loan offers. Guarantees, unutilised credit lines and loan offers are specified in note 52 Off-balance sheet transactions and contingencies. The maximum credit risk exposure and related collateral are shown below.

NOTE 5 Credit risk (continued)

Credit risk exposure and collateral as at 31 December 2016 **DNB Group**

Amounts in NOK million	Maximum exposure to credit risk	Secured by real estate	Collateralised by securities	Other collateral [1]
Deposits with central banks	207 279			
Due from credit institutions	176 442		153 938	23
Loans to customers	1 509 078	923 366	50 295	331 562
Commercial paper and bonds	390 649			
Financial derivatives	157 940		919	90 465
Other assets	35 653			
Total maximum exposure to credit risk reflected on the balance sheet	2 477 041	923 366	205 152	422 050
Guarantees	91 874	8 753	162	33 708
Unutilised credit lines and loan offers	606 055	79 219	92	78 869
Other commitments	5 345			18
Total maximum exposure to credit risk not reflected on the balance sheet	703 274	87 972	255	112 595
Total	3 180 314	1 011 338	205 407	534 645

Credit risk exposure and collateral as at 31 December 2015 **DNB Group**

Amounts in NOK million	Maximum exposure to credit risk	Secured by real estate	Collateralised by securities	Other collateral [1]
Deposits with central banks	16 911			
Due from credit institutions	301 216		279 056	44
Loans to customers	1 542 744	903 408	44 559	348 848
Commercial paper and bonds	394 919			331
Financial derivatives	203 029		1 675	86 829
Other assets	24 913			
Total maximum exposure to credit risk reflected on the balance sheet	2 483 732	903 408	325 291	436 052
Guarantees	98 548	11 077	227	31 710
Unutilised credit lines and loan offers	598 132	61 667	97	91 169
Other commitments	4 841			
Total maximum exposure to credit risk not reflected on the balance sheet	701 521	72 745	324	134 960
Total	3 185 253	976 153	325 615	571 012

1) *Other collateral includes the assessed fair value of movables, sureties, ships and cash as well as other credit enhancements, such as netting agreements and guarantees received.*

The table above includes on and off-balance sheet items which entail credit risk and the assessed value of related collateral. If available, fair values are used. In general, fair values are estimated according to different techniques depending on the type of collateral. With respect to properties, models estimating the value of collateral based on market parameters for similar properties, are used. Corresponding techniques are used for other non-financial collateral. In order to reflect the effective available collateral value, the fair value of collateral included in the table is limited to the maximum credit exposure of the individual loan or exposure.

Comments to the main items as at 31 December 2016:

- *Deposits with central banks:* Deposits with Norges Bank totalled NOK 15 822 million. DNB engages only in short-term transactions with central banks outside Norway, mainly in OECD countries.
- *Loans to customers:* See further description under "Guidelines for credit activity" on the following page.
- *Commercial paper and bonds:* See further description under "Credit exposure of other financial assets".
- *Financial derivatives:* Other collateral represents netting opportunities against other outstanding balances with customers and cash collateral received.
- *Guarantees:* See further description under "Guidelines for credit activity".
- *Unutilised credit lines and loan offers:* Offers of loans, credits and credit lines totalling NOK 110 435 million were included in the maximum credit exposure. No formal collateral has been established for such exposure, and the assessed value is not included in the table. Collateral is established once the offers are accepted by the customers. The assessment of the value of any collateral established in connection with such offers follows the procedure and criteria described under "Guidelines for credit activity".

NOTE 5 Credit risk (continued)

Credit risk exposure of loans and commitments

Notes 6 and 7 show the Group's credit risk exposure for principal customer groups and according to geographic location. Notes 8 through 11 show impaired loans and guarantees and impairment of loans and guarantees.

Classification of loans and commitments

DNB's internal models for risk classification of customers are subject to continual improvement and testing. The models are adapted to different industries and segments and are regularly upgraded to ensure that the variables used in the models have high explanatory power at all times based on key risk drivers for the individual parameters included in the models. DNB has been granted permission to use IRBA models in capital adequacy calculations. The same models are used in calculations of capital requirements and in risk management.

All corporate customers granted credit must be classified according to risk in connection with every significant credit approval and, unless otherwise decided, at least once a year. In the personal banking market, where there is a large number of customers, the majority of credit decisions should be made on the basis of automated scoring and decision support systems. Risk classification should reflect long-term risk associated with each customer and the customer's credit commitment.

The risk classification systems are used as decision support, monitoring and reporting. The risk parameters used in the classification systems are an integrated part of the credit process and ongoing risk monitoring, including the follow-up of credit strategies.

Probability of default, PD, is used to measure quality. The bank divides its portfolio into ten risk classes based on the probability of default for each credit commitment.

DNB's risk classification [1)]

	Probability of default (per cent)		External rating	
Risk class	As from	Up to	Moody's	Standard & Poor's
1	0.01	0.10	Aaa – A3	AAA – A-
2	0.10	0.25	Baa1 – Baa2	BBB+ – BBB
3	0.25	0.50	Baa3	BBB-
4	0.50	0.75	Ba1	BB+
5	0.75	1.25	Ba2	BB
6	1.25	2.00		
7	2.00	3.00	Ba3	BB-
8	3.00	5.00	B1	B+
9	5.00	8.00	B2	B
10	8.00	impaired	B3, Caa/C	B-, CCC/C

1) DNB's risk classification system, where 1 represents the lowest risk and 10 the highest risk.

Loans and commitments according to risk classification **DNB Group**

Amounts in NOK million	Gross loans to customers	Guarantee commitments	Unutilised credit lines	Total loans and commitments
Risk category based on probability of default				
1 - 4	1 024 098	68 494	456 275	1 548 868
5 - 7	411 733	14 011	79 427	505 170
8 - 10	92 148	6 251	15 748	114 147
Non-performing and impaired loans and guarantees	21 971	675		22 647
Total loans and commitments as at 31 December 2015 [1)]	1 549 950	89 431	551 451	2 190 832
Risk category based on probability of default				
1 - 4	1 027 531	58 810	469 155	1 555 496
5 - 7	372 414	14 091	70 838	457 343
8 - 10	88 886	9 946	29 563	128 395
Non-performing and impaired loans and guarantees	30 561	1 903	1 702	34 167
Total loans and commitments as at 31 December 2016 [1)]	1 519 392	84 751	571 258	2 175 401

1) Based on nominal amounts.

Loan-loss level [1)]	2016	2015
Normalised losses including loss of interest income in per cent of net loans	0.27	0.25

1) The calculation of the loan-loss level is based on an evaluation of the probability of future losses (default frequency), exposure at default and the size of the estimated loss (loss ratio). Calculations are based on a certain level of discretion and estimation.

NOTE 5 Credit risk (continued)

Guidelines for credit activity

DNB's guidelines and processes for approving credits are described in the group guidelines for credit activity. The guidelines describe how DNB shall grant and follow up credit exposures in the various segments. Detailed descriptions are given of the assessment of new customers, follow-up of healthy credit exposures, follow-up of customers in financial difficulty and procedures for handling doubtful and non-performing loans.

The granting of credit in DNB is based on authorisation and approval matrices. As a fundamental principle, one person makes a recommendation and another one approves it, which takes place through the authorisation and approval matrices. The matrices are differentiated on the basis of volume, risk and, if relevant, industry. While only two persons may be involved in (recommending and approving) a low-risk exposure in the form of a home mortgage, recommendations for large/complex exposures must be endorsed by a senior credit officer. In addition, advice will be sought from credit committees, and the involvement of industry specialists may be required.

A decisive element when granting credit is the customers' debt servicing capacity in the form of ongoing future cash flows, such as earned income or income from the business operations which are being financed. The bank seeks to further mitigate the risk of losses in connection with a possible future reduction in cash flows or default by requiring that collateral be furnished. Only in exceptional cases will credit be granted if the customer has provided no collateral.

Collateral can be in the form of physical assets, guarantees, cash deposits or netting agreements. As a rule, physical collateral shall be insured. Negative pledges, whereby customers undertake to keep their assets free from encumbrances vis-à-vis other lenders, are also used as a risk-mitigating measure.

In addition to collateral, most corporate credit agreements will include financial covenants, which represent an additional risk-mitigating element to ensure that DNB becomes aware of and involved in any financial challenges at an early stage. Examples of financial covenants are minimum net cash flow and equity ratio requirements.

Monitoring credit risk

Performing customers

According to the guidelines for credit activity for corporate customers, a credit assessment shall be made of all customers at least once a year. This is a complete review of all risks identified by DNB relating to the customer. A new evaluation of all collateral (provided) is an integral part of the annual review. The decision-making and authorisation matrices shall also be used in connection with the renewal of all existing credits and thus ensure that persons with relevant expertise are always involved when considering large and complicated exposures.

Personal customers are followed up through a systematic portfolio management system. Exposures are followed up individually if heightened risk has been identified.

Watchlist

The watchlist is the Group's primary tool for following up corporate customers when a risk has arisen which requires special monitoring. If customers breach financial covenants or a loss event requiring special monitoring has occurred, it will be considered whether to place the exposure on the watchlist. Loss events include serious financial problems or major changes in market conditions. In addition, all customers in the high-risk segment (risk grades 8-10) will be watchlist candidates. It is an integral part of credit activity to consider whether to place high-risk customers on the watchlist. Watchlisted customers are subject to special monitoring. More frequent, often quarterly risk assessments are required, including an updated valuation of collateral. In addition, an action plan must be prepared to get out of the risk situation that has arisen. The particularly close follow-up of customers facing greater challenges is based on the bank's experience that special monitoring both reduces the risk that losses will occur and minimises the losses that actually materialise. Each time watchlisted exposures are reviewed, the need for impairment losses will be considered.

Granting concessionary treatment of customers

If a customer gets into financial difficulties, DNB may in some cases grant voluntary concessions in the form of less stringent financial covenants or reduced/deferred interest and instalment payments. Such measures are offered in accordance with the Group's credit guidelines, thus aiming to help customers through a tough financial period when it is expected that they will meet their obligations on a later date. This is part of DNB's strategy to reduce losses. The DNB Group's total forbearance exposures, in accordance with the definition of forbearance in CRD IV, totalled approximately NOK 40.5 billion at year-end 2016.

Loss and non-performing portfolio

In the event of losses or non-performance, customers are closely monitored. In the bank's experience, other supplementary resources are required during this stage than for performing customers. Customer exposures which fall into this category will either be transferred in their entirety to a separate unit with special expertise in this field, or persons from this unit will join the customer team.

Repossessed companies and assets

In connection with the follow-up of impaired and non-performing exposures, DNB will in some cases take over assets provided as collateral for loans and guarantees. All acquired companies are followed up by the Group Investment unit, whose main target is to secure/recover values for DNB's shareholders through financial restructuring when companies and properties are repossessed due to default. See separate paragraph below for details on repossessed assets.

NOTE 5 Credit risk (continued)

Past due loans not subject to impairment

The table below shows overdue amounts on loans and overdrafts on credits/deposits and the total residual debt for these loans broken down on the number of days after the due date, assuming a deterioration of customer solvency or unwillingness to pay. Past due loans and overdrafts on credits/deposits are subject to continual monitoring. Loans and guarantees where any objective evidence of impairment exists are reviewed for impairment. Such reviews have also been carried out for the loans and guarantees included in the table for which no need for impairment has been identified. Past due loans subject to impairment are not included in the table but are included in tables showing impaired loans and guarantees, see note 8 Impaired loans and guarantees for principal customer groups.

DNB Group

	31 December 2016		31 December 2015	
Amounts in NOK million	Past due/ overdrawn	Outstanding balance on past due loans	Past due/ overdrawn	Outstanding balance on past due loans
10-29 days	753	7 210	129	8 277
30-59 days	467	1 149	272	2 743
60-89 days	14	430	32	758
> 90 days	222	3 265	1 706	5 076
Total	1 456	12 054	2 139	16 855

Credit exposure of other financial assets

The Group's investments in other financial assets, including commercial paper and bonds, are within risk limits approved by the Board of Directors. See note 35 Commercial paper and bonds, held to maturity, for a description of Markets' international bond portfolio and DNB Livsforsikring's portfolio of held-to-maturity bonds.

Counterparty risk for derivatives

DNB enters into derivative transactions on the basis of customer demand and to hedge positions resulting from such activity. In addition, derivatives are used to hedge positions in the trading portfolio and take positions in the interest rate, currency, commodity and equity markets. In addition, derivatives are used to hedge currency and interest rate risk arising in connection with funding and lending. Derivatives are traded in portfolios where balance sheet products are also traded. Derivatives are generally traded "over the counter" (OTC), which means that individual contracts are agreed upon by the parties.

Derivatives are traded with a number of different counterparties, and most of these are also engaged in other types of business. The credit risk that arises in connection with derivative trading is included in the DNB Group's overall credit risk measurement. Such measurement and follow-ups take place on a daily basis. In order to minimise counterparty risk for individual counterparties, netting agreements and bilateral guarantee agreements have been entered into. In addition, various interest rate products are cleared via so-called clearing houses, such as LCH Clearnet. The counterparty risk for an individual party is thus transferred to the clearinghouse.

CSA agreements (Credit Support Annex) have been entered into with most major bank counterparties and a large number of other counterparties. This means that the market value of all derivatives entered into between DNB and the counterparty is settled either daily or weekly, whereby counterparty risk is largely eliminated. These transactions are generally backed by cash collateral, though treasury bills and covered bonds are also used. The collateral agreements are normally not based on rating triggers, but for a few agreements, the minimum exposure level will be reduced if DNB is downgraded. The effects of a possible downgrade are very limited. Equity forward contracts, securities issues and currency trading for private individuals are monitored and margined on a daily basis.

NOTE 5 Credit risk (continued)

Repossessed properties and other assets – carrying amount

Repossessed assets are assets acquired by units within the Group as part of the management of non-performing and impaired loans and guarantees. At the time of acquisition, such assets are valued at their estimated realisable value. Any deviation from the carrying amount of non-performing and impaired loans and guarantees at the time of acquisition is classified as impairment on loans. Repossessed assets are recorded in the balance sheet according to the type of asset. When acquiring shares or mutual fund holdings, the assets are evaluated according to the principles described in note 1 Accounting principles. Upon final sale, the difference relative to carrying amount is recognised in the income statement according to the type of asset.

	DNB Group	
Amounts in NOK million	2016	2015
Repossessed properties and other repossessed assets as at 1 January	2 330	5 184
Property additions	217	620
Other asset additions	1	33
Reclassified as held for sale [1)]	(1 087)	
Property disposals	(335)	(3 426)
Other asset disposals	(3)	(14)
Net gains/losses resulting from adjustment to fair value (investment properties)	(1)	(68)
Repossessed properties and other repossessed assets as at 31 December	1 122	2 330

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

Loans and deposits designated as at fair value

	DNB Group	
Amounts in NOK million	31 Dec. 2016	31 Dec. 2015
Loans and deposits designated as at fair value	93 798	108 689
Total exposure to credit risk	93 798	108 689
Value adjustment from credit risk [1)]	135	248
Value adjustment from change in credit risk [1)]	(113)	(87)

1) Credit risk reflected in fair value measurements is based on normalised losses and changes in normalised losses in the relevant portfolio.

Effects of changes in credit margins

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 (ECB) 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. Changes in credit margins affected a number of items in the DNB Group's balance sheet:

As part of ongoing liquidity management, Markets invests in an international bond portfolio. The holding of such bonds totaled to NOK 98 billion end-December 2016. Unrealised gains in this portfolio amounted to NOK 45 million at end-December 2016, compared with unrealized losses of NOK 172 million at year-end 2015. There was considerable turnover in the portfolio in 2016.

Unrealized gain on the portfolio of Norwegian bonds used for liquidity management came to NOK 310 million at year-end 2016 compared with an unrealized gain of NOK 8 million at end-December 2015.

Moody's and Standard & Poor's downgrades of Eksportfinans' credit rating in the fourth quarter of 2011 resulted in sizeable unrealised gains on the company's long-term funding. The effect of these unrealised gains on DNB's holding, after tax, represented NOK 11.8 billion. After reviewing the fair value of the company in connection with the closing of the annual accounts, DNB wrote down the value by an amount corresponding to unrealised gains on Eksportfinans' own debt in the fourth quarter of 2011. Since 2011 the required rate of return in the market has been reduced, and Eksportfinans has reported sizeable unrealised losses on own debt. The impairment loss recorded by DNB in the fourth quarter of 2011 has been reversed by an amount corresponding to these unrealised losses. The remaining adjustment amounting to NOK 144 million was reversed in 2016. The impairment loss in 2011 and subsequent reversals have been reported on the line "Profit from investments accounted for by the equity method" along with DNB's share of profits from the company.

The DNB Group's long-term borrowings in Norwegian kroner are carried at fair value through profit or loss. Margin requirements were reduced in 2016: At end-December 2016, there were unrealised losses of NOK 317 million on long-term borrowings, compared with unrealised gains of NOK 337 million at year-end 2015. Unrealised losses on the DNB Group's liabilities will be reversed over the remaining term to maturity.

The DNB Group's fixed-rate loans in Norwegian kroner and parts of the portfolio of margin loans in Norwegian kroner are carried at fair value through profit or loss. Unrealised losses, measured relative to swap rates on these loans, came to NOK 144 million at year-end 2016, compared with unrealised losses of NOK 773 million at end-December 2015 reflecting reduced margin requirements. The unrealised losses will be reversed over the remaining term to maturity, provided that there are no changes in the credit status of the loans.

NOTE 6 Loans and commitments for principal customer groups

Loans and commitments as at 31 December 2016 [1)]

DNB Group

Amounts in NOK million	Loans and receivables	Guarantees	Unutilised credit lines	Total loans and commitments
Private individuals	753 817	272	241 774	995 862
Transportation by sea and pipelines and vessel construction	106 148	9 871	34 523	150 542
Real estate	202 681	2 888	26 910	232 479
Manufacturing	78 922	23 413	68 529	170 864
Services	87 293	5 688	31 325	124 305
Trade	39 343	4 928	28 283	72 553
Oil and gas	29 074	5 034	33 219	67 327
Transportation and communication	62 638	9 885	27 711	100 234
Building and construction	53 226	13 332	31 553	98 111
Power and water supply	31 179	7 186	24 014	62 378
Seafood	16 979	202	6 484	23 664
Hotels and restaurants	7 451	420	2 178	10 049
Agriculture and forestry	4 869	60	2 212	7 141
Central and local government	14 213	279	9 732	24 224
Other sectors	25 736	765	2 812	29 312
Total customers, nominal amount after individual impairment	1 513 566	84 222	571 258	2 169 046
– Collective impairment, customers	(4 488)			(4 488)
+ Other adjustments		(455)		(455)
Loans to customers	**1 509 078**	**83 766**	**571 258**	**2 164 102**
Credit institutions, nominal amount after individual impairment	176 430	7 653	34 796	218 879
+ Other adjustments	11			11
Loans to and due from credit institutions	**176 442**	**7 653**	**34 796**	**218 891**

Loans and commitments as at 31 December 2015

DNB Group

Amounts in NOK million	Loans and receivables	Guarantees	Unutilised credit lines	Total loans and commitments
Private individuals	745 849	284	199 188	945 322
Transportation by sea and pipelines and vessel construction	126 348	9 933	42 701	178 983
Real estate	202 796	2 341	26 165	231 301
Manufacturing	95 516	24 229	72 655	192 400
Services	97 916	6 074	25 566	129 556
Trade	41 056	5 451	25 756	72 262
Oil and gas	31 898	4 554	38 117	74 569
Transportation and communication	59 312	8 555	26 733	94 600
Building and construction	48 844	13 674	25 180	87 697
Power and water supply	33 797	8 366	23 860	66 023
Seafood	16 334	266	5 075	21 675
Hotels and restaurants	8 907	421	2 588	11 916
Agriculture and forestry	6 869	56	2 657	9 583
Central and local government	14 454	483	10 870	25 807
Other sectors	15 375	4 562	24 341	44 278
Total customers, nominal amount after individual impairment	1 545 271	89 250	551 451	2 185 971
– Collective impairment, customers	(2 527)			(2 527)
+ Other adjustments		(198)		(198)
Loans to customers	**1 542 744**	**89 052**	**551 451**	**2 183 246**
Credit institutions, nominal amount after individual impairment	301 212	8 935	46 682	356 829
+ Other adjustments	4			4
Loans to and due from credit institutions	**301 216**	**8 935**	**46 682**	**356 833**

1) *Loans and receivables in the Baltics are reclassified to assets and liabilities held for sale. See note 39 Assets and liabilities held for sale. Guarantees and unutilised credit lines include the Baltics.*

The breakdown into principal customer groups corresponds to the EU's standard industrial classification, NACE Rev.2.

NOTE 7 Loans and commitments according to geographical location

Loans and commitments as at 31 December 2016 [1] **DNB Group**

Amounts in NOK million	Loans to customers	Loans to and receivables from credit institutions	Guarantees	Unutilised credit lines	Total loans and commitments
Oslo	280 330	7 896	11 357	211 000	510 583
Eastern and southern Norway	492 918	484	18 864	124 944	637 210
Western Norway	194 435	10	8 588	53 872	256 906
Northern and central Norway	205 516	112	6 984	42 930	255 543
Total Norway	1 173 199	8 502	45 794	432 746	1 660 242
Sweden	82 015	5 039	6 355	34 497	127 907
United Kingdom	17 943	69 164	2 519	16 360	105 986
Other Western European countries	84 458	82 387	5 634	31 587	204 067
Russia	8		4	10	22
Estonia	5		97	321	423
Latvia	458		335	1 424	2 217
Lithuania	337		730	3 693	4 761
Poland	16 444	323	813	2 355	19 935
Other Eastern European countries	161	885	258	35	1 339
Total Europe outside Norway	201 830	157 798	16 746	90 282	466 656
USA and Canada	43 767	1 090	16 953	67 207	129 017
Bermuda and Panama [2]	26 794	86	3 904	3 629	34 413
Other South and Central American countries	18 744	1 569	2 291	4 697	27 301
Total America	89 306	2 745	23 148	75 533	190 731
Singapore [2]	8 683	39	1 021	217	9 960
Hong Kong	2 525	37		180	2 742
Other Asian countries	6 681	6 614	2 766	1 988	18 049
Total Asia	17 889	6 690	3 787	2 386	30 752
Liberia [2]	9 428		1 942	514	11 884
Other African countries	536	500	60	38	1 134
Oceania [2]	18 638	27	397	4 556	23 618
Commitments	1 510 826	176 262	91 874	606 054	2 385 017
– Collective impairment	(4 488)				(4 488)
+ Other adjustments	2 740	179	(455)		2 464
Net loans and commitments	**1 509 078**	**176 442**	**91 419**	**606 054**	**2 382 993**

1) Loans and receivables in the Baltics are reclassified to assets and liabilities held for sale. See note 40 Assets and liabilities held for sale. Guarantees and unutilised credit lines include the Baltics.

2) Represents shipping loans and commitments.

Based on the customer's address.

NOTE 7 Loans and commitments according to geographical location (location)

Loans and commitments as at 31 December 2015 **DNB Group**

Amounts in NOK million	Loans to customers	Loans to and receivables from credit institutions	Guarantees	Unutilised credit lines	Total loans and commitments
Oslo	256 748	6 119	12 464	187 746	463 077
Eastern and southern Norway	468 664	728	18 861	115 592	603 844
Western Norway	193 942	2 443	8 489	52 410	257 284
Northern and central Norway	204 199	45	9 085	39 898	253 228
Total Norway	1 123 553	9 335	48 899	395 646	1 577 433
Sweden	78 013	62	7 319	38 139	123 533
United Kingdom	18 183	101 230	3 536	17 597	140 546
Other Western European countries	101 092	178 058	5 428	34 741	319 318
Russia	816	86	4	5	912
Estonia	5 044	18	110	184	5 355
Latvia	15 587	3	395	1 451	17 436
Lithuania	27 950	98	848	3 301	32 197
Poland	17 832	164	726	3 090	21 812
Other Eastern European countries	203	598	262	33	1 095
Total Europe outside Norway	264 720	280 316	18 627	98 541	662 204
USA and Canada	46 330	724	17 046	80 907	145 006
Bermuda and Panama [1)]	31 531	132	2 665	5 647	39 975
Other South and Central American countries	14 864	4 177	2 638	6 824	28 503
Total America	92 725	5 033	22 349	93 378	213 485
Singapore [1)]	13 613	70	1 952	505	16 141
Hong Kong	3 025	222		702	3 949
Other Asian countries	10 545	6 072	3 854	3 493	23 963
Total Asia	27 183	6 365	5 806	4 700	44 053
Liberia [1)]	9 943		2 043	601	12 588
Other African countries	735	358	90	551	1 733
Oceania [1)]	22 276	23	372	4 715	27 386
Commitments	1 541 466	301 165	98 185	598 132	2 538 948
– Collective impairment	(2 527)				(2 527)
+ Other adjustments	3 805	51	(198)		3 658
Net loans and commitments	**1 542 744**	**301 216**	**97 987**	**598 132**	**2 540 079**

1) Represents shipping loans and commitments.

Based on the customer's address.

NOTE 8 Impaired loans and guarantees for principal customer groups

DNB Group

	Gross impaired loans and guarantees		Total individual impairment		Net impaired loans and guarantees	
Amounts in NOK million	31 Dec. 2016	31 Dec. 2015	31 Dec. 2016	31 Dec. 2015	31 Dec. 2016	31 Dec. 2015
Private individuals	3 907	4 502	(1 617)	(1 841)	2 290	2 661
Transportation by sea and pipelines and vessel construction	4 995	3 665	(2 247)	(1 620)	2 748	2 045
Real estate	2 760	3 716	(934)	(1 426)	1 826	2 289
Manufacturing	5 800	2 643	(1 814)	(1 113)	3 986	1 530
Services	1 508	952	(712)	(593)	797	359
Trade	1 255	977	(465)	(502)	790	476
Oil and gas	4 368		(744)		3 625	
Transportation and communication	5 528	1 825	(1 623)	(726)	3 905	1 099
Building and construction	1 446	1 020	(697)	(550)	749	470
Power and water supply	539	394	(154)	(77)	386	317
Seafood	61	13	(16)	(8)	44	5
Hotels and restaurants	104	167	(43)	(49)	61	118
Agriculture and forestry	157	172	(50)	(63)	107	110
Central and local government	0	11	(0)	(5)	0	7
Other sectors	30	126	(10)	(91)	19	34
Total customers	32 458	20 184	(11 127)	(8 665)	21 331	11 519
Credit institutions						
Total impaired loans and guarantees	32 458	20 184	(11 127)	(8 665)	21 331	11 519
Non-performing loans and guarantees not subject to impairment	4 322	2 463			4 322	2 463
Total non-performing and impaired loans and guarantees	36 781	22 647	(11 127)	(8 665)	25 654	13 982

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.

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 9 Impairment of loans and guarantees

DNB Group

	2016			2015		
Amounts in NOK million	Loans [1]	Guarantees	Total	Loans [1]	Guarantees	Total
Write-offs	(1 359)		(1 359)	(1 446)		(1 446)
New/increased individual impairment	(5 490)	(420)	(5 910)	(3 165)	(124)	(3 288)
Total new/increased individual impairment	(6 849)	(420)	(7 269)	(4 611)	(124)	(4 735)
Reassessed individual impairment previous years	913	76	990	890	88	978
Recoveries on loans and guarantees previously written off [2]	999		999	1 742		1 742
Net individual impairment	(4 937)	(344)	(5 280)	(1 979)	(36)	(2 015)
Changes in collective impairment of loans	(2 144)		(2 144)	(255)		(255)
Impairment of loans and guarantees	**(7 080)**	**(344)**	**(7 424)**	**(2 234)**	**(36)**	**(2 270)**
Write-offs covered by individual impairment made in previous years	2 803		2 803	3 749	(0)	3 749

1) Including impairment of loans at fair value.
2) Recoveries in 2015 and 2016 largely reflected the effects of the agreement with Lindorff Capital AS on the sale of portfolios of non-performing loans in Norway.

NOTE 10 Impairment of loans and guarantees for principal customer groups

DNB Group

	2016				2015			
Amounts in NOK million	New individual impairment	Reassessed individual impairment	Recoveries on loans and guarantees previously written off[1)]	Net impairment	New individual impairment	Reassessed individual impairment	Recoveries on loans and guarantees previously written off[1)]	Net impairment
Private individuals	(845)	210	942	308	(835)	188	1 642	995
Transportation by sea and pipelines and vessel construction	(1 555)	52	12	(1 491)	(1 027)	139	1	(886)
Real estate	(227)	180	14	(33)	(344)	140	3	(202)
Manufacturing	(1 258)	153	2	(1 104)	(882)	154	12	(716)
Services	(344)	158	5	(181)	(165)	64	19	(82)
Trade	(145)	53	10	(82)	(233)	69	10	(155)
Oil and gas	(819)	0		(819)	(0)			(0)
Transportation and communication	(1 554)	38	4	(1 512)	(588)	55	24	(509)
Building and construction	(325)	55	4	(266)	(422)	87	27	(308)
Power and water supply	(148)	52	6	(90)	(60)	1	1	(59)
Seafood	(10)	1	0	(9)	(8)	49	0	41
Hotels and restaurants	(7)	7	1	1	(21)	9	1	(10)
Agriculture and forestry	(30)	27	0	(3)	(27)	22	3	(2)
Central and local government	(0)	0		(0)	(0)	0	0	(0)
Other sectors	(2)	2	0	1	(124)	2	0	(121)
Total customers	(7 269)	990	999	(5 280)	(4 735)	978	1 742	(2 015)
Credit institutions								
Changes in collective impairment of loans				(2 144)				(255)
Impairment of loans and guarantees	**(7 269)**	**990**	**999**	**(7 424)**	**(4 735)**	**978**	**1 742**	**(2 270)**
Of which individual impairment of guarantees	*(420)*	*76*		*(344)*	*(124)*	*88*		*(36)*

1) Recoveries in 2015 and 2016 largely reflected the effects of the agreement with Lindorff Capital AS on the sale of portfolios of non-performing loans in Norway.

The breakdown into principal customer groups corresponds to the EU's standard industrial classification, NACE Rev.2.

NOTE 11 Developments in impairment of loans and guarantees

DNB Group

	2016				2015			
Amounts in NOK million	Loans to credit institutions	Loans to customers	Guarantees	Total	Loans to credit institutions	Loans to customers	Guarantees	Total
Impairment as at 1 January		(11 667)	(181)	(11 848)	(1)	(12 464)	(143)	(12 608)
New impairment		(4 012)	(403)	(4 415)		(1 870)	(124)	(1 994)
Increase in impairment		(1 478)	(17)	(1 495)		(1 295)	0	(1 295)
Reassessed impairment		913	76	990		890	88	978
Write-offs covered by previous impairment		2 803		2 803	1	3 748	0	3 749
Changes in individual impairment of accrued interest and amortisation						24		24
Changes in collective impairment		(2 144)		(2 144)		(255)		(255)
Baltics, reclassified as assets held for sale		1 649		1 649				
Changes due to exchange rate movement		388	(4)	384		(445)	(2)	(447)
Impairment as at 31 December		(13 548)	(529)	(14 077)		(11 667)	(181)	(11 848)
Of which: Individual impairment		*(8 566)*	*(529)*	*(9 095)*		*(8 484)*	*(181)*	*(8 665)*
Individual impairment of accrued interest and amortisation		*(494)*		*(494)*		*(656)*		*(656)*
Collective impairment		*(4 488)*		*(4 488)*		*(2 527)*		*(2 527)*

NOTE 12 Market risk

Conditions for calculating market risk

Market risk is the risk of losses or reduced future income due to fluctuations in market prices or exchange rates. The risk arises as a consequence of the bank's unhedged transactions and exposure in the foreign exchange, property, interest rate, commodity, credit and equity markets. The risk level reflects market price volatility and the positions taken. Overall, market risk represents 13.6 per cent of the DNB Group's total risk in terms of economic capital.

The DNB Group quantifies risk by calculating economic capital for individual risk categories and for the DNB Group's overall risk, see note 4 Risk management. Economic capital for market risk should, at a confidence level of 99.97 per cent, cover all potential losses related to market risk. The model has a one-year time horizon. Exposure included in the model could be either actual exposure or limits and is a conservative estimate where the Group is assumed to be incorrectly positioned relative to market developments.

Economic capital for the risk categories is calculated on the basis of expected developments in the value of an asset class or risk factor. To estimate annual losses, the value of each underlying instrument is simulated over a period of one year. Subsequent to this, losses for each potential realisation period are estimated.

The DNB Group has chosen to make a distinction between calculations of market risk in life insurance and market risk in the rest of the DNB Group, as different calculation methods are used. Calculations of economic capital for market risk in life insurance represent an assessment of the risk associated with financial instruments in life insurance. The calculation takes account of the obligations resulting from the guaranteed rate of return, equity buffers and dynamic portfolio management. DNB is directly exposed to market risk in its banking operations.

Economic capital for market risk in DNB Livsforsikring declined by NOK 2.9 billion during the year. The reduction was mainly a consequence of a lower equity exposure and higher interest rates. The Solvency margin was 211 per cent at year-end 2016, and the company thus met the requirement by a wide margin. DNB Livsforsikring also met the requirement without applying the transitional rules, whereby the solvency margin was 152 per cent. Through 2016, the Norwegian 10-year swap rate increased from 1.9 to 2.0 per cent. The low interest rate level increases the risk of losses due to the liability adequacy test. Lower interest rates also represent a long-term challenge for the life insurance industry, as the companies are required to meet the guaranteed minimum rate of return. DNB Livsforsikring now accounts for 44 per cent of the Group's total market risk.

Economic capital for market risk in operations other than life insurance was NOK 7.0 billion at year-end 2016, on a level with a year earlier. Risk exposure for the various market risk categories was virtually unchanged compared with end-December 2015.

NOTE 13 Interest rate sensitivity

Interest rate sensitivity for different time intervals

The value of items on and off the balance sheet is affected by interest rate movements. The table shows potential losses for DNB Group excluding DNB Livsforsikring and Baltics and Poland resulting from parallel one percentage point changes in all interest rates. The calculations are based on a hypothetical situation where interest rate movements in all currencies are unfavourable for DNB relative to the Group's positions. Also, all interest rate movements within the same interval will be unfavourable for the Group. The figures will thus reflect maximum losses for DNB.

The calculations are based on the Group's positions as at 31 December and market rates on the same date. The table does not include administrative interest rate risk and interest rate risk tied to non-interest-earning assets.

DNB Group [1)]

Amounts in NOK million	Up to 1 month	From 1 month to 3 months	From 3 months to 1 year	From 1 year to 5 years	Over 5 years	Total
31 December 2016						
NOK	494	152	227	765	653	227
USD	91	14	357	19	82	179
EUR	72	3	32	2	20	22
GBP	2	38	11	6	1	55
SEK	15	6	36	33	22	28
Other currencies	8	15	35	9	16	55
31 December 2015						
NOK	374	35	246	545	420	218
USD	1	96	78	22	3	5
EUR	0	59	74	30	12	32
GBP	8	25	20	6	2	21
SEK	89	29	121	8	1	6
Other currencies	19	20	33	8	17	50

1) Applies to the DNB Group excluding DNB Livsforsikring and Baltics and Poland.

Interest rate sensitivity for different time intervals – DNB Livsforsikring

The table shows interest rate sensitivity associated with financial assets in DNB Livsforsikring, excluding commercial paper and bonds held to maturity. The interest rate sensitivity of a security shows potential changes in the security's value resulting from a one percentage point change in interest rates.

DNB Livsforsikring

Amounts in NOK million	Up to 1 month	From 1 month to 3 months	From 3 months to 1 year	From 1 year to 5 years	Over 5 years	Total
31 December 2016						
NOK	8	71	45	366	269	759
USD	2	1	4	23	140	164
EUR	1	2	3	9	121	123
GBP				3	12	15
Other currencies		1		2		2
31 December 2015						
NOK	7	77	52	345	216	697
USD	1	13	3	15	81	86
EUR	1	3	4	4	78	71
GBP	0	2	0	2	12	12
Other currencies	0	3	0	1	1	0

Interest rate sensitivity – liabilities to insurance policyholders

DNB Livsforsikring carries the risk of meeting liabilities in relation to policyholders. The return on financial assets must be sufficient to meet the guaranteed rate of return specified in insurance policies. Otherwise, inadequate returns will have to be covered by applying the market value adjustment reserve, additional allocations, equity or subordinated loan capital.

The guaranteed rate of return must be complied with on a yearly basis. Measured in relation to customer funds the company's total guaranteed rate of return averages 3.1 per cent.

Note 17 Insurance risk gives a description of a liability adequacy test prepared in compliance with IFRS 4 Insurance Contracts concerning liabilities to policyholders as at 31 December 2016.

NOTE 14 Currency positions

The table shows net currency positions as at 31 December, including financial derivatives as defined by Norges Bank. Net positions in individual currencies may represent up to 15 per cent of eligible primary capital. Aggregate currency positions must be within 30 per cent of the eligible primary capital. Foreign exchange risk related to investments in subsidiaries is included in the currency position by the amount recorded in the accounts.

In DNB Livsforsikring foreign currency exposure arises when the company invests parts of its securities portfolio and property portfolio in the international securities market. Under DNB Livsforsikring's current foreign currency hedging strategy, the total foreign currency exposure is reduced to a minimum.

	DNB Livsforsikring		**DNB Group excl. DNB Livsforsikring**	
	Net currency positions		Net currency positions	
Amounts in NOK million	31 Dec. 2016	31 Dec. 2015	31 Dec. 2016	31 Dec. 2015
USD	231	209	1 068	883
EUR	76	(179)	(316)	(180)
GBP	24	11	(16)	15
SEK	214	112	19	(39)
DKK			20	(45)
CHF	2	8	14	2
JPY	41	30	6	(10)
NOK [1)]	61	11		
Other	110	(99)	122	141
Total foreign currencies	760	104	916	766

1) Equity and bond funds denominated in NOK with foreign currency exposure, including EUR, GBP, JPY, KRW and USD.

NOTE 15 Financial derivatives

General information on application of financial derivatives

Financial derivatives are contracts stipulating financial values in the form of interest rate terms, exchange rates and the value of equity instruments for fixed periods of time. Corresponding contracts stipulating prices on commodities and indexes are also defined as financial derivatives. Derivatives include swaps, forward contracts and options as well as combinations thereof, including forward rate agreements (FRAs), financial futures and agreements on the transfer of securities. Financial derivatives in DNB are traded to manage liquidity and market risk arising from the Group's ordinary operations. In addition, the Group employs financial derivatives in its own account trading.

"Over the counter" (OTC) derivatives are contracts entered into outside an exchange. The contracts are tailor-made according to investor requirements with respect to the underlying object, quantity, price, expiration terms and maturity. The advantage of OTC derivatives is that customers are not limited to standardised contracts and can buy the precise position they wish. The disadvantage compared with the standardised market is that it can be difficult to find other contracting parties and to sell the contracts in the secondary market.

The following derivatives are employed for both trading and hedging purposes in the DNB Group:

- *Forward contracts:* a contract to buy or sell interest rate terms, amounts in foreign currencies, shares or commodities on a specified future date at a fixed price. Forward contracts are tailor-made contracts traded between counterparties in the OTC market.
- *FRAs:* agreements that fix the interest rate for a future period for an agreed amount. When the contract matures, only the difference between the agreed interest rate and the actual market interest rate is exchanged.
- *Interest rate futures:* standardised contracts where the counterparties agree to exchange specific interest rate instruments at a fixed price on a specified date. The contracts are traded on an exchange. The value of interest rate futures follows the price trend on underlying interest rate instruments.
- *Swaps:* transactions where two parties exchange cash flows on a fixed amount over an agreed period. The majority of swaps are tailor-made and traded outside exchanges. The most important types of swaps traded by DNB are:
  - interest rate swaps in which fixed interest rates are exchanged for floating rates or floating rates are exchanged for fixed rates
  - cross-currency interest rate swaps in which parties exchange both currency and interest payments
  - equity swaps in which interest rate returns are exchanged for equity returns.
- *Options:* agreements giving the buyer the right, but not the obligation, to either buy (call option) or sell (put option) a specific quantity of a financial instrument or commodity at a predetermined and fixed price. The buyer pays a premium to the seller for this right. Options are traded both as OTCs (tailor-made) and as standardised contracts.

The table shows nominal values on financial derivatives according to type of derivative as well as positive and negative market values. Positive market values are entered as assets in the balance sheet, whereas negative market values are entered as liabilities. See note 1 Accounting principles for a more detailed description of measurement of financial derivatives.

NOTE 15 Financial derivatives (continued)

DNB Group

Amounts in NOK million	31 December 2016 Total nominal values	Positive market value	Negative market value	31 December 2015 Total nominal values	Positive market value	Negative market value
Interest rate contracts						
FRA-contracts	868 943	415	363	2 379 037	1 310	1 282
Swaps	2 778 612	83 170	39 945	2 844 383	97 617	66 754
OTC options	45 882	757	725	42 465	447	634
Other OTC contracts				1 687	248	
Total interest rate contracts	3 693 438	84 342	41 033	5 267 573	99 623	68 669
Foreign exchange contracts						
Forward contracts	80 277	2 712	1 117	114 070	8 425	1 271
Swaps	1 344 431	30 818	47 977	1 817 621	40 027	40 374
OTC options	32 597	533	330	190 208	789	510
Total foreign exchange contracts	1 457 304	34 063	49 424	2 121 900	49 242	42 155
Equity-related contracts						
Forward contracts	2 057	2 156	1 528	7 896	1 586	375
OTC options	2 104	163	2	1 882	101	23
Total OTC derivatives	4 161	2 319	1 530	9 779	1 687	399
Futures	13 071		0	23 703	79	108
Options	4 573	106	77	2 795	39	67
Total exchange-traded contracts	17 644	106	77	26 498	118	174
Total equity-related contracts	21 805	2 425	1 607	36 277	1 805	573
Commodity-related contracts						
Swaps	30 473	3 541	2 707	28 486	5 542	5 375
Total commodity related contracts	30 473	3 541	2 707	28 486	5 542	5 375
Collateral pledged/received						
Total collateral pledged/received		33 570	35 389		46 817	37 891
Total financial derivatives	**5 203 020**	**157 940**	**130 161**	**7 454 235**	**203 029**	**154 663**
Of which: Applied for hedging purposes	*453 134*	*33 038*	*2 195*	*479 261*	*37 408*	*834*
- Interest rate swaps		*32 275*	*1 546*		*36 613*	*327*
- Cross-currency interest rate swaps		*762*	*648*		*795*	*508*

Use of financial derivatives in Markets

Markets acts as market maker and is obliged to furnish both offer and bid prices for specified option, forward or futures series with a maximum differential between the offer and bid price, together with a minimum volume. Market makers always trade for their own account. The purpose of own account trading, in addition to being a market maker, is position taking, which means intentional risk-taking within the foreign exchange, interest rate and equity markets to achieve profits arising from favourable price, exchange rate and index fluctuations. Arbitrage, that is profit taking from fluctuations in prices, exchange rates and indices for the same product in various markets, is also part of own-account trading.

Customer trading entails structuring and marketing financial derivatives for customers, enabling them to transfer, modify, take or reduce prevailing or expected risk. The majority of derivative transactions relate to customer trading.

DNB uses interest rate and currency swaps to convert foreign currency borrowings into the desired currency. As a typical example, the bank raises a loan in euro, which is swapped to US dollars through a basis swap. In this case, the bank will pay a US dollar interest rate based on a swap curve and receive a euro interest rate reduced or increased by a margin. These derivatives are carried at fair value. There may be significant variations in the value of the basis swaps from day to day, due to changes in basis swap spreads. This unhedged risk causes unrealised gains and losses. For the year 2016, there was a NOK 542 million decrease in value (negative effect on profits), compared with a NOK 2 685 million increase in value in 2015.

Use of financial derivatives in DNB Livsforsikring

The purpose of employing financial derivatives in DNB Livsforsikring is to be able to invest and allocate funds in accordance with the company's expectations of market trends, through swift and cost-effective asset and market exposure. In addition, the application of derivatives facilitates active risk management and adjustments in equity, interest rate and foreign exchange risk. See notes 13 Interest rate sensitivity and 14 Currency positions for a further description.

Use of financial derivatives in DNB Boligkreditt

The purpose of employing financial derivatives in DNB Boligkreditt is to uncover and reduce foreign exchange and interest rate risk.

NOTE 15 Financial derivatives (continued)

Risk related to financial derivatives

Derivatives are traded in portfolios which also include balance sheet products. The market risk on derivatives is handled, monitored and controlled as an integral part of the market risk of these portfolios. See notes 4 Risk management and 12 Market risk. Derivatives are traded with many different counterparties and most of these are also engaged in other types of business with DNB. The credit risk arising in connection with derivatives trading is included in the total credit risk of the DNB Group. Netting agreements or bilateral agreements on collateral are entered into with a number of counterparties, thus reducing credit risk. The authorities' capital adequacy requirements take into account such agreements, resulting in a reduction of capital adequacy requirements. See note 5 Credit risk for a description of counter-party risk.

NOTE 16 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 for the banking group than the for the DNB Group, due to the fact that some loans in the DNB Group 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.

Throughout 2016, 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.

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 16 Liquidity risk (continued)

Residual maturity as at 31 December 2016 [1] **DNB Group**

Amounts in NOK million	Up to 1 month	From 1 month to 3 months	From 3 months to 1 year	From 1 year to 5 years	Over 5 years	No fixed maturity	Total
Assets							
Cash and deposits with central banks	208 252		11				208 263
Due from credit institutions	121 167	42 861	5 270	7 116			176 415
Loans to customers	175 874	92 654	83 915	323 491	837 874	(4 488)	1 509 320
Commercial paper and bonds at fair value	82 426	9 906	32 536	151 702	20 493		297 063
Commercial paper and bonds, held to maturity		574	6 234	29 651	57 550		94 008
Shareholdings						30 280	30 280
Other assets		3 217					3 217
Total	587 720	149 211	127 966	511 960	915 917	25 792	2 318 566
Liabilities							
Due to credit institutions	138 291	23 535	22 922	28 125			212 872
Deposits from customers	934 790						934 790
Debt securities issued	79 915	61 693	104 264	394 184	98 984		739 040
Other liabilities etc.	1 574	4 113	275				5 962
Subordinated loan capital		10 898		17 467	738		29 102
Total	1 154 570	100 239	127 461	439 775	99 721		1 921 766
Financial derivatives							
Financial derivatives, gross settlement							
Incoming cash flows	458 963	224 167	247 951	388 303	231 798		1 551 182
Outgoing cash flows	456 644	226 589	248 396	404 368	238 077		1 574 076
Financial derivatives, net settlement	1 074	2 357	3 434	20 229	9 296		36 390
Total financial derivatives	3 393	(65)	2 989	4 164	3 017		13 496

Residual maturity as at 31 December 2015 [1] **DNB Group**

Amounts in NOK million	Up to 1 month	From 1 month to 3 months	From 3 months to 1 year	From 1 year to 5 years	Over 5 years	No fixed maturity	Total
Assets							
Cash and deposits with central banks	19 317						19 317
Due from credit institutions	188 273	102 957	4 244	2 046	3 713		301 233
Loans to customers	165 981	104 561	100 937	335 519	837 693	(2 527)	1 542 165
Commercial paper and bonds at fair value	82 550	7 193	25 212	140 397	33 950		289 302
Commercial paper and bonds, held to maturity		2 313	8 774	24 682	69 453		105 223
Shareholdings						28 105	28 105
Other assets		3 056					3 056
Total	456 121	220 080	139 168	502 644	944 809	25 578	2 288 401
Liabilities							
Due to credit institutions	123 876	21 489	678	15 447	37		161 527
Deposits from customers	944 165						944 165
Debt securities issued	57 325	123 809	71 670	434 533	86 114		773 450
Other liabilities etc.	805	4 183	228				5 216
Subordinated loan capital				29 722	731		30 453
Total	1 126 172	149 480	72 575	479 701	86 882		1 914 811
Financial derivatives							
Financial derivatives, gross settlement							
Incoming cash flows	653 846	431 809	313 968	437 092	275 019		2 111 734
Outgoing cash flows	650 949	429 623	314 826	449 943	276 924		2 122 266
Financial derivatives, net settlement	2 066	2 195	3 605	21 660	12 437		41 963
Total financial derivatives	4 964	4 381	2 746	8 808	10 531		31 431

1) Nominal future interest payments in excess of accrued interest are not included on the balance sheet date.

Credit lines, commitments and documentary credit **DNB Group**

Amounts in NOK million	31 Dec. 2016	31 Dec. 2015
Unutilised credit lines etc. under 1 year	390 001	357 737
Unutilised credit lines etc. over 1 year	216 295	244 267

NOTE 17 Insurance risk

Insurance risk in life insurance

Risk in DNB Livsforsikring AS includes financial risk and insurance risk, in addition to operational risk and business risk. Financial risk comprises credit and market risk, which is the risk that the return on financial assets will not be sufficient to meet the obligations specified in insurance policies (see description in notes 12-14). Insurance risk relates to changes in future insurance payments due to changes in life expectancy and disability rates.

Analysis of insurance liabilities, customers bearing the risk, and liabilities to policyholders

		DNB Group [1]
Amounts in NOK million	Insurance liabilities, customers bearing the risk	Liabilities to policyholders
Balance sheet as at 31 December 2014	**42 866**	**216 799**
Deposits	6 144	15 912
Return	1 576	9 618
Inflow of reserves	1 052	1 641
Outflow of reserves	(831)	(14 789)
Insurance payments	(1 154)	(13 758)
Other changes	25	(6 476)
Balance sheet as at 31 December 2015	**49 679**	**208 949**
Deposits	7 889	4 670
Return	4 069	8 811
Inflow of reserves	1 571	926
Outflow of reserves	(1 201)	(2 160)
Insurance payments	(1 287)	(12 196)
Other changes	(499)	(840)
Balance sheet as at 31 December 2016	**60 220**	**208 160**

1) Refers only to DNB Livsforsikring.

Description of the insurance products

The company offers traditional life and pension insurance, unit-linked insurance and non-life insurance. A calculation rate is used to determine provisions and premiums. The highest calculation rate is set by Finanstilsynet (the Financial Supervisory Authority of Norway). This interest rate is often called the calculation rate, and is 2.0 per cent for new insurance contracts. The calculation rate is the annual guaranteed rate of return on policyholders' funds. In most unit-linked insurance products, policyholders bear the financial risk. Non-life insurance policies are products generating payments related to policyholders' life and health. These products are not subject to profit sharing and are repriced annually.

Group contracts

Under group defined-benefit pensions, pension payments are disbursed from an agreed age and until the death of the policyholder. It can also be agreed that the pension payments cease at a certain age. A defined-benefit pension may include a retirement pension, disability pension, spouse's pension, cohabitant's pension and child's pension. Policyholders pay an annual premium for interest rate risk, insurance risk and administration in advance. The company is entitled to change the premium annually. Interest in excess of the guaranteed rate of return is awarded to policyholders in its entirety. If the interest is between zero and the guaranteed rate of return, the company can use additional allocations to meet the guaranteed rate of return, otherwise the company must cover the deficit. A positive risk result may either be used to increase the risk equalisation fund or be distributed to the policyholders. No more than 50 per cent of annual profits may be allocated from the risk result to the risk equalisation fund. The company must cover any remaining losses after the risk equalisation fund has been used. The administration result is allocated in its entirety to the company. For one year agreements with disability pensions and dependent's pensions without savings, the risk result is transferred directly to the company.

When a member terminates a pension agreement or a pension agreement ends, he or she is entitled to a paid-up policy. Rights earned on the termination date are continued in paid-up policies. Paid-up policies have a separate profit model where a minimum of 80 per cent of the interest result is distributed to policyholders. Any surplus on the risk result can be used either to increase the risk equalisation fund or be allocated to policyholders. The administration result is allocated in its entirety to the company.

Group association insurance is pension insurance taken out by associations for their members. Association insurance can comprise retirement pensions, disability pensions, spouse's pensions and child's pensions. Profits for distribution between policyholders and the company include the interest result, the risk result and the administration result. No less than 65 per cent of annual profits must be distributed to policyholders.

Individual contracts

Individual annuity and pension insurance policies are savings schemes whereby the company disburses monthly amounts up until the death of the policyholder, or until the policyholder reaches an agreed age. This usually comprises a retirement pension, disability pension, spouse's pension and child's pension.

Individual endowment insurance policies are contracts whereby the company disburses an agreed amount upon the death of the policyholder or when the policyholder attains an agreed age. Individual endowment insurance may also include disability cover, which is a one-off benefit for permanent disability.

NOTE 17 Insurance risk (continued)

For individual contracts sold prior to 1 January 2008, total profits are distributed between policyholders and the company. Profits for distribution include the interest result, the risk result and the administration result. No less than 65 per cent of total profits must be distributed to policyholders. The new regulations apply to contracts sold after 1 January 2008, with annual pricing of each profit element, which is in accordance with the regulations for group defined-benefit pensions.

Contracts in the unit-linked portfolio

Defined-contribution pensions are group pension schemes where the employees bear the financial risk. However, full or partial hedging of the paid amount can be bought.

Individual unit-linked insurance policies are endowment insurance policies or annuity insurance policies where policyholders bear the financial risk.

Other sectors

Group life insurance policies are life level term insurance policies taken out by employers or associations for their employees or members and, where applicable, also for their spouses and children. The amount recoverable under the policy is disbursed upon the death of the policyholder. Group life insurance may also comprise disability cover, which is a one-off benefit for permanent disability.

Employer's liability insurance is a one-year risk product which companies link to their pension agreements. This may be corporate group life insurance or accident insurance. Occupational injury insurance is mandatory for all enterprises.

Personal risk products for personal customers are one-year risk products which include monthly disability benefits and lump-sum compensation payments in the event of death, disability or critical illness. DNB Livsforsikring also offers child and youth insurance, which ensures financial security in the event of accidents, serious illness or incapacity for work.

Specification of liabilities to policyholders recorded in the balance sheet as at 31 December 2016 **DNB Group [1)]**

	Group life insurance - defined-benefit pensions			Individual annuity and pension insurance					
Amounts in NOK million	Private sector	Public sector	Group association insurance	Annuity and pension insurance	Endowment insurance	Group life insurance	Non-life insurance	Total 2016	Total 2015
Premium reserve	196 851	28	3 419	32 848	22 184	678	1 378	257 386	247 632
Additional allocations	4 796		147	1 063	746			6 752	6 089
Market value adjustment reserve	1 843	0	26	328	226	6	(5)	2 424	2 294
Premium fund	1 051		8	93				1 152	1 779
Pensioners' profit fund	631							631	559
Other technical reserves							35	35	53
Liabilities to policyholders	**205 171**	**28**	**3 601**	**34 332**	**23 156**	**684**	**1 407**	**268 380**	**258 405**
Unrealised gains on bonds held to maturity [2)]								8 975	10 319

1) Refers only to DNB Livsforsikring.
2) Unrealised gains on bonds held to maturity are not included in balance sheet values.

Insurance risk

Within life insurance, insurance risk is mainly related to the likelihood of death and disability.

Insurance risk in DNB Livsforsikring is divided, in varying degrees, between policyholders and the company. With respect to the non-life insurance products employers' liability insurance and certain pure risk products, the company is exposed to insurance risk. For individual pension and endowment insurance products sold after 1 January 2008 and group pension agreements, the company's risk represents its obligation to cover a possible negative risk result. The company is credited up to 50 per cent of any positive risk result in the form of allocations to the risk equalisation fund.

The risk result arises when empirical data for mortality, disability and exit risk deviate from the assumptions underlying the calculation base for premiums and provisions. When the risk result generates a surplus, the surplus can be allocated to the risk equalisation fund. The risk equalisation fund cannot exceed 150 per cent of the company's total risk premiums for the accounting year. If there is a deficit on the risk result, the risk equalisation fund can be used. The risk equalisation fund does not apply to risk contracts with a maximum term of one year, disability pensions and dependent’s pensions with no accrued entitlement or individual contracts sold prior to 1 January 2008.

Risk for DNB Livsforsikring related to changes in mortality rates is twofold. With respect to mortality risk coverage, mainly spouse’s and child's pensions, lower mortality rates will give an improved risk result and a more limited need for provisions. For pensions that are currently payable, lower mortality rates will result in extended disbursement periods and thus require greater provisions, called pure endowment risk. It will be possible to cover the required increase in reserves relating to insurance risk by future surpluses on investment results. The company’s insurance risk mainly comprises pure endowment risk and disability risk.

In consequence of higher life expectancy, the company is required to increase premium reserves. DNB Livsforsikring increased premium reserves by a total of NOK 1.5 billion in 2016, of which NOK 0.7 billion was financed by equity and NOK 0.8 billion by policyholder surpluses. The total required increase in reserves for the existing portfolio was NOK 11.4 billion as at 31 December 2016. The remaining required increase in reserves as at 31 December 2016 was NOK 0.5 billion.

NOTE 17 Insurance risk (continued)

Disability risk is more exposed to short-term changes. Allocations covering incurred, unsettled insurance claims are under continuous review. No further needs for strengthening existing provisions relating to disability pensions or other disability products have been identified.

With respect to existing contracts, insurance risk is subject to continual review by analysing and monitoring risk results within each business sector. In addition, the company applies reinsurance as an instrument to reduce insurance risk. The company's current reinsurance contracts cover catastrophes and significant individual risks within group and individual insurance. The reinsurance agreements imply that DNB Livsforsikring is responsible for risk up to a certain level while the reinsurer covers excess risk up to a maximum defined limit.

In order to reduce insurance risk exposure, it is mandatory that policyholders undergo a health check before entering into a contract for individual risk products. Individual health checks are also required under small-scale group schemes. In connection with the sale of disability pensions, policyholders are divided into risk categories based on a concrete risk assessment in each individual case.

DNB Livsforsikring's operations are concentrated in Norway.

Risk result

The table shows the effect on the risk result for 2016 of given changes in empirical mortality or disability data.

DNB Livsforsikring

	Group life insurance - defined-benefit pensions			Individual annuity and pension insurance				
Amounts in NOK million	Private sector	Public sector	Group association insurance	Annuity and pension insurance	Endow-ment insurance	Other sectors	Total 2016	Total 2015
Risk result								
Risk result in 2016 *)	453	27	12	89	129	26	736	
Risk result in 2015	435	143	16	104	144	19		861
Sensitivities - effect on risk result in 2016								
5 per cent reduction in mortality rate	(25)	(1)	(1)	(10)	2	1	(35)	(32)
10 per cent increase in disability rate	(107)	0	0	(6)	(8)	(7)	(127)	(153)
*) *Of which:* *Mortality risk*	*(38)*	*18*	*7*	*3*	*69*	*14*	*73*	*102*
Longevity risk	*22*	*(1)*	*(11)*	*(2)*	*(1)*	*1*	*7*	*(33)*
Disability rate	*361*	*11*	*13*	*83*	*31*	*10*	*510*	*577*
Employer's liability insurance	*89*				*28*	*2*	*119*	*86*
Other	*19*	*(1)*	*3*	*5*	*2*	*(0)*	*27*	*128*

Permanent changes in the calculation assumptions will require changes in premiums and provisions. With respect to group pension insurance and individual policies sold after 1 January 2008, it will be possible to finance higher premium reserve requirements by the risk result for the year, or by current or future investment results. For individual contracts sold prior to 1 January 2008, rising premium reserve requirements can be financed by profits for allocation or future profits for allocation.

Calculation assumptions

The table shows the effect of changes in key calculation assumptions on gross premium reserves.

DNB Livsforsikring

Amounts in NOK million	Change in per cent	Effect on gross premium reserve
Mortality	(5)	+1 406
Disability	10	+948

Mortality and disability

The table shows the net annual risk premium for a sum assured of NOK 100 000. For spouse's pensions, the premium shown is for an annual spouse's pension of NOK 10 000 paid from the death of the primary policyholder until the spouse reaches the age of 77. For disability pensions, the premium shown is for an annual disability pension of NOK 10 000, payable after a 12-month waiting period, until 67 years of age. All premiums relating to individual schemes are gender neutral.

DNB Livsforsikring

	Men			Women		
Amounts in NOK million	30 years	45 years	60 years	30 years	45 years	60 years
Individual life insurance	84	216	924	84	216	924
Individual disability lump sum	260	892		260	892	
Individual disability pension	490	1 433	4 301	490	1 433	4 301
Spouse's pensions in group schemes	15	11	457	13	66	187
Disability pensions in group schemes	280	493	1 296	401	1 117	2 209

NOTE 17 Insurance risk (continued)

Interest rate sensitivity – liabilities to policyholders

DNB Livsforsikring carries the risk of fulfilling the company's commitments in contracts with policyholders. The return on financial assets must be sufficient to meet the guaranteed rate of return specified in insurance policies. Otherwise, inadequate returns will have to be covered by applying the market value adjustment reserve, additional allocations, equity or subordinated loan capital. The guaranteed rate of return must be complied with on a yearly basis. Measured in relation to customer funds, the company's total guaranteed rate of return averages 3.1 per cent.

The table shows long-term developments in the average guaranteed rate of return for each sector. The guaranteed rate of return is shown as a percentage of the premium reserve, premium fund and additional allocations, and is measured as at 31 December. The interest rate guarantee is gradually reduced each year.

			DNB Livsforsikring	
Per cent	2016	2015	2014	2013
Group pension insurance, private sector	3.1	3.1	3.2	3.3
Group pension insurance, public sector	2.7	2.7	2.9	2.9
Individual pension insurance	3.4	3.4	3.4	3.4
Individual endowment insurance	2.3	2.3	2.3	2.6
Group association insurance	4.0	4.0	4.0	4.1
Total	3.1	3.1	3.2	3.2

Liability adequacy test

In accordance with IFRS 4, the company has assessed whether its premium reserves are adequate to cover its liabilities. If the test shows that the premium reserves are too low to bear the future liabilities of the company, the difference should be recorded on the test date. Adequacy tests are performed each quarter.

All premium rates used by the company are based on the company's past experience within product segments or business sectors. Thus, products may have different technical rates of interest, mortality and disability assumptions, and may incur different costs. The adequacy test assesses the margins in the premium rates and the future required increase in reserves to reflect higher life expectancy.

Adequacy tests are calculated based on the net present value of all future cash flows generated by the insurance contracts, discounted by a spot interest rate curve. The interest rate curve is calculated based on observable Norwegian swap rates. The Smith Wilson-model is used to estimate the interest rate curve over a 10-year period, and it is assumed that the spot interest rate will converge against a long-term macro-economic target rate. The adequacy test is susceptible to changes in the interest rate curve as well as to assumptions for increased reserves to reflect higher life expectancy.

The adequacy test indicated no need for further provisions covering liabilities to policyholders as at 31 December 2016.

Solvency capital

The solvency capital consists of the market value adjustment reserve, additional allocations, risk equalisation fund, equity, subordinated loan capital and perpetual subordinated loan capital securities and unrealised gains on bonds held to maturity. All these elements, with the exception of the risk equalisation fund, can be used to meet the guaranteed rate of return on policyholders' funds.

	DNB Livsforsikring	
Amounts in NOK million	31 Dec. 2016	31 Dec. 2015
Market value adjustment reserve	2 424	2 294
Additional allocations	6 752	6 089
Security reserve		223
Risk equalisation fund	407	319
Equity	22 165	20 763
Subordinated loan capital and perpetual subordinated loan capital securities	5 500	5 500
Unrealised gains on bonds held to maturity	8 975	10 319
Total available capital	46 223	45 506
Guaranteed return on policyholders' funds [1)]	6 414	6 493

1) One-year guaranteed rate of return on insurance contracts at end of period.

NOTE 17 Insurance risk (continued)

Capital requirements and solvency capital

New regulatory capital requirements for European insurance companies are specified in the Solvency II Directive, which entered into force on 1 January 2016. The directive has been implemented in Norwegian law in the Financial Institutions Act and the Solvency II regulations. In addition to capital and capital requirements, the directive includes rules for capital management and internal control, supervisory review and evaluation, and market discipline in the form of requirements for public disclosure and supervisory reporting. The Solvency II regulations set a minimum requirement for primary capital to cover the solvency capital requirement (SCR) and the minimum capital requirement (MCR). The solvency capital requirement is set at a level to ensure that there is a 99.5 per cent probability that total losses, including insurance and financial losses, over a period of 12 months do not exceed the estimated capital requirement. The calculations take risk-mitigating measures and systems into consideration. The minimum requirement is set at a level to ensure that there is an 85 per cent probability that total losses over a period of 12 months will not exceed the estimated capital requirement. The capital is divided into three groups according to quality. Minimum 50 per cent of the SCR must be covered by capital group 1. Capital group 3 cannot cover more than 15 per cent of the solvency capital requirement. Capital group 1 must constitute minimum 80 per cent of the MCR requirement. The new regulations allow the use of transitional rules when calculating solvency capital. In December 2015, DNB Livsforsikring was given permission by Finanstilsynet to use the transitional rules for insurance provisions. Thus, the company is allowed to use recorded insurance provisions instead of the market value of the liabilities. The transitional rules apply for 16 years, and will be reduced linearly, initially on 1 January 2017. As at 31 December 2016, DNB Livsforsikring had a solvency margin according to the transitional rules of 211 per cent. If the phase-out of the transitional rules had been taken into consideration, the solvency margin would have been 207 per cent as at 31 December 2016. Without the transitional rules, the solvency margin was 152 per cent.

Primary capital	**DNB Livsforsikring**	
Amounts in NOK million	31 Dec. 2016	1 Jan. 2016
Capital group 1		
Share capital	1 750	1 750
Share premium reserve	6 016	6 016
Reconciliation reserve [1]	21 106	23 251
Total capital group 1	28 872	31 017
Capital group 2		
Subordinated loan capital	5 500	5 500
Risk equalisation fund	407	319
Total capital group 2	5 907	5 819
Capital group 3		
Deferred taxes		(102)
Total capital group 3		(102)
Total primary capital	**34 779**	**36 734**
Effect of the transitional rules [2]	(8 798)	(14 169)
Total primary capital without the transitional rules	**25 981**	**22 565**

1) *Retained earnings are included in the reconciliation reserve. In addition, this item includes any capital deficit or excess of capital due to the transition to market values for assets and liabilities.*
2) *In addition to using recorded provisions when calculating liabilities, DNB Livsforsikring avails itself of the opportunity to apply reduced stress for equities acquired prior to 1 January 2016. Such reduced equity stress applies for a period of seven years, with a linear increase in the stress from 22 per cent to 39 per cent. According to the solvency capital regulations, government bonds issued in the home country are not subject to spread risk. During a transitional period, this also applies to government bonds issued by EEA states. The exception applies through 2017, while there will be an escalation period through 2018 and 2019, and the exception will no longer apply as of 1 January 2020.*

Solvency capital requirement	**DNB Livsforsikring**	
Amounts in NOK million	31 Dec. 2016	1 Jan. 2016
Market and counterparty risk	27 639	29 836
Life, health and non-life risk	11 220	11 319
Operational risk	1 095	1 158
Diversification	(7 174)	(7 360)
Risk absorption, deferred taxes and future allocations to policyholders (FDB)	(16 262)	(15 859)
Solvency capital requirement [1]	16 518	19 094
Minimum capital requirement	7 356	7 383

1) *As at 31 December 2016, the solvency capital requirement without transitional rules represented NOK 17 116 million.*

Solvency margin	**DNB Livsforsikring**	
Figures in per cent	31 Dec. 2016	1 Jan. 2016
Solvency margin with transitional rules	211	192
Solvency margin without transitional rules	152	113

NOTE 17 Insurance risk (continued)

Insurance risk in non-life insurance

The non-life insurance products offered by DNB Forsikring AS are distributed mainly through the DNB Group's sales channels. The premium portfolio totalled NOK 2 182 million at year-end 2016, of which the greater part represented insurance coverage for individual customers.

Risk in DNB Forsikring comprises insurance, market, counterparty, operational and business risk. Insurance risk includes the risk of losses if insurance premiums fail to cover future claims payments, in addition to the risk that the company has not set aside adequate claims reserves for incurred claims. Indemnity payments are influenced by a number of factors, including catastrophic losses, claims frequency and inflation. An increase in claims frequency can be due to seasonal variations or reflect more lasting effects. A permanent change in claims frequency due to, for example, changes in customer behaviour and new types of claims, will have the most pronounced effect on profitability. Insufficient risk diversification with respect to risk categories and sums insured and the geographic locations and types of operations covered by the insurance policies could also have a negative effect on insurance risk.

DNB Forsikring has established a reinsurance programme to ensure a more predictable profit performance and to meet the capital requirements for the company and the Group. The programme is adapted to the company's overall risk, which is the sum of insurance risk, market risk, counterparty risk and operational risk.

During 2016, DNB Forsikring had a reinsurance programme (excess of loss programme) covering large individual losses and incidents above chosen own-risk limit within the individual product groups. The programme was adapted to the risk profile of the portfolio and was divided between several reinsurers with a minimum rating of A- to reduce counterparty risk.

Insurance risk is subject to continual review by monitoring the profitability of all products and quarterly risk measurement.

NOTE 18 Net interest income

DNB Group

	2016			2015		
Amounts in NOK million	Recorded at fair value	Recorded at amortised cost [1]	Total	Recorded at fair value	Recorded at amortised cost [1]	Total
Interest on amounts due from credit institutions	1 105	235	1 340	1 294	314	1 608
Interest on loans to customers	2 556	41 673	44 229	3 539	45 189	48 728
Interest on impaired loans and guarantees		911	911		619	619
Interest on commercial paper and bonds at fair value	4 439		4 439	4 329		4 329
Interest on commercial paper and bonds, held to maturity		188	188		326	326
Front-end fees etc.	5	289	294	15	323	337
Other interest income	(2 327)	3 350	1 024	(1 945)	3 529	1 584
Total interest income	**5 778**	**46 646**	**52 424**	**7 232**	**50 301**	**57 532**
Interest on amounts due to credit institutions	(1 542)	(163)	(1 705)	(1 177)	(188)	(1 365)
Interest on deposits from customers	(567)	(6 077)	(6 645)	(497)	(8 897)	(9 394)
Interest on debt securities issued	(3 502)	(8 883)	(12 385)	(3 174)	(9 635)	(12 809)
Interest on subordinated loan capital	(35)	(496)	(532)	(38)	(531)	(569)
Guarantee fund levy		(768)	(768)		(845)	(845)
Other interest expenses [2]	3 893	(174)	3 720	3 112	(303)	2 809
Total interest expenses	**(1 753)**	**(16 561)**	**(18 314)**	**(1 775)**	**(20 399)**	**(22 174)**
Net interest income	**4 025**	**30 085**	**34 110**	**5 457**	**29 901**	**35 358**

1) *Includes hedged items.*
2) *Other interest expenses include interest rate adjustments resulting from interest rate swaps. Derivatives are recorded at fair value.*

NOTE 19 Interest rates on selected balance sheet items

DNB Group [1]

	Average interest rate in per cent [2]		Average volume in NOK million	
	2016	2015	2016	2015
Assets				
Due from credit institutions	0.23	0.25	579 668	647 256
Loans to customers	3.02	3.30	1 494 382	1 495 728
Commercial paper and bonds	2.03	2.14	218 227	202 373
Liabilities				
Due to credit institutions	0.60	0.41	284 606	331 733
Deposits from customers	0.64	0.89	1 033 895	1 052 793
Securities issued	1.49	1.51	832 793	845 876

1) *Applies to the DNB Group excluding DNB Livsforsikring.*
2) *Average interest rate in per cent is calculated as total interest in NOK for the specific products in relation to the appurtenant average capital.*

NOTE 20 Net commission and fee income

	DNB Group	
Amounts in NOK million	2016	2015
Money transfers	3 725	3 595
Asset management services	1 267	1 399
Custodial services	315	336
Securities broking	616	482
Corporate finance	767	609
Interbank fees	23	29
Credit broking	491	781
Sale of insurance products	2 418	2 661
Real estate broking	1 121	1 201
Other commissions and fees	708	870
Total commission and fee income	**11 452**	**11 963**
Money transfers	(1 795)	(1 670)
Asset management services	(104)	(282)
Custodial services	(172)	(174)
Securities broking	(177)	(119)
Corporate finance	(73)	(55)
Interbank fees	(57)	(61)
Credit broking	(26)	(27)
Sale of insurance products	(202)	(179)
Other commissions and fees	(567)	(534)
Total commission and fee expenses	**(3 172)**	**(3 101)**
Net commission and fee income	**8 280**	**8 862**

NOTE 21 Net gains on financial instruments at fair value

	DNB Group	
Amounts in NOK million	2016	2015
Foreign exchange and financial derivatives	7 898	8 171
Commercial paper and bonds	(1 185)	(1 552)
Shareholdings	431	50
Other financial assets	55	36
Financial liabilities	71	164
Net gains on financial instruments, trading	7 270	6 868
Loans at fair value	(465)	(903)
Commercial paper and bonds	(624)	(1 041)
Shareholdings	(75)	(85)
Financial liabilities	52	1 837
Net gains on financial instruments, designated as at fair value	(1 111)	(192)
Financial derivatives, hedging	(4 245)	(8 055)
Financial assets, hedged items	(1)	(2)
Financial liabilities, hedged items	3 867	9 029
Net gains on hedged items [1) 2)]	(380)	972
Financial guarantees	595	876
Dividends	140	158
Net gains on financial instruments at fair value	**6 513**	**8 683**

1) *With respect to hedged liabilities, the hedged risk is recorded at fair value, while the rest of the instrument is recorded at amortised cost. Derivatives used for hedging are recorded at fair value. Changes in fair value arising from hedged risk are presented under Financial derivatives, hedging. Net gains on hedged financial liabilities include amortization of fair values on discontinued hedging relationships.*

2) *The DNB Group uses hedge accounting for long-term borrowings in foreign currency in DNB Boligkreditt and DNB Bank ASA. Loans are hedged 1:1 through external contracts where there is a correlation between currencies, interest rate flows and the hedging instrument. At the time the loans are raised, Markets considers whether to enter into a hedging transaction for the relevant loan based on the Group's foreign currency positions and the underlying interest rate exposure for the loan.*

NOTE 22 Salaries and other personnel expenses

	DNB Group	
Amounts in NOK million	2016	2015
Salaries [*)]	(8 190)	(8 269)
Employer's national insurance contributions	(1 301)	(1 220)
Pension expenses [1)]	(1 035)	799
Restructuring expenses	(720)	(390)
Other personnel expenses	(658)	(742)
Total salaries and other personnel expenses	**(11 904)**	**(9 822)**
**) Of which: Ordinary salaries*	*(6 660)*	*(6 732)*
Performance-based pay	*(1 369)*	*(1 341)*

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 the periods pension cost.

Number of employees/full-time positions

	DNB Group	
	2016 [1)]	2015
Number of employees as at 31 December	11 459	11 840
- of which number of employees abroad	3 215	3 174
Number of employees calculated on a full-time basis as at 31 December	11 007	11 380
- of which number of employees calculated on a full-time basis abroad	3 176	3 130
Average number of employees	11 492	11 927
Average number of employees calculated on a full-time basis	11 057	11 483

1) The reduction in number of employees from 2015 reflects restructuring measures in the Group. 1 796 employees in the Baltics were included at end-December 2016.

NOTE 23 Other expenses

	DNB Group	
Amounts in NOK million	2016	2015
Fees [1)]	(1 631)	(1 545)
IT expenses	(2 107)	(2 418)
Postage and telecommunications	(238)	(287)
Office supplies	(76)	(89)
Marketing and public relations	(815)	(859)
Travel expenses	(237)	(285)
Reimbursement to Norway Post for transactions executed	(198)	(174)
Training expenses	(62)	(75)
Operating expenses on properties and premises [2)]	(1 191)	(1 114)
Operating expenses on machinery, vehicles and office equipment	(93)	(101)
Other operating expenses	(604)	(844)
Total other expenses	**(7 251)**	**(7 790)**

1) Systems development fees totalled NOK 1 039 million in 2016 and NOK 990 million in 2015.
2) Costs relating to leased premises were NOK 927 million in 2016 and NOK 789 million in 2015.

NOTE 24 Depreciation and impairment of fixed and intangible assets

	DNB Group	
Amounts in NOK million	2016	2015
Depreciation of machinery, vehicles and office equipment	(1 477)	(1 453)
Other depreciation of tangible and intangible assets	(527)	(621)
Impairment of capitalised systems development	(28)	(105)
Impairment losses for goodwill	(5)	
Other impairment of fixed and intangible assets	(140)	(119)
Total depreciation and impairment of fixed and intangible assets	**(2 177)**	**(2 298)**

See note 38 Intangible assets and note 39 Fixed assets.

NOTE 25 Pensions

Description of the pension schemes

The DNB Group has a defined-contribution pension scheme for all employees in Norway, with the exception of around 400 employees from the former Postbanken who are covered by a closed group pension plan in the Norwegian Public Service Pension Fund.

The contribution rates are:

- Salary representing 0-7.1 times the National Insurance basic amount, G: 7 per cent
- Salary representing 7.1-12 times G: 15 per cent
- The Group has no defined-contribution pension scheme for salaries exceeding 12G (apart from the closed scheme)

The employees who were enrolled in the former defined-benefit occupational pension scheme (terminated on 31 December 2015) are also covered by a compensation scheme that is structured as a supplementary, contribution-based direct pension scheme. Based on the terms and conditions approved at the time of conversion, the savings plan in the compensation scheme aims to give the individual employee a total pension capital when reaching the age of 67 corresponding to what he or she would have received if the defined-benefit pension scheme had been retained.

The Group also has commitments to some employees related to salaries exceeding 12G and early retirement agreements. This pension scheme was closed for employees who joined the Group after 30 June 2008. Further restrictions were introduced as at 30 April 2011. Those who did not have salaries exceeding 12G on that date will not be encompassed by the scheme even if their salaries exceed 12G at a later date.

With effect from 1 January 2017, pension commitments related to salaries exceeding 12G and early retirement agreements have been converted to defined-contribution schemes according to the same principles and conditions that applied in connection with the conversion of the former defined-benefit occupational pension scheme.

Based on the terms and conditions approved at the time of conversion, the savings plan in the new schemes aim to give the individual employee a total pension capital when reaching the age of 67, or at another agreed age, corresponding to what he or she would have received if the defined-benefit pension scheme had been retained. The new defined-contribution pension commitments related to salaries exceeding 12G and early retirement agreements are funded through operations.

The DNB Group has a disability pension scheme for all employees in Norway. The disability pension scheme is adapted to the new disability pension from the National Insurance Scheme and represents:

- 3 per cent of pensionable income up to 12G
- 25 per cent of G, maximum 6 per cent of pensionable income, up to 12G
- 66 per cent of pensionable income in the interval between 6G and 12G

The Norwegian companies in the Group are part of the contractual pension (CPA) scheme for the private sector. In addition, the Group has an agreement on contractual pensions according to public sector rules for employees who are members of the Public Service Pension Fund.

The private CPA scheme will be funded by an annual premium representing a percentage of salaries between 1 and 7.1G.

Employer's contributions are included in pension expenses and commitments.

Subsidiaries and branches outside Norway have separate schemes for their employees, mainly in the form of defined-contribution schemes. Pension expenses for employees outside Norway represented NOK 179 million.

NOTE 25 Pensions (continued)

Economic assumptions applied in calculating pension expenses and commitments:

Economic assumptions

DNB Group

	Expenses		Commitments	
Per cent	2016	2015	31 Dec. 2016	31 Dec. 2015
Discount rate	2.70	2.40	2.60	2.70
Anticipated rise in salaries	2.50	2.75	2.50	2.50
Anticipated increase in basic amount	2.25	2.50	2.25	2.25
Anticipated rise in pensions	0.50	0.50	0.50	0.50
Anticipated CPA acceptance	Actual acceptance		Actual acceptance	
Demographic assumptions about mortality [1)]	K2013	K2013	K2013	K2013

1) *The Group's pension expenses and pension commitments are based on the mortality table K2013, best estimate, prepared by Finance Norway. K2013 is an updated calculation base for statistical mortality assumptions.*

Pension expenses

DNB Group

	2016			2015		
Amounts in NOK million	Funded	Unfunded	Total	Funded	Unfunded	Total
Net present value of pension entitlements	(62)	(391)	(454)	(520)	(61)	(581)
Interest expenses on pension commitments	(100)	(49)	(149)	(424)	(45)	(469)
Calculated return on pension funds	91	(1)	90	325		325
Curtailment	25	212	237	1 969		1 969
Administrative expenses	(1)		(1)	(8)		(8)
Total defined benefit pension schemes	(47)	(229)	(276)	1 342	(105)	1 237
Contractual pensions, new scheme			(106)			(109)
Risk coverage premium			(46)			(81)
Defined contribution pension schemes			(607)			(248)
Net pension expenses			(1 036)			799

Pension commitments

DNB Group

Amounts in NOK million	2016	2015
Opening balance	5 393	18 941
Accumulated pension entitlements	454	581
Interest expenses	149	469
Actuarial losses/(gains), net	220	(989)
Curtailments	(382)	(12 918)
Pension payments	(257)	(853)
Exchange rate differences	(167)	162
Closing balance	5 410	5 393

Pension funds

DNB Group

Amounts in NOK million	2016	2015
Opening balance	2 896	12 945
Expected return	90	325
Actuarial gains/(losses), net	(13)	(37)
Curtailments	(144)	(10 949)
Excess pension funds that cannot be carried forward	(62)	
Premium paid	111	1 039
Pension payments	(118)	(574)
Administrative expenses	(1)	(8)
Exchange rate differences	(106)	155
Closing balance	2 653	2 896
Net defined benefit obligation	2 756	2 497
Of which: Recorded defined benefit pension commitments	*2 756*	*2 549*
Recorded defined benefit pension assets		*53*

NOTE 25 Pensions (continued)

Effects recorded in other comprehensive income — DNB Group

Amounts in NOK million	Funded	Unfunded	Total
Actuarial losses/(gains) 31 December 2015	770	(8)	762
Remeasurement - changes in discount rate	6	16	22
Remeasurement - changes in other economic assumptions, pension commitments	104	(650)	(546)
Remeasurement - changes in other factors, pension commitments	100	705	805
Remeasurement - changes in other economic assumptions, pension funds	20		20
Remeasurement - changes in other factors, pension funds	(74)		(74)
Investment management costs	8		8
Total remeasurement losses/(gains) in other comprehensive income	164	70	234
Defined benefit pension scheme discontinued		(22)	(22)
Actuarial losses/(gains) 31 December 2016	934	40	974

Past developments — DNB Group

Amounts in NOK million	31 Dec. 2016	31 Dec. 2015	31 Dec. 2014	31 Dec. 2013	31 Dec. 2012	1 Jan. 2012
Gross pension commitments [1)]	(5 410)	(5 393)	(18 941)	(15 621)	(15 248)	(18 715)
Gross pension funds	2 653	2 896	12 945	11 649	11 365	10 727
Commitments not recorded in the accounts						
Net recorded pension commitments	(2 756)	(2 497)	(5 996)	(3 972)	(3 883)	(7 988)

1) Gross pension commitments include employer's national insurance contributions and and financial activities tax.

Sensitivity analysis for pension calculations

The following estimates are based on facts and conditions prevailing per 31 December 2016, assuming that all other parameters are constant. Actual results may deviate significantly from these estimates.

DNB Group

	Discount rate		Annual rise in salaries/basic amount		Annual rise in pensions		Life expectancy	
Change in percentage points	+1%	-1%	+1%	-1%	+1%	0% reg.	+1 year	-1 year
Percentage change in pensions								
Pension commitments	7-16	15-17	6-8	6-9	10-11	5 - 8	2	2
Net pension expenses for the period	10-20	22-23	13-15	10-11	10-11	5 - 8	2	2

Pension commitments are particularly susceptible to changes in the discount rate. A reduction in the discount rate will, as an isolated factor, result in an increase in pension commitments. A one percentage point reduction in the discount rate will cause an increase in pension commitments in the order of 15 to 17 per cent and an increase in pension costs of 22 to 23 per cent. Higher salary increases and adjustments in pensions will also cause a rise in pension commitments and pension expenses.

NOTE 26 Taxes

Tax expense on pre-tax operating profit		**DNB Group**
Amounts in NOK million	2016	2015
Current taxes	(8 358)	(5 584)
Changes in deferred taxes	4 218	(1 464)
Tax expense	**(4 140)**	**(7 048)**

Reconciliation of tax expense against nominal tax rate		
Amounts in NOK million		
Pre-tax operating profit	23 387	31 871
Estimated tax expense at nominal tax rate 25 per cent (27 per cent in 2015)	(5 847)	(8 605)
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 from shareholdings [1)]	531	66
Tax effect of other tax-exempt income and non-deductible expenses	496	995
Tax effect of tax losses carried forward not recognised in the balance sheet [2)]	123	32
Tax effect of changed tax rate for deferred taxes recognised in the balance sheet	18	549
Excess tax provision previous year	175	(81)
Tax expense	**(4 140)**	**(7 048)**
Effective tax rate	18%	22%

Income tax on other comprehensive income		
Amounts in NOK million		
Pensions	53	(265)
Hedges of net investments	(1 449)	2 294
Total income tax on other comprehensive income	**(1 396)**	**2 029**

1) *In Norway, a company's income from share investments is normally exempt from tax. As a rule, this applies to investments in companies domiciled in the EU/EEA. The tax exemption applies to both dividends and gains/ (losses) upon realisation. However, 3 per cent of dividends from tax-exempt investments is included in taxable income.*
2) *Deferred taxes for tax-deductible differences (mainly losses carried forward) in subsidiaries are not recognised in the balance sheet unless the Group can prove that these tax positions will be utilised in the future.*

Tax effect of different tax rates in other countries

The Group has operations in a number of countries whose tax rates are different from that in Norway (25 per cent).

Tax effect of debt interest distribution with international branches

According to Norwegian tax legislation, external interest expenses shall be distributed proportionally among operations in Norway and international branches based on the respective units' total assets. This could result in additions or deductions from income in Norway.

Expectations regarding the effective tax rate

The nominal tax rate in Norway was 25 per cent in 2016. Business operations outside Norway are subject to local tax rates in their country of operation, and nominal tax rates range from 12 to 45 per cent. The effective taxation of operations outside Norway depends on both local tax rules and on whether it is possible to avoid double taxation. Tax-exempt income from share investments contributes to a lower expected tax rate than 25 per cent. In the longer term, the effective tax rate is expected to be approximately 23 per cent. In some periods, tax losses carried forward that are not recognised in the balance sheet have caused variations in the effective tax rate. In periods when such assets have not been recognised, the effective tax rate has been higher than the long-term expectation, whereas it has been lower in periods when tax losses not recognised as assets have been utilised.

NOTE 26 Taxes (continued)

Deferred tax assets/(deferred taxes)		**DNB Group**
25 per cent deferred tax calculation on all temporary differences (Norway) *Amounts in NOK million*	2016	2015
The year's changes in deferred tax assets/(deferred taxes)		
Deferred tax assets/(deferred taxes) as at 1 January	(6 521)	(4 918)
Changes recorded against profits	4 218	(1 464)
Changes recorded against comprehensive income	53	(265)
Currency translation differences on deferred taxes	(29)	126
Transferred to assets held for sale	(133)	
Deferred tax assets/(deferred taxes) as at 31 December	(2 412)	(6 521)

Deferred tax assets and deferred taxes in the balance sheet relates to the following temporary differences

Amounts in NOK million	31 Dec. 2016	31 Dec. 2015
Deferred tax assets		
Fixed assets and intangible assets	(2)	(26)
Financial derivatives	(31)	(16)
Other financial instruments	(8)	(6)
Net pension liabilities	106	102
Net other tax-deductable temporary differences	857	456
Tax losses and tax credits carried forward	482	641
Total deferred tax assets	**1 404**	**1 151**
Deferred taxes		
Fixed assets and intangible assets	1 535	1 564
Commercial paper and bonds	3 000	5 692
Debt securities issued	(6 937)	(8 226)
Financial derivatives	6 326	8 790
Other financial instruments	100	264
Net pension liabilities	(644)	(592)
Net other taxable temporary differences	602	487
Tax losses and tax credits carried forward	(166)	(307)
Total deferred taxes	**3 816**	**7 672**

Deferred taxes in the income statement relate to the following temporary differences

Amounts in NOK million	2016	2015
Fixed assets and intangible assets	29	(135)
Commercial paper and bonds [1) 2)]	2 693	210
Debt securities issued [1) 2)]	(1 290)	(2 430)
Financial derivatives [1) 2)]	2 448	7 191
Other financial instruments [1) 2)]	163	457
Pensions	2	(723)
Other temporary differences	315	(169)
Tax losses and tax credits carried forward [2)]	(142)	(5 865)
Deferred tax expense	**4 218**	**(1 464)**

1) *A significant share of the financial instruments are carried at fair value in the accounts, while for tax purposes, the same instruments are recorded on an accrual basis in accordance with the realisation principle. This gives rise to large differences between profits stated in the accounts and profits computed for tax purposes for the individual accounting years, especially in years with significant fluctuations in interest rate levels and exchange rates. These differences are offset in the longer term.*

2) *Due to large exchange rate fluctuations in 2016 and 2015, there were significant changes in unrealised gains and losses on financial instruments used in managing the Group's currency and interest rate risk. Financial instruments are recorded in accordance with the realisation principle, while the current rate method is used for receivables and liabilities in foreign currency. These differences are expected to be reversed within a short period of time.*

NOTE 26 Taxes (continued)

Overview over deferred tax assets from tax losses and tax credits carried forward **DNB Group**

	31 December 2016			31 December 2015		
Amounts in NOK million Tax losses carried forward	Total tax losses carried forward	Of which basis for tax assets	Recognised tax asset	Total tax losses carried forward	Of which basis for tax assets	Recognised tax assets
Norway	119	119	30	684	684	171
Singapore	351	351	88	236	236	59
Latvia				1 797	655	98
Lithuania				420	372	64
Denmark	2 311	1 577	394	2 461	1 681	420
Total of tax losses and tax assets	2 781	2 047	512	5 598	3 628	812
Tax credits carried forward [1)]			136			136
Total of deferred tax assets from tax losses and tax credits carried forward			**648**			**948**

1) All tax credits carried forward relates to tax payers in Norway.

Recognition of deferred tax

Deferred tax assets are capitalised to the extent it is probable that the Group will have taxable income against which temporary differences can be utilised. Net deferred taxes on temporary differences within the same tax group are assessed and entered net in the accounts.

NOTE 27 Classification of financial instruments

As at 31 December 2016 **DNB Group**

Amounts in NOK million	Financial instruments at fair value through profit and loss: Trading	Financial instruments at fair value through profit and loss: Designated as at fair value	Financial derivatives designated as hedging instruments	Financial instruments carried at amortised cost [1]	Financial instruments held to maturity	Total
Cash and deposits with central banks	187 462	15 824		4 977		208 263
Due from credit institutions	160 828	45		15 569		176 442
Loans to customers	42 974	93 753		1 372 351		1 509 078
Commercial paper and bonds at fair value	148 026	148 616				296 642
Shareholdings	5 130	17 382				22 512
Financial assets, customers bearing the risk		60 220				60 220
Financial derivatives	124 903		33 038			157 940
Commercial paper and bonds, held to maturity					94 008	94 008
Other assets				36 709		36 709
Total financial assets	669 322	335 841	33 038	1 429 605	94 008	2 561 813
Due to credit institutions	178 047	1 196		33 639		212 882
Deposits from customers	43 210	11 599		880 088		934 897
Financial derivatives	127 966		2 195			130 161
Debt securities issued	153 485	85 521		526 863		765 869
Other liabilities	516			44 052		44 568
Subordinated loan capital		1 254		28 093		29 347
Total financial liabilities [2]	503 223	99 570	2 195	1 512 736		2 117 724

1) Includes hedged liabilities.
2) Contractual obligations of financial liabilities designated as at fair value totalled NOK 97 363 million.

As at 31 December 2015 **DNB Group**

Amounts in NOK million	Financial instruments at fair value through profit and loss: Trading	Financial instruments at fair value through profit and loss: Designated as at fair value	Financial derivatives designated as hedging instruments	Financial instruments carried at amortised cost [1]	Financial instruments held to maturity	Total
Cash and deposits with central banks	1 097	12 557		5 663		19 317
Due from credit institutions	282 854	2		18 361		301 216
Loans to customers	37 640	108 687		1 396 417		1 542 744
Commercial paper and bonds at fair value	125 580	164 115				289 695
Shareholdings	7 259	12 082				19 341
Financial assets, customers bearing the risk		49 679				49 679
Financial derivatives	165 621		37 408			203 029
Commercial paper and bonds, held to maturity					105 224	105 224
Other assets				25 739		25 739
Total financial assets	620 051	347 122	37 408	1 446 179	105 224	2 555 984
Due to credit institutions	129 082	2 449		30 005		161 537
Deposits from customers	42 176	2 060		900 192		944 428
Financial derivatives	153 829		834			154 663
Debt securities issued	159 932	86 608		558 388		804 928
Other liabilities	5 359			32 315		37 675
Subordinated loan capital		1 241		29 712		30 953
Total financial liabilities [2]	490 379	92 358	834	1 550 613		2 134 184

1) Includes hedged liabilities.
2) Contractual obligations of financial liabilities designated as at fair value totalled NOK 90 073 million.

NOTE 28 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	526 863	533 874	558 388	562 620
Subordinated loan capital	28 093	28 065	29 712	29 711
Total financial liabilities	1 468 684	1 475 666	1 518 298	1 522 530

DNB Group

Amounts in NOK million	Valuation based on quoted prices in an active market Level 1 [1)]	Valuation based on observable market data Level 2 [1)]	Valuation based on inputs other than observable market data Level 3 [1)]	Total
Assets as at 31 December 2016				
Cash and deposits with central banks		4 977		4 977
Due from credit institutions		15 569		15 569
Loans to customers			1 376 269	1 376 269
Commercial paper and bonds, held to maturity		90 005	12 406	102 411
Liabilities as at 31 December 2016				
Due to credit institutions		33 639		33 639
Deposits from customers		880 088		880 088
Securities issued		499 379	34 495	533 874
Subordinated loan capital		17 937	10 128	28 065

1) See note 29 Financial instruments at fair value for a definition of the levels.

NOTE 28 Fair value of financial instruments at amortised cost (continued)

Financial instruments at amortised cost

Most assets and liabilities in the DNB Group's balance sheet are carried at amortised cost. This primarily applies to loans, deposits and borrowings in the banking group's balance sheet, but also investments in bonds held to maturity. Long-term borrowings in Norwegian kroner are carried at fair value, while long-term borrowings in other currencies are carried at amortised cost. Hedge accounting may be applied.

Recording balance sheet items at amortised cost implies that the originally agreed cash flows are used, possibly adjusted for impairment. Such valuations will not always give values which are consistent with market assessments of the same instruments. Discrepancies may be due to diverging views on macro-economic prospects, market conditions, risk aspects and return requirements, as well as varying access to accurate information. The above table shows estimated fair values of items carried at amortised cost.

Valuations are based on the individual instruments' characteristics and values on the balance sheet date. However, these values do not include the total value of customer relationships, market access, brands, organisational aspects, employees and structural capital. Consequently, such intangible assets are generally not recorded in the accounts. In addition, most transactions with customers are assessed and priced collectively for several products, and products recorded in the balance sheet are considered along with other products and services used by the customer. Individual assets and liabilities recorded in the balance sheet thus give no adequate reflection of the total value of the Group's operations.

Due from credit institutions and loans to customers

When valuing loans, the loan portfolio has been divided into the following categories: personal customers, small and medium-sized enterprises, Nordic corporates, international corporates, shipping, offshore and logistics and energy. In addition, separate calculations have been made for DNB Finans and Poland.

The valuations are based on average margins in December, considered relative to the business units' best estimate of the potential margin requirement at year-end 2016 if the loans had been extended at that time. Differentiated margin requirements have been calculated for each category, as specified above, based on estimated costs related to lending. The margin requirement includes costs covering normalised losses, which, as opposed to impairment recorded in the annual accounts, represent a long-term assessment of loss levels.

Retail loans carried at amortised cost are mainly loans with floating interest rate. The fair value of the retail loans has been set at amortised cost.

With respect to impaired loans, an assessment has been made of potential cash flows for the loans discounted by the effective rate of interest adjusted for changes in market conditions for corresponding non-impaired loans. Loan rates prior to provisions being made reflect the increased credit risk of the commitment. Given the general uncertainty in fair value measurements, it is evaluated that the impaired value gives a good reflection of the fair value of these loans.

Customers will often use loan products which are carried partly at amortised cost and partly at fair value. The profitability of a customer relationship is considered on an aggregate basis, and prices are set based on an overall evaluation. Correspondingly, a possible reduction in the customer relationship value is based on an overall assessment of all products. Any decline in value apart from price changes on specific products is included in the overall assessment of credits in the relevant customer relationship. Any reduction in the total customer relationship value is measured on the basis of amortised cost and reported under impairment on loans.

Commercial paper and bonds, held to maturity

The valuation in level 2 is primarily based on observable market data in the form of interest rate curves, exchange rates and credit margins related to the individual credit and the characteristics of the bond or commercial paper. For papers classified as level 3, the valuation is based on models. See note 35 Commercial paper and bonds, held to maturity for more information.

Due to credit institutions and deposits from customers

The estimated fair value equals the balance sheet value for credit institutions. With respect to deposits from customers, fair value is assessed to equal amortised cost.

Securities issued and subordinated loan capital

The valuation in level 2 is based on observable market data in the form of interest rate curves and credit margins when available. Securities and subordinated loan capital in level 3 are valued based on models. The items consist mainly of funding in foreign currency.

NOTE 29 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 inputs 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
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.

The levels

Financial instruments are categorised within different levels based on the quality of the market data for the individual instruments. With respect to financial instruments categorised as level 2, the quality of market data may vary depending on whether the relevant instrument has been traded. Thus, it will be natural that some instruments are moved between level 2 and level 3. This applies primarily to commercial paper and bonds.

Level 1: Valuation based on quoted prices in an active market

Classified as level 1 are financial instruments valued by using quoted prices in active markets for identical assets or liabilities. Instruments in this category include listed shares and mutual funds, Treasury bills and commercial paper traded in active markets.

Level 2: Valuation based on observable market data

Classified as level 2 are financial instruments which are valued by using inputs other than quoted prices, but where prices are directly or indirectly observable for the assets or liabilities, including quoted prices in non-active markets for identical assets or liabilities.

Included in this category are, among others, interbank derivatives such as interest rate swaps, currency swaps and forward contracts with prices quoted on Reuters or Bloomberg, basis swaps between the currencies NOK, EUR, USD and GBP and cross-currency interest rate derivatives with customers with insignificant credit margins. Exchange-traded options are classified as level 2 if it is possible to scan or interpolate/extra-polate implicit volatility based on observable prices.

NOTE 29 Financial instruments at fair value (continued)

Level 3: Valuation based on other than observable market data
Classified as level 3 are financial instruments which cannot be valued based on directly observable prices. For these instruments other valuation techniques are used, such as valuation of assets and liabilities in companies, estimated cash flows and other models where key parameters are not based on observable market data.

Included in this category are loans to customers and instruments where credit margins constitute a major part of adjustments to market value.

Gains or losses, that occur when the estimated fair value is different from the transaction price (day-one gain/loss) have not had significant impact to the financial statement neither for 2016 or 2015.

The instruments in the different levels

Due from credit institutions (level 2)
The item is primarily relevant for Markets. The valuation of loans to and deposits with credit institutions is mainly based on agreed interest rate terms measured against a swap curve. The fixed-rate period is relatively short.

Loans to customers (level 3)
Loans consist primarily of fixed-rate loans in Norwegian kroner and parts of the portfolio of margin loans in Norwegian kroner. The value of fixed-rate loans is determined by discounting agreed cash flows over the term of the loan, using a discount factor adjusted for margin requirements. A margin requirement is calculated for margin loans, and the difference between the margin requirement and the agreed margin is discounted over the average expected time to the repricing of the loan.

Commercial paper and bonds (levels 2 and 3)
The valuation in level 2 is primarily based on observable market data in the form of interest rate curves, exchange rates and credit margins related to the individual credit and the characteristics of the bond or commercial paper. For paper classified as level 3, the valuation is based on indicative prices from third parties or comparable paper.

Equities including mutual fund holdings (levels 2 and 3)
Equities in level 2 comprise mutual fund holdings where the underlying investments are quoted equities, as well as a small volume of other mutual funds. Instruments which are classified as level 3 essentially comprise property funds, limited partnership units, private equity investments, as well as hedge fund units and investments in unquoted equities.

When determining the fair value of private equity, PE, investments, an industry standard prepared by the European Private Equity & Venture Capital Association, EVCA, is used. The method is considered to represent the best basis for the best estimate of fair values for investments in not very liquid equity instruments. The value of the PE funds on the balance sheet date is reported by the fund managers after the Group has finalised its accounts. Valuations in the consolidated accounts are thus based on valuations received for previous periods, adjusted for a reporting lag of approximately three months. The time lag is determined based on developments in a weighted index consisting of a stock market parameter, using MSCI World as reference index, along with a parameter for anticipated long-term returns on PE investments.

Financial assets, customers bearing the risk (level 2)
The item applies to unit-linked products in DNB Livsforsikring, and the value development of the underlying funds is available on a daily basis.

Financial derivatives (levels 2 and 3)
Financial derivatives classified as level 2 are primarily currency forward contracts and interest rate and currency swaps. The valuation is based on swap curves, and credit margins constitute a minor part of the value. In addition, the item comprises derivatives related to commodities and forward rate agreements. These are valued based on observable market prices. Derivatives classified as level 2 also comprise equity derivatives used in Markets' market-making activities. Most of these derivatives are related to the most traded equities on Oslo Børs, and the valuation is based on the price development of the relevant/underlying equity and observable or estimated volatility. Financial derivatives classified as level 3 are primarily connected to currency options, interest rate options in Norwegian kroner, as well as index derivatives. The valuation is based on indicative prices from third parties.

Due to credit institutions (level 2)
See "Due from credit institutions" above.

Deposits from customers (level 2)
Deposits carried at fair value include special-term deposits. The valuation is primarily based on measurement in relation to a swap curve, and changes in credit margins have an insignificant effect.

Debt securities issued (level 2)
The valuation is primarily based on observable market data in the form of interest rate curves and credit margins. The item consists mainly of funding in Norwegian kroner. For foreign currency funding, hedge accounting is used where hedges are entered into. In all other respects, debt securities issued are carried at amortised cost.

Subordinated loan capital (level 2)
Subordinated loans carried at fair value consist of one loan in Norwegian kroner, and the valuation is based on observable interest rate curves and credit margins.

NOTE 29 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 2014	**100 986**	**251**	**7 621**	**1 877**	**1 463**
Net gains on financial instruments	(913)	(9)	871	61	(24)
Additions/purchases	36 077	532	465	520	467
Sales		(344)	(2 674)		
Settled	(27 383)	0		(981)	(777)
Transferred from level 1 or level 2		818			
Transferred to level 1 or level 2		(462)			
Other	(81)	(51)	14	27	15
Carrying amount as at 31 December 2015	**108 687**	**734**	**6 297**	**1 504**	**1 144**
Net gains on financial instruments	(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.

Loans to customers

The portfolio of loans carried at fair value consists primarily of fixed-rate loans in Norwegian kroner and a share of margin loans in Norwegian kroner.

Fixed-rate loans

The value of fixed-rate loans is determined by discounting agreed interest flows over the term of the loan, using a discount factor adjusted for margin requirements. The discount factor used has as a starting point a swap rate based on a duration equal to the average remaining lock-in period for the relevant fixed-rate loans. The assumptions underlying the calculation of the margin requirement are based on a review of the market conditions on the balance sheet date and on an assessment of the deliberations made by external investors when investing in a corresponding portfolio. Fixed-rate loans carried at fair value totalled NOK 81 742 million at year-end 2016.

Margin loans carried at fair value

A margin loan has an agreed interest rate consisting of a reference interest rate and a margin add-on. Reference rates will normally be set for a period of three months, but the margin can be determined for considerably longer periods. In times of significant interest rate fluctuations and reduced liquidity in the market, as has been the case during the financial turmoil, long-term funding costs increased. This is of significance for the margin requirements used by the bank in its calculations. The margin requirements are measured against agreed margins, and discrepancies are discounted over the average period up until the expected margin adjustment. This period is based on assessments from the Group's business areas, but will require significant judgment based on past experience. The period up until the actual adjustment of the margin represents the largest element of uncertainty in these calculations. Margin loans carried at fair value totalled NOK 12 012 million at year-end 2016.

Commercial paper and bonds

Investments classified as level 3 primarily consist of corporate high-yield bonds with limited liquidity.

Equities including mutual fund holdings

Investments classified as level 3 consist of private equity funds, property funds, limited partnerships, unquoted hedge funds and unquoted equities. A common denominator for these investments is that there is a lag in the access to information from the units. In times of financial market turmoil, there may be considerable uncertainty related to the valuation of these investments.

Financial derivatives, assets and liabilities

Items classified as level 3 are primarily currency options, interest rate options in Norwegian kroner and derivatives related to developments in the consumer price index.

NOTE 29 Financial instruments at fair value (continued)

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 economic 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 December 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 possible 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 30 Offsetting

The table below presents the potential effects of the group's netting arrangements on financial assets and financial liabilities. See note 1 Accounting principles for more information.

						DNB Group
Amounts in NOK million	Gross amount	Amounts offset in the statement of financial position	Carrying amount	Netting agreements	Other collateral [1]	Amounts after possible netting
Assets as at 31 December 2016						
Due from credit institutions [2]	153 938		153 938		153 938	
Loans to customers [2]	43 496		43 496		43 496	
Financial derivatives [3]	124 370		124 370	54 603	36 805	32 963
Liabilities as at 31 December 2016						
Due to credit institutions	20 375		20 375		20 375	
Deposits from customers [2]	1 185		1 185		1 185	
Financial derivatives [3]	95 138		95 138	54 603	22 591	17 945

						DNB Group
Amounts in NOK million	Gross amount	Amounts offset in the statement of financial position	Carrying amount	Netting agreements	Other collateral [1]	Amounts after possible netting
Assets as at 31 December 2015						
Due from credit institutions [2]	279 338		279 338		279 337	
Loans to customers [2]	38 546		38 546		38 546	
Financial derivatives [3]	156 211		156 211	57 533	39 610	59 068
Liabilities as at 31 December 2015						
Due to credit institutions	22 001		22 001		22 001	
Deposits from customers [2]						
Financial derivatives [3]	116 772		116 772	57 533	46 412	12 827

1) *Includes cash collateral and securities received/transferred from/to counterparties and securities received/placed as collateral in depositories in Clearstream or Euroclear.*
2) *Includes repurchase and reverse repurchase agreements, securities borrowing and lending transactions.*
3) *Gross amounts represent the market value of the derivatives subject to master netting agreements or collateralised by cash or securities under Credit Support Annex.*

NOTE 31 Shareholdings

Investments in shares, mutual funds and equity certificates [1]		DNB Group
Amounts in NOK million	31 Dec. 2016	31 Dec. 2015
Total investments in shares, mutual funds and equity certificates, excluding DNB Livsforsikring	6 520	8 789
Total investments in shares, mutual funds and equity certificates, DNB Livsforsikring	15 992	10 552
Total investments in shares, mutual funds and equity certificates	**22 512**	**19 341**

NOTE 31 Shareholdings (continued)

Specification of the largest investments in shares, mutual funds and equity certificates as at 31 December 2016

	DNB Group excl. DNB Livsforsikring			DNB Livsforsikring		
Carrying amount in NOK 1 000	Number of shares	Ownership share in per cent [2]	Recorded value	Number of shares	Ownership share in per cent [2]	Recorded value
Financial institutions						
Bank of New York	100 000	0.0	860 920			
Storebrand ASA [3]	9 788 630	2.2	449 494			
Other financial institutions			32 643			
Total financial institutions			**1 343 057**			
Norwegian companies						
Alpinco	347 043	19.9	56 161			
American Shipping Company [3]	9 506 257	15.7	231 002			
DNO [3]	6 957 991	0.6	59 004			
Eiendomsverdi	353 269	18.8	50 577			
Europris [3]	1 180 000	0.7	43 542			
Finn Eiendom	755	7.6	91 338			
Koksa Eiendom	16 198 752	12.6	189 000			
Marine Harvest [3]	338 400	0.1	52 689			
Nokas	15 769	3.9	44 153			
Nordic Semiconductor [3]	2 150 829	1.3	75 494			
Norsk Hydro [3]	1 111 404	0.1	45 901			
Norway Royal Salmon [3]	2 371 819	5.4	490 967			
Norwegian Air Shuttle [3]	222 917	0.6	63 977			
NRC Group [3]	2 081 301	5.4	141 528			
Olan Thon Eiendomsselskap [3]	286 622	0.3	45 860			
Opera Software [3]	2 034 900	1.4	75 902			
Other Norwegian companies			862 681			
Total Norwegian companies			**2 619 776**			
Companies based abroad						
Cherry AB [3]	255 000	1.5	60 973			
Deep Sea Supply [3]	41 120 000	14.1	57 157			
Golar LNG [3]	4 162 765	4.2	836 819			
Golden Ocean [3]	1 524 846	1.4	62 976			
Seadrill [3]	3 419 706	0.7	101 976			
Subsea 7 [3]	420 818	0.1	45 995			
Teekay Offshore Partners [3]	474 525	10.0	82 970			
Other companies based abroad			334 472			
Total companies based abroad			**1 583 338**			
Mutual funds [4]						
Interest funds			469 467			
Combination funds			47 870			
Equity funds			140 082			
Private equity funds [5]			246 406			
Other funds			69 568			
Total mutual funds			**973 393**			
Total investments in shares, mutual funds and equity certificates			6 519 564			

	DNB Livsforsikring		
Carrying amount in NOK 1 000	Number of shares	Ownership share in per cent [2]	Recorded value
Norwegian companies			
Marineholmen Forskningspark	8 154	0.6	54 909
NMI Fund III KS	351 156		44 477
NMI Global Fund KS	338 625		67 735
Nordic Trustee	26 214		94 737
Oslo Børs VPS Holding	8 522 045		775 506
Other Norwegian companies			87 365
Total Norwegian companies			**1 124 730**
Mutual funds [4]			
Interest funds			2 917 359
Combination funds			19 289
Equity funds			7 572 818
Private equity funds [5]			2 550 008
Other funds			1 808 196
Total mutual funds			**14 867 670**
Total investments in shares, mutual funds and equity certificates			15 992 400

1) *Equity certificates represent investments in savings banks.*
2) *Ownership share in per cent is based on the company's total share capital and does not include derivative contracts.*
3) *Shares and funds carried at fair value in Markets totalled NOK 4 297 million at year-end 2016. Markets' equity investments are mainly an instrument in hedging its equity derivative exposure through the business area's market making activities. Value at Risk for the equity operations in Markets represented approximately NOK 5.5 million at year-end 2016.*
4) *Investments in unconsolidated structured entities totalled NOK 15 841 million at year-end 2016, representing the investments fair value. The investments' maximum exposure to loss equalled their total fair value. For further information about fair value and sensitivity analysis, see note 29 Financial instruments at fair value. The investments are not consolidated because the Group does not control these investments through voting rights, contracts, funding agreements or other means. The holdings in the unconsolidated funds owned by DNB Livsforsikring and managed by DNB Asset Management were below 40 percent at year-end.*
5) *At year-end 2016, capital commitments related to DNB Livsforsikring's and DNB Bank's investments in private equity funds totalled NOK 1 360.2 million and NOK 83.0 million, respectively. The Group did not provide any financial or other support to unconsolidated structured entities during the year. The Group earns management fees and, occasionally, performance-based fees for its investment management services to these funds.*

NOTE 32 Transferred assets or assets with other restrictions

Transferred assets still recognised in the balance sheet		DNB Group
Amounts in NOK million	31 Dec. 2016	31 Dec. 2015
Guarantees		
Loans transferred to Eksportfinans		2 212
Repurchase agreements		
Commercial paper and bonds	14 726	5 128
Securities lending		
Shares	215	753
Total guarantees, repurchase agreements and securities lending	14 941	8 094

Liabilities associated with the assets		DNB Group
Amounts in NOK million	31 Dec. 2016	31 Dec. 2015
Guarantees		
Deposits from Eksportfinans		2 212
Repurchase agreements		
Due to credit institutions	10 446	3 707
Deposits from customers	1 185	661
Securities lending		
Due to credit institutions	224	618
Deposits from customers	2	172
Total liabilities	11 857	7 370

DNB Bank ASA recognised loans which according to a legal agreement have been transferred to Eksportfinans ASA and were guaranteed by DNB Bank ASA. According to the agreement, the bank carried interest rate, settlement and credit risk associated with the transferred loans. The loans had a corresponding liability recognised as deposits from Eksportfinans. At year-end 2015 the loan portfolio transferred to Eksportfinans amounted to NOK 2 212 million, at year-end 2016 the balance was zero.

Restricted assets

Local statutory capital requirements might restrict the ability of the Group to access or transfer assets freely to or from other entities within the Group and to settle liabilities within the Group.

Restrictions affecting the Group's ability to use assets:

- The Group has pledged assets to collateralise its obligations (pledged securities) and issued covered bonds (cover pool), see note 52 Off-balance sheet transactions and contingencies for further information.
- The Group has pledged collateral in connection with derivative instruments, see note 15 Financial derivatives for further information.
- The assets of consolidated structured entities (investment funds) are held for the benefit of the parties that have bought the notes issued by these entities. At year-end 2016 and 2015, assets related to holdings outside the Group represented NOK 27 009 million and NOK 17 403 million, respectively, which is reflected as a corresponding liability in the balance sheet.
- Assets held by insurance subsidiaries are primarily held to satisfy the obligations to the companies' policy holders. At year-end 2016 assets held by the insurance subsidiaries amounted to NOK 300 701 million, compared to NOK 285 863 million at year-end 2015. These assets are related to DNB Livsforsikring AS and DNB Forsikring AS, and include Financial assets, customers bearing the risk.

NOTE 33 Securities received which can be sold or repledged

Securities received		**DNB Group**
Amounts in NOK million	31 Dec. 2016	31 Dec. 2015
Reverse repurchase agreements		
Commercial paper and bonds	190 083	310 662
Securities borrowing		
Shares	31 121	4 931
Total securities received	221 204	315 593
Of which securities received and subsequently sold or repledged:		
Commercial paper and bonds	*4 203*	*9 656*
Shares	*10 084*	*3 825*

Securities which have been purchased under an agreement to resell are generally not recognised, as the risk and returns associated with ownership of the assets are normally not transferred. Such transactions primarily involve fixed-income securities. Securities received, including securities received as collateral, are registered off the balance sheet irrespective of whether the Group has the right to sell or repledge the securities. Upon the sale of securities received, the Group will record an obligation in the balance sheet.

NOTE 34 Financial assets and insurance liabilities, customers bearing the risk

		DNB Group
Amounts in NOK million	31 Dec. 2016	31 Dec. 2015
Mutual funds	27 620	22 504
Bond funds	19 929	16 387
Money market funds	7 232	5 978
Combination funds	3 844	3 300
Bank deposits	1 595	1 510
Total financial assets, customers bearing the risk [1)]	**60 220**	**49 679**
Total insurance liabilities, customers bearing the risk	**60 220**	**49 679**

1) The figures show a breakdown of customer assets invested in products with a choice of investment profile. For such assets, the customers carry the financial risk.

NOTE 35 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	2016	2015
Recorded amortisation effect	84	95
Net gain, if valued at fair value	448	(170)
Effects of reclassification on profits	(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

DNB Livsforsikring

Bonds held-to-maturity totalled NOK 80.9 billion in DNB Livsforsikring AS's as at 31 December 2016, mainly comprising bonds issued by highly creditworthy borrowers. Only in exceptional cases does DNB Livsforsikring invest in bonds issued by traditional manufacturing companies.

	DNB Group	
	Per cent 31 Dec. 2016	NOK million 31 Dec. 2016
Asset class		
Government/government-guaranteed	20.53	16 600
Guaranteed by supranational entities	2.23	1 800
Municipalities/county municipalities	3.30	2 671
Bank and mortgage institutions	23.42	18 942
Covered bonds	34.28	27 723
Other issuers	16.24	13 136
Total bond portfolio DNB Livsforsikring, held to maturity, nominal values	100.00	80 872
Accrued interest, amortisation effects and fair value adjustments		1 792
Total bond portfolio DNB Livsforsikring, held to maturity		82 664

NOTE 36 Investment properties

	DNB Group	
Amounts in NOK million	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, and is thus classified at level three in the valuation hierarchy. As a supplement, external appraisals are obtained for a representative selection of properties in the portfolio at regular intervals throughout the year. This selection represents close to 83 per cent of the values in the portfolio. During the fourth quarter of 2016, external appraisals were obtained for a total of eight 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 higher 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. The required rate of return in 2016 was 8.0 per cent up to and including the third quarter. In order to adapt to the market situation, the required rate of return was reduced in the fourth quarter.However, certain individual assessments of the required rate of return are made at segment level. The model uses the same required rates of return for cash flow both during and after the contract period.

Specific property risk is reflected in the cash flow through contractual rent, future market rent, operating expenses, required investments, adaptations for new tenants upon expiry of the contract, vacancy risk and adjustments for future price inflation, CPI (Norges Bank's inflation target).

Developments in market and contractual rents

During 2016, total contractual rent for the wholly-owned portfolio in Norway declined by NOK 489 million to NOK 728 million, while the estimated market rent was down NOK 490 million to NOK 789 million. Adjusted for changes in the portfolio, contractual rent rose by NOK 41 million, while market rent increased by NOK 19 million.

Value development and sensitivity

The valuations resulted in a NOK 580 million positive revaluation of the property portfolio in 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 approximately 3.7 per cent or NOK 470 million.

Vacancy

At year-end 2016, economic vacancy in the portfolio was 8.6 per cent, compared with 7.0 per cent a year earlier.

Other investment properties

The Group's other investment properties are mainly related to acquired companies and are classified at level 3 in the valuation hierarchy.

NOTE 36 Investment properties (continued)

Investment properties according to geographical location

DNB Livsforsikring

Type of building	Location	Fair value *NOK million*	Gross rental area *m^2*	Average rental period *No. of years*
Office buildings	Eastern Norway	3 411	119 284	4.6
Office buildings	Rest of Norway	3 064	134 894	5.1
Shopping centres	Norwegian cities	4 011	111 747	3.8
Hotels	Norwegian cities	2 088	68 767	11.8
Abroad	Stockholm/Gothenburg	2 990	77 002	9.7
Total investment properties as at 31 December 2016		15 565	511 694	6.2
Total investment properties as at 31 December 2015		15 195	506 456	5.9
Change in 2016		369	5 238	0.3
Total investment properties as at 31 December 2016		15 565	511 694	6.2

Projects, expected completion

DNB Livsforsikring

Amounts in NOK million	2017	2018	2019
Contractual obligations for property purchases and development	56	100	

Amounts included in the income statement

DNB Group

Amounts in NOK million	2016	2015
Rental income from investment properties	863	1 446
Direct expenses (including repairs and maintenance) related to investment properties generating rental income	(197)	(285)
Direct expenses (including repairs and maintenance) related to investment properties not generating rental income	(20)	(51)
Total	646	1 110

Changes in the value of investment properties

DNB Group

Amounts in NOK million	Investment properties
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
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 is 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 37 Investments accounted for by the equity method

	DNB Group	
Amounts in NOK million	2016	2015
Carrying amount as at 1 January	9 525	5 866
Share of profits after tax	771	162
Impairment of the ownership interest in Eksportfinans AS [1]	144	199
Share of other comprehensive income [2]	(880)	889
Additions/disposals	(1 793)	2 477
Dividends		(69)
Carrying amount as at 31 December [3]	**7 768**	**9 525**

						DNB Group	
	Assets	Liabilities			Ownership share (%)	Carrying amount	Carrying amount
	31 Dec.	31 Dec.	Income	Profit	31 Dec.	31 Dec.	31 Dec.
Amounts in NOK million	2016 [4]	2016 [4]	2016 [4]	2016 [4]	2016	2016	2015
Eksportfinans AS [1]	34 171	26 106	(0)	(0)	40	3 219	3 139
DNB Scandinavian Property Fund	6 072	51	300	355	46	2 753	2 686
Sørlandssenteret DA	2 659	144	127	257	50	1 257	1 279
Lade Handelspark DA							1 094
Visa Norge [2]						283	889
Other associated companies						256	439
Total						**7 768**	**9 525**

1) *Moody's and Standard & Poor's downgrades of Eksportfinans' credit rating in the fourth quarter of 2011 resulted in sizeable unrealised gains on the company's long-term funding. The effect of these unrealised gains on DNB's holding, after tax, represented NOK 11.8 billion. After reviewing the fair value of the company in connection with the closing of the annual accounts, DNB wrote down the value by an amount corresponding to unrealised gains on Eksportfinans' own debt in the fourth quarter of 2011. Since 2011 the required rate of return in the market was reduced, and Eksportfinans had sizeable unrealised losses on own debt. The impairment loss recorded by DNB in the fourth quarter of 2011 was reversed by an amount corresponding to these unrealised losses. The remaining adjustment amounting to NOK 144 million was reversed in 2016. The impairment loss in 2011 and subsequent reversals have been reported on the line "Profit from investments accounted for by the equity method" along with DNB's share of profits from the company.*
2) *DNB has indirect ownership interests in Visa Europe through its membership in Visa Norway. In connection with the valuation of the holdings in Visa Europe as at 31 March 2016 an accumulated gain of NOK 855 million was recognized 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 recognized as "Profit from investments accounted for by the equity method" in the income statement.*
3) *Include deferred tax positions and value adjustments not reflected in the company's balance sheet.*
4) *Values in the accounts of associated companies. Preliminary and unaudited accounts have been used.*

NOTE 38 Intangible assets

	DNB Group	
Amounts in NOK million	31 Dec. 2016	31 Dec. 2015
Goodwill	4 765	4 834
Capitalised systems development	948	1 042
Other intangible assets	100	199
Total intangible assets	**5 814**	**6 076**

			DNB Group	
Amounts in NOK million	Goodwill	Capitalised systems development	Other intangible assets	Total
Cost as at 1 January 2015	9 182	5 451	1 132	15 765
Additions	12	164	51	227
Additions from the acquisition/establishment of other companies				
Increase/reduction in cost price				
Disposals	(11)	(811)	(119)	(941)
Exchange rate movements	57	118	(64)	111
Cost as at 31 December 2015	9 240	4 921	1 000	15 161
Total depreciation and impairment as at 1 January 2015	(4 401)	(4 190)	(888)	(9 479)
Depreciation		(322)	(84)	(406)
Impairment		(105)		(105)
Disposals	2	811	73	887
Exchange rate movements	(7)	(73)	98	18
Total depreciation and impairment as at 31 December 2015	(4 406)	(3 879)	(801)	(9 086)
Carrying amount as at 31 December 2015	**4 834**	**1 042**	**199**	**6 076**
Cost as at 1 January 2016	9 240	4 921	1 000	15 161
Additions	19	285	346	650
Additions from the acquisition/establishment of other companies	(0)			(0)
Increase/reduction in cost price	(41)		(0)	(41)
Disposals	(29)	(569)	(461)	(1 060)
Exchange rate movements	(56)	(55)	(40)	(150)
Cost as at 31 December 2016	9 134	4 582	845	14 561
Total depreciation and impairment as at 1 January 2016	(4 406)	(3 879)	(801)	(9 086)
Depreciation		(283)	(43)	(326)
Impairment	(5)	(21)		(26)
Disposals		489	70	559
Exchange rate movements	43	60	29	132
Total depreciation and impairment as at 31 December 2016	(4 368)	(3 634)	(745)	(8 747)
Carrying amount as at 31 December 2016	**4 765**	**948**	**100**	**5 814**

Goodwill

The risk-free interest rate is set at 3 per cent, the market risk premium is set at 5 per cent, and the long-term growth factor is set at 2.5 per cent for all cash-generating units. Beta values are estimated separately for each cash-generating unit. Required rate of return is before tax. For a detailed description of methods and assumptions used in the calculation of the recoverable amount for goodwill, see note 1 Accounting principles.

NOTE 38 Intangible assets (continued)

Goodwill per unit as at 31 December 2016 **DNB Group**

	Growth factor (per cent)	Required rate of return (per cent)	Recorded (NOK million)
DNB Asset Management	2.5	13.7	1 679
Personal customers	2.5	12.4	982
Small and medium sized enterprises	2.5	12.4	483
DNB Finans - car financing	2.5	12.4	791
Other	2.5	12.4	830
Total goodwill			**4 765**

Goodwill per unit as at 31 December 2015 **DNB Group**

	Growth factor (per cent)	Required rate of return (per cent)	Recorded (NOK million)
DNB Asset Management	2.5	12.9	1 705
Personal customers	2.5	11.8	982
Small and medium sized enterprises	2.5	11.8	483
DNB Finans - car financing	2.5	11.8	811
Other	2.5	11.8	853
Total goodwill			**4 834**

DNB Asset Management

The unit includes asset management operations, mainly in Norway and Sweden. Total goodwill from units in the operational area is assessed collectively, and the cash-generating unit represents the entire operational area. Operations are integrated, and synergies and rationalisation effects have been realised throughout the organisation. The operational area is the lowest level at which cash flows can be identified. The most critical assumptions for cash flows during the plan period are developments in the securities markets, net sales of mutual funds and margins.

Personal customers – parent bank

This unit encompasses banking operations (loans and deposits) for personal customers in the regional network in Norway, and recorded goodwill mainly stems from the merger between DnB and Gjensidige NOR and the acquisition of Nordlandsbanken. In addition, some goodwill remains from previously acquired offices in Gjensidige NOR. Key assumptions for cash flows during the plan period are developments in margins, volumes and impairment of loans.

Small and medium-sized enterprises – parent bank

This unit encompasses banking operations (loans and deposits) for corporate customers in the regional network in Norway, and recorded goodwill mainly stems from the merger between DnB and Gjensidige NOR. Key assumptions for cash flows during the plan period are developments in margins, volumes and impairment of loans.

DNB Finans – car financing

The unit encompasses DNB's car financing operations in Norway and Sweden, and goodwill stems from DNB's acquisition of Skandiabanken's car financing operations with effect from 2008. Critical assumptions for cash flows during the plan period are car sales figures and DNB Finans' ability to retain customer relations with important car dealers, along with long-term margin developments and the level of impairments of loans.

NOTE 39 Fixed assets

DNB Group

Amounts in NOK million	Real property at historic cost	Real property at fair value	Machinery, equipment and vehicles	Fixed assets operational leases	Other fixed assets	Total
Accumulated cost as at 31 December 2015	798	951	3 683	8 648	174	14 255
Reclassified fixed assets	7		(7)			
Additions	19		235	2 333	27	2 614
Revaluation	0	47	(0)			48
Fixed assets, reclassified as held for sale	(419)		(280)		(100)	(799)
Disposals	(198)		(303)	(2 667)	(27)	(3 196)
Exchange rate movements	(35)		(25)	(296)	(7)	(364)
Cost as at 31 December 2016	173	998	3 302	8 018	67	12 558
Total depreciation and impairment ast at 31 December 2015	(210)	(157)	(1 996)	(2 928)	(104)	(5 395)
Fixed assets, reclassified as held for sale	113		209		62	384
Disposals	78		247	1 584	20	1 929
Depreciation [1)]	(20)	(14)	(347)	(1 252)	(13)	(1 646)
Impairment	(13)					(13)
Exchange rate movements	12		13	103	5	132
Total depreciation and impairment as at 31 December 2016	(39)	(171)	(1 875)	(2 493)	(31)	(4 609)
Carrying amount as at 31 December 2016	133	827	1 427	5 525	36	7 949

**) Value of property classified at fair value according to the historic cost principle* *168*

1) Based on cost less any residual value, other assets are subject to straight-line depreciation over their expected useful life within the following limits:

Technical installations	*10 years*
Machinery	*3-10 years*
Fixtures and fittings	*5-10 years*
Computer equipment	*3-5 years*
Means of transport	*5-7 years*

The DNB Group has not placed any collateral for loans/funding of fixed assets, including property.

NOTE 40 Assets and liabilities held for sale

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

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

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

	DNB Baltics
Amounts in NOK million	31 Dec. 2016
Assets	
Cash and deposits with central banks	3 645
Diue 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 41 Leasing

Financial leases (as lessor)		**DNB Group**
Amounts in NOK million	31 Dec. 2016	31 Dec. 2015
Gross investment in the lease		
Due within 1 year	13 472	12 292
Due in 1-5 years	35 624	32 324
Due in more than 5 years	3 335	3 042
Total gross investment in the lease	52 431	47 659
Present value of minimum lease payments		
Due within 1 year	12 930	11 789
Due in 1-5 years	28 883	26 595
Due in more than 5 years	2 226	2 027
Total present value of lease payments	44 039	40 410
Unearned financial income	8 393	7 249
Unguaranteed residual values accruing to the lessor	65	128
Accumulated loan-loss provisions	826	1 742
Variable lease payments recognised as income during the period	117	119

Operational leases (as lessor)		**DNB Group**
Amounts in NOK million	31 Dec. 2016	31 Dec. 2015
Future minimum lease payments under non-cancellable leases		
Due within 1 year	343	1 073
Due in 1-5 years	1 726	3 740
Due in more than 5 years	35	1 603
Total future minimum lease payments under non-cancellable leases	2 103	6 417

Operational leases (as lessee)		**DNB Group**
Amounts in NOK million	31 Dec. 2016	31 Dec. 2015
Minimum future lease payments under non-cancellable leases		
Due within 1 year	89	36
Due in 1-5 years	436	644
Due in more than 5 years	5 457	5 743
Total minimum future lease payments under non-cancellable leases	5 982	6 423
Total minimum future sublease payments expected to be received under non-cancellable subleases	234	146

		DNB Group
Amounts in NOK million	2016	2015
Leases recognised as an expense during the period		
Minimum lease payments	806	843
Variable lease payments		
Total leases recognised as an expense during the period	806	843
Impairment of leases	(0)	(0)

Financial leases (as lessor)

The DNB Group's financial leasing operations apply to DNB Bank ASA and DNB's operations in Baltics and Poland.

Operational leases (as lessor)

Mainly comprises operational leasing operations in DNB Bank ASA, in addition to leasing of investment properties in DNB Livsforsikring.

Operational leases (as lessee)

Mainly include premises leased by DNB Bank ASA.

NOTE 42 Other assets

	DNB Group	
Amounts in NOK million	31 Dec. 2016	31 Dec. 2015
Accrued expenses and prepaid revenues	1 056	826
Amounts outstanding on documentary credits and other payment services	1 809	1 480
Unsettled contract notes	1 219	1 160
Past due, unpaid insurance premiums	235	324
Investment funds owned by non-controlling interests	27 009	17 403
Other amounts outstanding	5 381	4 547
Total other assets	**36 709**	**25 739**

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

NOTE 43 Deposits from customers for principal customer groups

	DNB Group	
Amounts in NOK million	31 Dec. 2016	31 Dec. 2015
Private individuals	348 263	353 110
Transportation by sea and pipelines and vessel construction	51 347	65 040
Real estate	43 307	44 782
Manufacturing	68 738	57 701
Services	129 567	137 262
Trade	28 408	32 743
Oil and gas	27 267	23 777
Transportation and communication	52 650	51 244
Building and construction	26 435	21 023
Power and water supply	19 469	21 787
Seafood	7 582	5 301
Hotels and restaurants	3 071	2 395
Agriculture and forestry	2 465	4 317
Central and local government	57 715	52 253
Finance	68 264	71 215
Total deposits from customers, nominal amount	934 548	943 952
Adjustments	349	476
Deposits from customers	**934 897**	**944 428**

The breakdown into principal customer groups corresponds to the EU's standard industrial classification, NACE Rev.2.

NOTE 44 Debt securities issued

Changes in 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**

Maturity of debt securities issued recorded at amortised cost as at 31 December 2016 [1) 2)] — **DNB Group**

Amounts in NOK million	NOK	Foreign currency	Total
2017		79 640	79 640
2018		72 785	72 785
2019		52 609	52 609
2020		67 197	67 197
2021		80 126	80 126
2022		47 260	47 260
2023 and later		97 073	97 073
Total bond debt, recorded at amortised cost, nominal amount		496 691	496 691
Total debt securities issued recorded at amortised cost, nominal amount		496 691	496 691

Maturity of debt securities issued recorded at fair value as at 31 December 2016 [1)] — **DNB Group**

Amounts in NOK million	NOK	Foreign currency	Total
2017	63	153 352	153 415
Total commercial paper issued, nominal amount	63	153 352	153 415
2017	6 808		6 808
2018	16 318		16 318
2019	17 758		17 758
2020	20 452		20 452
2021	15 678		15 678
2022	3 947		3 947
2023 and later	1 970		1 970
Total bond debt, nominal amount	82 932		82 932
Total debt securities issued recorded at fair value, nominal amount	82 995	153 352	236 347
Adjustments	2 582	30 249	32 832
Debt securities issued	85 577	680 292	765 869

1) *Minus own bonds. Nominal amount of outstanding covered bonds in DNB Boligkreditt totalled NOK 415.8 billion as at 31 December 2016. The cover pool market value represented NOK 599.6 billion.*
2) *Includes hedged items.*

NOTE 45 Subordinated loan capital and perpetual subordinated loan capital securities

Changes in 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**

DNB Group

Year raised	Carrying amount in foreign currency		Interest rate	Maturity	Call date	Carrying amount in NOK
Term subordinated loan capital						
2012	EUR	750	4.75 % p.a.	2022	2017	6 812
2013	NOK	1 250	3-month NIBOR + 1.70 %	2023	2018	1 250
2013	EUR	750	3.00 % p.a.	2023	2018	6 812
2015	SEK	1 000	1.97 % p.a.	2025	2020	951
2015	SEK	3 000	3-month STIBOR + 1.40 %	2025	2020	2 852
2016	JPY	10 000	1.00 % p.a.	2026	2021	738
Total, nominal amount						19 415
Perpetual subordinated loan capital						
1985	USD	215	3-month LIBOR + 0.25 %			1 851
1986	USD	200	6-month LIBOR + 0.13 %			1 722
1986	USD	150	6-month LIBOR + 0.15 %			1 291
1999	JPY	10 000	4.51 % p.a.		2029	738
Total, nominal amount						5 602
Perpetual subordinated loan capital securities						
2007	GBP	350	6.01 % p.a.		2017	3 732
Total, nominal amount						3 732

NOTE 46 Other liabilities

DNB Group

Amounts in NOK million	31 Dec. 2016	31 Dec. 2015
Short-term funding	1 574	805
Short positions trading	516	5 359
Accrued expenses and prepaid revenues	4 113	4 172
Documentary credits, cheques and other payment services	2 831	1 666
Unsettled contract notes	2 943	3 288
Accounts payable	1 587	1 527
General employee bonus	246	246
Non-controlling interests	27 009	17 403
Other liabilities	3 749	3 207
Total other liabilities [1]	**44 568**	**37 675**

1) Other liabilities are generally of a short-term nature.

NOTE 47 Equity

Share capital

The share capital of DNB ASA at 31 December 2016 and 31 December 2015 was NOK 16 287 988 610 divided into 1 628 798 861 shares, each with a nominal value of NOK 10.

DNB ASA has one class of shares, and all shares carry voting rights. Shareholders are entitled to receive the dividend proposed at any time and have one voting right per share at the company's general meeting.

The Board of Directors of DNB ASA has proposed that the general meeting to be held in April 2017 approve a dividend of NOK 5.70 per share for 2016.

Own shares

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.

Additional Tier 1 capital

The Additional Tier 1 capital is issued by DNB Bank ASA.

Changes in additional Tier 1 capital **DNB Group**

Amounts in NOK million	Balance sheet 31 Dec. 2016	Issued 2016	Interest paid 2016	Interest accrued 2016	Exchange rate movements 2016	Balance sheet 31 Dec. 2015
Additional Tier 1 capital, nominal amount	15 574	7 520				8 053
Adjustments	379		(505)	595	(11)	299
Additional Tier 1 capital	**15 952**	**7 520**	**(505)**	**595**	**(11)**	**8 353**

DNB Group

Year raised	Carrying amount in foreign currency		Interest rate	Carrying amount in NOK
2015	NOK	2 150	3-month NIBOR + 3.25 %	2 150
2015	USD	750	5.75 % p.a.	5 903
2016	NOK	1 400	3-month NIBOR + 5.25 %	1 400
2016	USD	750	6.50 % p.a.	6 120
Total, nominal amount				15 574

NOTE 48 Remunerations etc.

Pursuant to Section 6-16a of the Norwegian Public Limited Companies Act, the Board of Directors will present the following statement on remunerations to the Annual General Meeting for voting:

"Information about DNB's remuneration scheme

Pursuant to the regulations on remuneration schemes in financial institutions etc., issued by the Norwegian Ministry of Finance on 1 December 2010 and subsequent amendments, companies are required to publish information about the main principles for determining remunerations, criteria for the stipulation of any variable remunerations and quantitative information on remuneration to senior executives. The information in this note, including the Board of Directors' statement on the stipulation of salaries and other remunerations to senior executives below, represents such information, as stipulated in the remuneration regulations.

The group guidelines for remuneration in the DNB Group apply to the total remuneration to all permanent employees in the DNB Group and have been approved by the Board of Directors. The guidelines comprise monetary remuneration (fixed salary, short and long-term incentives), employee benefits (pensions, employer's liability insurance and other employee benefits) and employee development and career measures (courses and development programmes, career programmes and other non-monetary remuneration).

According to the guidelines, total remuneration is to be based on a total evaluation of the performance of the Group, as well as the unit's and each individual's contributions to value creation. Total remuneration should be structured to ensure that it does not expose the Group to unwanted risk. The remuneration should be competitive, but also cost-effective for the Group.

Furthermore, monetary remuneration should consist of a fixed and a variable part where this is appropriate. Fixed salary should be a compensation for the responsibilities and requirements assigned to each position, as well as its complexity, while variable remuneration should encourage strong performance and desired conduct.

Variable remuneration

The group guidelines shall ensure that variable remuneration is granted in accordance with the provisions in the remuneration regulations and the circular from Finanstilsynet on remuneration schemes in financial institutions, investment firms and management companies for mutual funds, DNB has had separate group guidelines for variable remuneration since 2011, including special rules for variable remuneration to senior executives, employees with responsibilities which are of great importance to the company's risk exposure ("risk takers") and employees who are responsible for independent control functions.

The purpose of variable remuneration is to reward conduct and develop a corporate culture which ensures long-term value generation.

Variable remuneration is based on an overall assessment of the results achieved within defined target areas for the Group, the unit and the individual, as well as compliance with the Group's vision, values, code of ethics and leadership principles. The variable remuneration should be performance-based without exposing the Group to unwanted risk. Furthermore, it should counteract excessive risk taking and promote sound and effective risk management in DNB. Variable remuneration (bonus) for senior executives cannot exceed 50 per cent of fixed salary.

DNB's variable remuneration scheme applies globally, though non-Norwegian branches and subsidiaries will also be required to comply with local legislation, regulations and guidelines. There may be challenges of a legal nature in cases where the Norwegian regulations do not correspond to local legislation and local rules concerning remunerations in financial institutions. In such cases, the Group will seek advice from the relevant authorities and international experts to ensure that the Group's practices are in compliance with both Norwegian and local regulations.

The Board of Directors' statement on the stipulation of salaries and other remunerations to senior executives

DNB's guidelines for determining remunerations to the group chief executive and other members of the group management team should, at all times, support prevailing strategy and values, while contributing to the attainment of the Group's targets. The remuneration should inspire conduct to build the desired corporate culture with respect to performance and profit orientation. No changes have been made in the principles for the stipulation of variable remunerations compared with the statement for the previous year.

Decision-making process

The Board of Directors in DNB ASA has established a compensation committee consisting of four members: the chairman of the Board, the vice-chairman, one board member and one board member elected by the employees.

The Compensation Committee prepares matters for the Board of Directors and has the following main responsibilities:

- Annually evaluate and present its recommendations regarding the total remuneration awarded to the group chief executive
- Annually prepare recommended targets for the group chief executive
- Based on suggestions from the group chief executive, decide the remuneration and other key benefits awarded to the group executive vice president, Group Audit and the group executive vice president, Group Risk Management
- Act in an advisory capacity to the group chief executive regarding remunerations and other key benefits for members of the group management team and, when applicable, for others who report to the group chief executive
- Consider other matters as decided by the Board of Directors and/or the Compensation Committee
- Evaluate other personnel-related issues which can be assumed to entail great risk to the Group's reputation

NOTE 48 Remunerations etc. (continued)

A. Guidelines for the coming accounting year

Remuneration to the group chief executive

The total remuneration to the group chief executive consists of fixed salary (main element), benefits in kind, variable remuneration, and pension and insurance schemes. The total remuneration is determined based on a total evaluation, and the variable part of the remuneration is primarily based on the Group's financial targets for return on equity, the common equity Tier 1 capital ratio and cost/income ratio.

In addition to the financial targets, the Group's customer satisfaction, corporate reputation scores and developments in key performance indicators relating to the Group's corporate culture will be taken into consideration. In addition, the total evaluation will reflect compliance with the Group's vision, values, code of ethics and leadership principles.

The fixed salary is subject to an annual evaluation and is determined based on salary levels in the labour market in general and in the financial industry in particular, and on remuneration levels for comparable positions.

Variable salary to the group chief executive is determined based on an overall assessment of the results achieved within defined target areas. Variable salary cannot exceed 50 per cent of fixed salary. The group chief executive is not awarded performance-based payments other than the stated variable remuneration.

In addition to variable remuneration, the group chief executive can be granted benefits in kind such as company car, newspapers/periodicals and telephone/ other communication. Benefits in kind should be relevant to the group chief executive's function or in line with market practice, and should not be significant relative to the group chief executive's fixed salary.

The group chief executive is a member of the defined-contribution pension scheme pursuant to the Norwegian Defined-contribution Pension Act in line with all other employees in Norway.

Up until 31 December 2016, the group chief executive had an agreement whereby his retirement age was 60 years with a pension representing 70 per cent of fixed salary. According to the agreement, if employment was terminated prior to the age of 60, he would still be entitled to a pension from the age of 60 with the deduction of 1/14 of the pension amount for each full year remaining to his 60th birthday. As of 1 January 2017, this agreement has been replaced by a defined-contribution direct pension agreement based on the same conditions and principles as those used in connection with the conversion of the Group's defined-benefit occupational pension scheme in 2016 pursuant to the Norwegian Occupational Pension Act. According to the new agreement, the entitlements of the group chief executive, calculated on the conversion date, are estimated to correspond to the technical insurance value of the former defined-benefit agreement. Based on the calculation assumptions, the new agreement will have the same value as the former defined-benefit agreement would have had at retirement age. Future pension entitlements will comprise annual contributions and the return on the rights earned. After the age of 60, no further contributions will be earned under this agreement. The group chief executive's pension scheme is thus based entirely on defined-contribution principles, and the company carries no risk for the return achieved on the contributions.

According to the agreement, the group chief executive is entitled to a termination payment for two years if employment is terminated prior to the age of 60. If, during this period, the group chief executive receives income from other employment, the termination payment will be reduced by an amount corresponding to the salary received from this employment. Benefits in kind will be maintained for a period of three months.

Remuneration to other senior executives

The group chief executive determines the remunerations to senior executives in agreement with the chairman of the Board of Directors. The Board of Directors will honour existing binding agreements.

The total remuneration to senior executives consists of fixed salary (main element), benefits in kind, variable salary, and pension and insurance schemes. The total remuneration is determined based on the need to offer competitive terms in the various business areas. The remunerations should promote the Group's competitiveness in the relevant labour market, as well as the Group's profitability, including the desired trend in income and costs. The total remuneration should take DNB's reputation into consideration and ensure that DNB attracts and retains senior executives with the desired skills and experience.

The fixed salary is subject to an annual evaluation and is determined based on salary levels in the labour market in general and in the financial industry in particular.

Benefits in kind may be offered to senior executives to the extent the benefits have a relevant connection to the employee's function in the Group or are in line with market practice. The benefits should not be significant relative to the employee's fixed salary.

Target structure 2017

The Compensation Committee approves principal criteria, principles and limits for variable remuneration. The Compensation Committee has decided that the Group's return on equity, the common equity Tier 1 capital ratio and cost/income ratio should constitute the financial target figures for 2017. In addition to the financial targets, the Group's customer satisfaction and corporate reputation scores are taken into consideration, as well as developments in key performance indicators relating to the Group's corporate culture and innovation.

The Group's financial target figures have been broken down into relevant targets for the various business areas and staff and support units in order to offer optimal support for the implementation of new capital adequacy and liquidity regulations.

The above targets will be key elements when calculating and paying out the variable remuneration for 2017. All financial targets have been defined and communicated to the relevant business areas and staff and support units as part of the work with and follow-up of the targets for 2017.

NOTE 48 Remunerations etc. (continued)

Determination of variable remuneration for 2017

The variable remuneration for 2017 will be determined by means of an overall assessment of performance, based on a combination of quantitative attainment of pre-set performance targets and qualitative assessments of how the targets were achieved.

The Board of Directors will determine a maximum limit for total bonuses for the Group, excluding DNB Markets and DNB Eiendom, based on the attainment of group targets over the last two years, combined with a general assessment of other important parameters and the Group's financial capacity. The total limit will be allocated to the organisation based on the individual units' target attainment and contributions to the Group's performance. With respect to DNB Markets, a special limit will be determined for variable remuneration based on the risk-adjusted profits achieved by the unit and an overall assessment, which is in line with market practice for this type of operations. Correspondingly, the remuneration model in DNB Eiendom is consistent with market practice, with a high share of variable remuneration based on individual performance.

Special rules for senior executives, identified risk takers and employees responsible for independent control functions

DNB has prepared and implemented special rules for identified risk takers, employees responsible for independent control functions and senior executives, hereinafter called risk takers. The special rules supplement the general group guidelines for remuneration and have been formulated in compliance with the remuneration regulations and the related circular from Finanstilsynet.

In accordance with prevailing requirements, DNB has surveyed the entire organisation to identify risk takers based on the criteria resulting from the circular and the EU regulation.

For risk takers, the following main principles apply to variable remuneration:

- The remuneration is earned over a period of two years.
- Variable remuneration cannot exceed the agreed fixed remuneration.

Deferred and conditional payment of minimum 50 per cent of the earned variable remuneration in the form of DNB shares. The remuneration paid in the form of shares will be divided into three, subject to minimum holding periods (deferred and conditional), with one-third each year over a period of three years. The deferred and conditional payments will be in compliance with the stipulations in the remuneration regulations.

Pensions etc.

Pension schemes and any agreements on termination payments etc. should be considered relative to other remuneration and should ensure competitive terms. The various components in pension schemes and severance pay, either alone or together, must not be such that they could pose a threat to DNB's reputation.

Senior executives are members of the defined-contribution pension scheme pursuant to the Norwegian Defined-contribution Pension Act, in line with all other employees in Norway. Up to 31 December 2016, most senior executives in the Group had agreements entitling them to a defined-benefit pension at the age of 65, subject to certain adaptations, which at all times have been in accordance with government guidelines for remunerations to senior executives. Pension entitlements were not to exceed 70 per cent of fixed salary and should constitute maximum 12 times the National Insurance basic amount. However, the DNB Group has honoured existing agreements. As of 1 January 2017, these agreements have been replaced by defined-contribution direct pension agreements based on the same calculation assumptions and principles as those used in connection with the conversion of the Group's defined-benefit occupational pension scheme in 2016 pursuant to the Norwegian Occupational Pension Act.

The pension entitlements of the senior executives, calculated on the conversion date, are estimated to correspond to the technical value of the former defined-benefit scheme. Future pension entitlements will from now on comprise annual contributions and the return on the rights earned. The annual contributions are calculated individually to ensure that, based on the calculation assumptions, the new scheme will have the same value as the former defined-benefit agreement would have had at retirement age.

As a main rule, no termination payment agreements will be signed. However, the Group will honour existing agreements.

When entering into new agreements, the guidelines generally apply and comprise all senior executives.

See table of remunerations for senior executives below.

B. Binding guidelines for shares, subscription rights, options etc. for the coming accounting year

An amount corresponding to 50 per cent of the earned variable remuneration of the group chief executive, senior executives and risk takers is invested in shares in DNB ASA. The minimum holding periods are one year for one-third of the shares, two years for one-third of the shares and three years for the final one-third of the shares.

No additional shares, subscription rights, options or other forms of remuneration only linked to shares or only to developments in the share price of the company or other companies within the Group, will be awarded to the group chief executive or senior executives. The group chief executive and senior executives are, however, given the opportunity to participate in a share subscription scheme on the same terms as other employees in the DNB Group.

C. Statement on the senior executive salary policy in the previous account year

The group guidelines determined in 2011, including changes effective as from 2015, have been followed.

NOTE 48 Remunerations etc. (continued)

D. Statement on the effects for the company and the shareholders of remuneration agreements awarding shares, subscription rights, options etc.

An amount corresponding to 50 per cent of the gross variable remuneration earned by the group chief executive and senior executives in 2016 is invested in shares in DNB ASA. The Board of Directors believes that the awarding of shares to senior-executives, in view of the total number of shares in the company, will have no negative consequences for the company or the shareholders."

Terms for the chairman of the Board of Directors

Anne Carine Tanum received a remuneration of NOK 548 000 in 2016 as chairman of the Board of Directors of DNB ASA, compared with NOK 526 000 in 2015. In addition, she received NOK 437 000 as chairman of the Board of Directors of DNB Bank ASA, compared with NOK 420 000 in 2015.

Terms for the group chief executive

Rune Bjerke received an ordinary salary of NOK 5 794 000 in 2016, compared with NOK 5 628 000 in 2015. The Board of Directors of DNB ASA stipulated the group chief executive's bonus payment for 2016 at NOK 2 010 000, compared with NOK 2 332 000 in 2015. The bonus for 2016 will be paid in 2017. Benefits in kind were estimated at NOK 322 000, compared with NOK 349 000 in 2015.

Costs in connection with the group chief executive’s pension scheme of NOK 3 871 000 were recorded for the 2016 accounting year, compared with NOK 4 586 000 in 2015. Costs are divided between DNB ASA and DNB Bank ASA. The costs recorded in the 2016 accounts consist of two elements: pension entitlements earned during the year (NOK 4 989 000) and a deduction for the effect of the conversion of the pension scheme for salaries in excess of 12G (NOK 1 118 000).

NOTE 48 Remunerations etc. (continued)

The table has been constructed to show rights earned during the period.

Remunerations etc. in 2016 **DNB Group**

Amounts in NOK 1 000	Fixed annual salary as at 31 Dec. 2016 [1]	Remuneration earned in 2016 [2]	Paid salaries in 2016 [3]	Bonus earned in 2016 [4]	Benefits in kind and other benefits in 2016	Total remuneration earned in 2016	Loans as at 31 Dec. 2016 [5]	Accrued pension expenses in 2016 [6]
Board of Directors of DNB ASA								
Anne Carine Tanum (chairman) [7]		985			2	987		
Tore Olaf Rimmereid (vice-chairman) [7] [8]		605			6	611	19	
Jarle Bergo [8]		710			6	717		
Carl A. Løvvik	721	319	728	20	30	1 096	545	171
Vigdis Mathisen	756	319	754	20	48	1 141	2 098	154
Jaan Ivar Semlitsch [8]		427				427	53	
Berit Svendsen [7] [8]		473				473	13 905	
Group management								
Rune Bjerke, CEO	5 556		5 794	2 010	322	8 126	8 845	4 989
Bjørn Erik Næss, CFO (until 1 March 2017)	3 880		4 071	1 520	234	5 825	956	5 224
Kjerstin Braathen, CFO (from 1 March 2017)	3 010		3 150	1 150	234	4 534	40	619
Trond Bentestuen, group EVP	3 560		3 204	1 290	268	4 763	6 301	706
Ottar Ertzeid, group EVP	8 820		9 205	3 800	235	13 240	23	623
Benedicte S. Fasmer, group EVP (from 26 September 2016)	2 950		2 383	870	205	3 459	7 476	113
Liv Fiksdahl, group EVP	3 050		3 196	1 110	243	4 549	1 236	1 014
Rune Garborg, group EVP (from 26 September 2016)	2 950		2 423	1 420	229	4 072	6 634	321
Solveig Hellebust, group EVP	2 450		2 571	930	232	3 733	3	379
Thomas Midteide, group EVP	2 500		2 098	930	259	3 287	4 482	256
Kari Olrud Moen, group EVP	2 810		2 945	1 020	232	4 197	18	1 320
Tom Rathke, group EVP	3 400		3 733	1 020	276	5 030	6 221	2 613
Bengt Olav Lund, EVP [9]	2 610		1 982	1 260	204	3 445	7 115	113
Harald Serck-Hanssen, group EVP	4 090		4 279	1 400	252	5 931	5 372	1 004
Terje Turnes, group EVP	3 930		4 119	580	235	4 935		575
Loans to other employees							19 575 838	

1) *Fixed annual salary at year-end for employees who were members of the Board of Directors or the group management team during the year.*
2) *Includes remuneration received from all companies within the DNB Group for service on Boards of Directors and committees. Board remuneration from DNB ASA was NOK 3 082 000 in 2016. Some persons are members of more than one body.*
3) *Includes salary payments for the entire year and holiday pay on bonuses. Some employees were members of the Board of Directors or the group management team for only parts of the year.*
4) *Bonus earned excluding holiday pay.*
5) *Loans to shareholder-elected representatives are extended on ordinary customer terms. Loans to DNB employees are extended on special terms, which are close to ordinary customer terms.*
6) *Pension rights earned during the year (SCC). The calculation of pension entitlements is based on the same economic and actuarial assumptions as those used in note 25 Pensions. Pension rights earned during the year exclude the effect of the pension scheme conversion, see table below.*
7) *Also a member of the Compensation Committee.*
8) *Also a member of the Audit Committee and the Risk Management Committee.*
9) *Acting head of Wealth Management since May 2016. Fixed salary includes acting pay.*

NOTE 48 Remunerations etc. (continued)

The table has been constructed to show rights earned during the period.

Remunerations etc. in 2015 **DNB Group**

Amounts in NOK 1 000	Fixed annual salary as at 31 Dec. 2015 [1]	Remuneration earned in 2015 [2]	Paid salaries in 2015 [3]	Bonus earned in 2015 [4]	Benefits in kind and other benefits in 2015	Total remuneration earned in 2015	Loans as at 31 Dec. 2015 [5]	Accrued pension expenses [6]
Board of Directors of DNB ASA								
Anne Carine Tanum (chairman) [7]		946			12	958		
Tore Olaf Rimmereid (vice-chairman) [7] [8]		591			1	592		
Jarle Bergo [8]		614			5	619		
Sverre Finstad	659	614	669	22	60	1 365	549	57
Carl A. Løvvik	707	321	715	22	18	1 076	583	88
Vigdis Mathisen	719	614	721	22	27	1 384	3 763	82
Jaan Ivar Semlitsch [8]		412				412	2 317	
Berit Svendsen [7] [8]		453			1	454	14 878	
Group management								
Rune Bjerke, CEO	5 420		5 628	2 332	349	8 309	9 549	4 586
Bjørn Erik Næss, CFO	3 795		3 956	1 642	208	5 806	376	4 927
Trond Bentestuen, group EVP	2 970		3 076	1 322	224	4 622	6 532	675
Kjerstin Braathen, group EVP	2 895		3 010	1 272	205	4 486	35	553
Ottar Ertzeid, group EVP	8 620		8 972	4 012	205	13 189	37	489
Liv Fiksdahl, group EVP	2 970		3 082	1 322	207	4 611	1 450	846
Solveig Hellebust, group EVP	2 385		2 478	1 052	200	3 731	11	290
Kari Olrud Moen, group EVP	2 750		2 861	1 172	201	4 235	18	1 309
Tom Rathke, group EVP	3 325		3 610	1 502	251	5 364	6 349	2 162
Harald Serck-Hanssen, group EVP	4 020		4 188	1 712	245	6 144	5 478	959
Thomas Midteide, group EVP	1 900		1 973	832	210	3 015	5 776	188
Terje Turnes, group EVP (from 7 February 2015)	3 850		3 725	742	201	4 667	63	474
Trygve Young, group EVP (until 7 February 2015) [9]			902		1 996	2 898	1	
Control Committee								
Frode Hassel (chairman)		438				438		
Karl Olav Hovden (vice-chairman) [9]		364			307	671		
Ida Helliesen		292				292		
Ida Espolin Johnson		292				292	161	
Ole Trasti		292				292	3 631	
Supervisory Board	5 813	703	6 011	338	276	7 328	37 843	414
Loans to other employees							18 830 323	

1) *Fixed annual salary at year-end for employees who were members of the Board of Directors or the group management team during the year.*
2) *Includes remuneration received from all companies within the DNB Group for service on Boards of Directors and committees. Board remuneration from DNB ASA was NOK 3 211 000 in 2015. Some persons are members of more than one body.*
3) *Includes salary payments for the entire year and holiday pay on bonuses. Some employees were members of the Board of Directors or the group management team for only parts of the year.*
4) *Bonus earned excluding holiday pay.*
5) *Loans to shareholder-elected representatives are extended on ordinary customer terms. Loans to DNB employees are extended on special terms, which are close to ordinary customer terms.*
6) *Accrued pension expenses include pension rights earned during the year (SCC). The calculation of pension entitlements is based on the same economic and actuarial assumptions as those used in note 25 Pensions.*
7) *Also a member of the Compensation Committee.*
8) *Also a member of the Audit and Risk Management Committee.*
9) *Benefits in kind and other benefits include pension payments.*

NOTE 48 Remunerations etc. (continued)

Other information on pension agreements

With effect from 1 January 2017, all group executive vice presidents are members of the defined-contribution pension scheme in line with all other employees in Norway.

With effect from 1 January 2017, the following pension terms and conditions apply:
The pension schemes of all senior executives were changed as of 1 January 2017, as described below. From this date, the agreements were replaced by contribution-based direct pension agreements based on the same calculation assumptions and principles as those used in connection with the conversion of the Group's defined-benefit occupational pension scheme in 2016 pursuant to the Norwegian Occupational Pension Act. Changes in the pension agreements do not entail any changes in previously agreed age limits.

The following pension terms applied up until 31 December 2016:
Rune Bjerke has a pension agreement entitling him to a pension representing 70 per cent of pensionable income from the age of 60. Bjørn Erik Næss, Liv Fiksdahl, Kari Olrud Moen and Tom Rathke are entitled to a pension representing 70 per cent of pensionable income from the age of 62. Terje Turnes is entitled to a pension representing 70 per cent of pensionable income from the age of 67. Trond Bentestuen, Kjerstin Braathen and Harald Serck-Hanssen are entitled to a pension representing 70 per cent of pensionable income from the age of 65. Ottar Ertzeid has a pension agreement entitling him to pension representing 70 per cent of pensionable income from the age of 62, or 65 at the latest. Thomas Midteide and Solveig Hellebust are entitled to a pension representing 70 per cent of fixed salary from the age of 65, with no curtailment from the age of 65 through 67. Their pensionable income is limited to 12 times the National Insurance basic amount. Benedicte Fasmer and Rune Garborg became members of the group management team as of 26 September 2016. Their pensionable income is limited to 12 times the National Insurance basic amount. They have no agreement on a deviating retirement age.

Bjørn Erik Næss' pension agreement entitled him to a pension representing 70 per cent of pensionable income from the age of 62. When he reached the agreed age, it was decided to extend his period of employment up until 1 March 2017. Consequently, no payments were made under this agreement in 2016. In the same way as for other senior executives, his pension agreement was also converted with effect from 31 December 2016, with a capital value corresponding to the technical insurance reserves on the original retirement date. No additional rights will be earned during the period up to his final retirement.

Specification of the accrued pension expenses

Amounts in NOK 1 000	Accrued pension expenses	Effect of conversion of pension scheme	Recorded pension expenses
Rune Bjerke, CEO	4 989	(1 118)	3 871
Other members of the group management team	14 880	(21 778)	(6 898)
Total group management team	19 869	(22 896)	(3 027)

Subscription rights programme for employees

There was no subscription rights programme for employees in the DNB Group at year-end 2016.

Remuneration to the statutory auditor	**DNB ASA**		**DNB Group**	
Amounts in NOK 1 000, excluding VAT	2016	2015	2016	2015
Statutory audit [1]	(558)	(561)	(31 136)	(28 276)
Other certification services			(1 806)	(1 414)
Tax-related advice [2]			(12 875)	(6 159)
Other services			(3 933)	(9 875)
Total remuneration to the statutory auditor	(558)	(561)	(49 750)	(45 724)

1) Includes fees for interim audit and auditing funds managed by DNB.
2) Mainly refers to services provided in connection with transfer pricing.

NOTE 49 Information on related parties

The largest owner of the DNB Group is the Norwegian government, represented by the Ministry of Trade and Industry, which owns and controls 34 per cent of the shares in the parent company DNB ASA. See note 51 largest shareholders.

A large number of bank transactions are entered into with related parties as part of ordinary business transactions, comprising loans, deposits and foreign exchange transactions. These transactions are based on market terms. The table below shows transactions with related parties, including balance sheets at year-end and related expenses and income for the year. Related companies are associated companies plus DNB Savings Bank Foundation. See note 37 for a specification of associated companies. Loans to board members and their spouses/ partners and under-age children are extended on ordinary customer terms. Loans to group management, like loans to other group employees, are extended on special terms, which are close to ordinary customer terms.

Transactions with related parties **DNB Group**

	Group management and Board of Directors		Related companies	
Amounts in NOK million	2016	2015	2016	2015
Loans as at 1 January	69	67	913	1 294
New loans/repayments during the year	(9)	(3)	(37)	(381)
Changes in related parties	21	6	249	
Loans as at 31 December	**82**	**69**	**1 125**	**913**
Interest income	**2**	**2**	**24**	**24**
Deposits as at 1 January	245	105	1 000	3 307
Deposits/withdrawals during the year	37	142	(102)	(2 508)
Changes in related parties	5	(2)	1	201
Deposits as at 31 December	**287**	**245**	**899**	**1 000**
Interest expenses	**(1)**	**(1)**	**(9)**	**(19)**
Guarantees [1)]	**-**	**-**	**5 951**	**11 323**

1) *DNB Bank ASA carried loans in its balance sheets which according to a legal agreement have been transferred to Eksportfinans and are guaranteed by DNB Bank ASA. According to the agreement, DNB still carries interest rate risk and credit risk associated with the transferred portfolio. These portfolios totalled NOK 2 212 at year-end 2015, at year-end 2016 the balance was zero. The loans where set off by deposits/payments from Eksportfinans. DNB Bank ASA had also issued guarantees for other loans in Eksportfinans. The total guarantee commitment is included in the table above.*

No impairments were made on loans to related parties in 2015 and 2016. Reference is made to note 48 for information on loans to group management members and directors. Transactions with deputy members of the Board of Directors are not included in the table above. In general, DNB employee loans should be paid by automatic debit in monthly instalments in arrears. Employee loans are within the term limits applying to general customer relationships. Security is furnished for employee loans in accordance with legal requirements.

NOTE 50 Earnings per share

	DNB Group	
	2016	2015
Profit for the year (NOK million) [1) 2)]	18 656	24 388
Profit attributable to shareholders (NOK million)	18 656	24 388
Profit attributable to shareholders excluding operations held for sale (NOK million)	18 652	24 439
Profit from operations and non-current assets held for sale, after taxes	4	(51)
Average number of shares (in 1 000) [3)]	1 627 735	1 627 744
Average number of shares, fully diluted (in 1 000) [3)]	1 627 735	1 627 744
Earnings/diluted earnings per share (NOK)	11.46	14.98
Earnings/dilutet earnings per share excluding operations held for sale (NOK)	11.46	15.01
Earnings/diluted earnings per share, operations held for sale (NOK)	0.00	(0.03)

1) Portion attributable to shareholders.
2) Changes in accounting figures for 2015 are not reflected in the calculation of earnings per share for 2015.
3) Holdings of own shares are not included in calculations of the number of shares.

The main purpose of the financial ratio earnings per share is to show the return for the Group's ordinary shareholders. Accumulated interest for the period, which will be paid to those investing in the additional Tier 1 capital instruments, has therefore been deducted from Profit for the period in the calculation of the period's earnings per share.

NOTE 51 Largest shareholders

Shareholder structure in DNB ASA as at 31 December 2016	Shares in 1 000	Ownership in per cent
Norwegian Government/Ministry of Trade, Industry and Fisheries	553 792	34.00
DNB Savings Bank Foundation	146 541	9.00
Folketrygdfondet	100 470	6.17
Fidelity International Limited (FIL)	43 129	2.65
BlackRock	37 303	2.29
Schroder Investment	27 111	1.66
T. Rowe Price Group	26 898	1.65
The Vanguard Group	24 377	1.50
MFS Investment Management	24 310	1.49
Newton Investment Management / BNY Mellon	23 630	1.45
State Street Global Advisors	23 043	1.41
Deutsche Asset Management	21 701	1.33
AXA / AllianceBernstein	17 435	1.07
BNP Paribas Investment / Alfred Berg	15 823	0.97
KLP Asset Management	15 745	0.97
Storebrand Asset Management	15 615	0.96
Danske Capital	15 371	0.94
DNB Asset Management	15 347	0.94
SAFE Investment Company	13 506	0.83
Columbia Threadneedle Investments	12 813	0.79
Total largest shareholders	1 173 959	72.08
Other shareholders	454 840	27.92
Total	**1 628 799**	**100.00**

The owners of shares in nominee accounts are determined on the basis of third-party analyses.

NOTE 52 Off-balance sheet transactions and contingencies

Off-balance sheet transactions and additional information

	DNB Group	
Amounts in NOK million	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*

DNB Bank ASA is a member and shareholder of the settlement system Continuous Linked Settlement (CLS). As a shareholder, DNB Bank ASA has an obligation to contribute to cover any deficit in CLS Bank's central settlement account for member banks, even if the default is caused by another member bank. Initially, such deficit will be sought covered by other member banks based on transactions the respective banks have had with the member bank which has caused the deficit in CLS Bank. Should there remain an uncovered deficit in CLS Bank, this will be covered pro rata by the member banks in CLS, according to Article 9 "Loss Allocations" of CLS Bank's International Rules. According to the agreements between CLS and the member banks, the pro rata payment obligations related to such coverage of any remaining deficit are limited to USD 30 million per member bank. At the end of 2016, DNB had not recorded any obligations in relation to CLS.

DNB Boligkreditt AS

At end-December 2016, DNB Boligkreditt had issued covered bonds with a nominal value of NOK 416 billion. In the event of bankruptcy, the bondholders have preferential rights to the company's cover pool.

Covered bonds	DNB Boligkreditt	
Amounts in NOK million	31 Dec. 2016	31 Dec. 2015
Total listed covered bonds	355 932	386 944
Total private placements under the bond programme	59 859	59 419
Adjustment		
Accrued interest	3 581	4 602
Unrealised gains/losses	19 701	22 780
Total debt securities issued	439 072	473 745

Cover pool	DNB Boligkreditt	
Amounts in NOK million	31 Dec. 2016	31 Dec. 2015
Pool of eligible loans	599 579	561 517
Market value of derivatives	38 527	74 932
Supplementary assets		
Total collateralised assets	638 106	636 449
Over-collateralisation (per cent)	145.4	134.2

NOTE 52 Off-balance sheet transactions and contingencies (continued)

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 group 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, the Oslo District Court decided to allow the Norwegian Consumer Council to bring a group action against DNB Asset Management AS. DNB Asset Management AS rejects the allegations, and no provisions have been made in the accounts. The company also disputes that the terms and conditions for a group action have been met and has appealed the decision made by the Oslo District Court to allow the matter to be brought as a group action.

INCOME STATEMENT

		DNB ASA	
Amounts in NOK million	Note	2016	2015
Total interest income		43	108
Total interest expenses		(312)	(246)
Net interest income		**(268)**	**(138)**
Commissions and fees payable etc.		(7)	(5)
Other income	2	11 213	8 282
Net other operating income		**11 205**	**8 276**
Total income		**10 937**	**8 139**
Salaries and other personnel expenses		(4)	(6)
Other expenses		(461)	(402)
Total operating expenses		**(465)**	**(408)**
Pre-tax operating profit		**10 472**	**7 731**
Tax expense	4	0	(1 815)
Profit/comprehensive income for the year		**10 472**	**5 916**
Earnings/diluted earnings per share (NOK)		6.43	3.63
Earnings per share excluding operations held for sale (NOK)		6.43	3.63

BALANCE SHEET

		DNB ASA	
Amounts in NOK million	Note	31 Dec. 2016	31 Dec. 2015
Assets			
Due from DNB Bank ASA	6	6 824	6 160
Investments in group companies	5	74 270	68 980
Receivables due from group companies	6	11 013	8 369
Total assets		**92 107**	**83 510**
Liabilities and equity			
Short-term amounts due to DNB Bank ASA	6	8	6
Due to other group companies	6	5 290	1 500
Other liabilities and provisions	2	9 285	8 740
Long-term amounts due to DNB Bank ASA	6	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**

STATEMENT OF CHANGES IN EQUITY

			DNB ASA	
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
Dividends for 2015 (NOK 4.50 per share)			(7 330)	(7 330)
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 per share)			(9 284)	(9 284)
Balance sheet as at 31 December 2016	**16 288**	**22 556**	**22 337**	**61 181**

Share premium and Other equity can be used in accordance with stipulations in the Public Limited Companies Act.

The share capital of DNB ASA is NOK 16 287 988 610 divided into 1 628 798 861 shares, each with a nominal value of NOK 10. See note 51 for the DNB Group, which specifies the largest shareholders in DNB ASA.

CASH FLOW STATEMENT

	DNB ASA	
Amounts in NOK million	2016	2015
Operating activities		
Net interest payment to subsidiaries	(267)	(138)
Payments to operations	(1 883)	(13)
Taxes paid	(1 410)	(2)
Net cash flow relating to operations	**(3 560)**	**(153)**
Investment activities		
Net payments on long-term investments in shares		(1 800)
Net cash flow relating to investment activities		**(1 800)**
Funding activities		
Group contributions from subsidiaries	7 069	6 250
Dividend payments	(7 330)	(6 189)
Net receipts on loans from credit institutions		815
Net receipts on loans from other companies	4 484	1 427
Net cash flow relating to funding activities	**4 224**	**2 303**
Net cash flow	**664**	**350**
Cash as at 1 January	6 160	5 810
Net receipts/payments of cash	664	350
Cash as at 31 December	6 824	6 160

NOTE 1 Accounting principles

Basis for preparation

DNB ASA is the parent company in the DNB Group. DNB ASA has prepared its financial statement according to the Norwegian Ministry of Finance's regulations on annual accounts, Section 1-6, on the use of IFRS, hereinafter called the Norwegian IFRS regulations, which implies that recognition and measurements are in accordance with IFRS. The only exception is that the Norwegian IFRS regulations also give permission to recognise provisions for dividends and group contributions in subsidiaries as income and record the Board of Directors' proposed dividends and group contributions as liabilities on the balance sheet date. According to IFRS, dividends should be classified as equity until approved by the general meeting.

Ownership interests in group companies

Subsidiaries are defined as companies in which DNB ASA, directly or indirectly, has control. Control over an entity is evidenced by DNB ASA's ability to exercise its power in order to affect any variable return that the company is exposed to through its involvement in the entity.

Where voting rights are relevant, DNB ASA is deemed to have control where it holds, directly or indirectly, more than half of the voting rights over an entity, unless DNB ASA through agreements does not have corresponding voting rights in relevant decision-making bodies. For more information see note 5 Investments in subsidiaries as at 31 December 2016.

In the financial statement of DNB ASA, investments in subsidiaries are recognised at cost. At the end of each reporting period the company assess whether any indication of impairment exists. If such indication exists, the investment is tested for impairment.

Transactions with group companies

Transactions with subsidiaries are conducted in accordance with general business conditions and principles.

Dividends and group contributions

Dividends and group contributions from group companies are recognised in DNB ASA in the same year as provisions are made in the relevant companies. Group contributions received are classified as dividends when considered to represent return on invested capital. The Board of Directors proposed dividends and group contributions are recognised as liabilities on the balance sheet date. Provision for dividends is presented within Other liabilities and provisions in the balance sheet.

Taxes

Taxes for the year comprise payable taxes for the financial year and changes in the value of deferred taxes and deferred tax assets.

Deferred taxes are calculated on the basis of differences between the profits stated in the income statement and the profits computed for tax purposes, which will be offset in the future. Evaluations are based on the balance sheet and tax position on the balance sheet date. Taxable and tax-deductible timing differences will be netted against each other within the same time interval. Deferred tax assets can be recognised as assets in the balance sheet when it is considered probable that the tax-deductible timing differences may be realised.

NOTE 2 Dividends/group contributions from subsidiaries

Dividends/group contributions from subsidiaries		**DNB ASA**
Amounts in NOK million	2016	2015
Group contributions/dividends received from:		
DNB Bank ASA	9 318	6 849
DNB Livsforsikring AS	1 090	1 095
DNB Forsikring AS	450	150
DNB Asset Management Holding AS	355	275
Correction regarding previous year		(86)
Total group contributions from subsidiaries	**11 213**	**8 282**

Allocations		**DNB ASA**
Amounts in NOK million	2016	2015
Proposed dividends per share (NOK)	5.70	4.50
Share dividend	9 284	7 330
Transfers to other equity	1 188	(1 414)
Total allocations	**10 472**	**5 916**

NOTE 3 Remunerations etc.

All employees in DNB ASA are also employed in one of the underlying companies within the Group. The holding company purchases services from other units within the Group. The group chief executive and group executive vice presidents are employed in both DNB ASA and one of the subsidiaries in the Group. Personnel expenses and other administrative expenses relating to these individuals are divided between the sub-sidiaries and DNB ASA according to use.

See note 48 for the DNB Group for further details on remunerations etc. See also note 7 for DNB ASA, specifying shares in DNB ASA owned by senior executives and members of governing bodies.

NOTE 4 Taxes

		DNB ASA
Amounts in NOK million	2016	2015
Tax base		
Pre-tax operating profit in DNB ASA	10 472	7 731
Tax-exempt income, group contribution	(10 473)	(1 095)
Other tax-exempt income and non-deductible expenses	1	86
Tax base for the year		6 722
Tax expense		
Payable taxes		(1 815)
Tax expense		**(1 815)**

The effective tax rate in 2016 was zero per cent. The effective tax rate in 2015 was 23 per cent. The difference between the effective tax rate and the nominal tax rate is due to the receipt of tax-exempt group contributions.

NOTE 5 Investments in subsidiaries as at 31 December 2016[1)]

DNB ASA

Amounts in 1 000 *Values in NOK unless otherwise indicated*		Share capital	Number of shares		Nominal value	Ownership share in per cent	Carrying amount
DNB Bank		18 314 311	183 143 110		18 314 311	100	54 092 502
DNB Capital [2)]						100	
DNB Invest Denmark	DKK	12 765 228	12 765 228 468	DKK	12 765 228	100	
DNB Bankas	EUR	190 205	5 710 134	EUR	190 205	100	
DNB Banka	EUR	191 178	191 178 337	EUR	191 178	100	
DNB Pank	EUR	9 376	937 643	EUR	9 376	100	
DNB Bank Polska	PLN	1 257 200	1 257 200 000	PLN	1 257 200	100	
Aksje- og Eiendomsinvest		100	100 000		100	100	
Bryggetorget Holding		3 250	2 500		3 250	100	
DNB Asia [3)]	SGD	20 000	20 000 000	SGD	20 000	100	
DNB Asia [3)]	USD	1 500 000	150 000 000	USD	1 500 000	100	
DNB Boligkreditt		3 857 000	38 570 000		3 857 000	100	
DNB Eiendom		10 003	100 033		10 003	100	
DNB Eiendomsutvikling		91 000	91 000 000		91 000	100	
DNB Luxembourg	EUR	70 000	70 000	EUR	70 000	100	
DNB Markets Inc.	USD	1	1 000	USD	1	100	
DNB Meglerservice		1 200	12		1 200	100	
DNB Næringskreditt		550 000	550 000		550 000	100	
DNB Næringsmegling		1 000	10 000		1 000	100	
DNB Sweden	SEK	100 000	100 000 000	SEK	100 000	100	
DNB (UK) Limited	GBP	200	200 000	GBP	200	100	
Godfjellet		8 030	8 030		8 030	100	
Godfjorden		1 000	10 000		1 000	100	
DNB Asset Management Holding		274 842	220 050		274 842	100	2 182 107
DNB Asset Management		109 680	548 402		109 680	100	
DNB Asset Management (Asia)	HKD	25 000	25 000 000	HKD	25 000	100	
DNB Asset Management	SEK	3 921	39 206	SEK	3 921	100	
DNB Asset Management	EUR	425	5 000	EUR	425	100	
DNB Forsikring		265 000	265 000		265 000	100	462 790
DNB Livsforsikring		1 750 337	64 827 288		1 750 337	100	17 532 795
DNB Næringseiendom		1 020	20 000		1 020	100	
DNB Eiendomsholding		56 433	1		56 433	100	
Total investments in subsidiaries							**74 270 194**

1) Major subsidiaries and sub-subsidiaries in the DNB Group.
2) DNB Capital LLC, a limited liability company, has paid-in capital of USD 2.4 billion.
3) DNB Asia Ltd has part of its share capital denominated in SGD (due to local requirements) and a part of its share capital denominated in USD.

NOTE 6 Loans and deposits with other DNB Group companies

Transactions with other DNB Group companies	**DNB ASA**	
Amounts in NOK million	31 Dec. 2016	31 Dec. 2015
Receiveables DNB Group companies		
Deposits with DNB Bank ASA	6 824	6 160
Group contributions	11 013	8 369
Liabilities DNB Group companies		
Receivables due from DNB Bank ASA	16 350	13 275
Group contributions DNB Livsforsikring AS	5 290	1 500

All transactions with related parties are based on market terms.

NOTE 7 Shares in DNB ASA held by the Board of Directors and senior executives

	Number of shares alloted in 2016	Number of shares 31 Dec. 2016
Board of Directors of DNB ASA		
Anne Carine Tanum, chairman		400 000
Tore Olaf Rimmereid, vice-chairman		10 611
Jarle Bergo		225
Carl A. Løvvik		1 191
Vigdis Mathisen		481
Jaan Ivar Semlitsch		12 300
Berit Svendsen		
Senior executives		
Rune Bjerke, CEO	6 265	52 964
Bjørn Erik Næss, CFO (to 1 March 2017)	4 062	53 485
Kjerstin Braathen, CFO (from 1 March 2017)	3 198	22 931
Trond Bentestuen, group EVP	3 326	20 692
Ottar Ertzeid, group EVP	9 597	220 140
Benedicte Schilbred Fasmer, group EVP		2 000
Liv Fiksdahl, group EVP	3 326	25 858
Rune Garborg, group EVP		10 931
Solveig Hellebust, group EVP	2 688	17 560
Bengt Olav Lund, EVP [1)]		9 238
Thomas Midteide, group EVP	2 197	7 928
Kari Olrud Moen, group EVP	2 942	23 440
Tom Rathke, group EVP	4 014	35 366
Harald Serck-Hanssen, group EVP	4 583	31 770
Terje Turnes, group EVP	1 805	21 375
Group Audit		
Tor Steenfeldt-Foss, group EVP		

1) Acting head of Wealth Management since May 2016.

The figures also include shares held by the immediate family and companies in which the shareholder has such influence as stated in Section 7-26 of the Act relating to annual accounts, etc. The statutory auditor owns no shares in DNB ASA.

Oslo, 8 March 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)

STATEMENT PURSUANT TO SECTION 5-5 OF THE SECURITIES TRADING ACT

We hereby confirm that the annual accounts for the Group and the company for 2016 to the best of our knowledge have been prepared in accordance with applicable accounting standards and give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group and the company taken as a whole.

The directors' report gives a true and fair view of the development and performance of the business and the position of the Group and the company, as well as a description of the principal risks and uncertainties facing the Group.

Oslo, 8 March 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)

Kjerstin R. Braathen
(chief financial officer)

AUDITOR'S REPORT

Building a better working world

Statsautoriserte revisorer
Ernst & Young AS

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INDEPENDENT AUDITOR'S REPORT

To the Annual Shareholders' Meeting of DNB ASA

Report on the audit of the financial statements

Opinion

We have audited the financial statements of DNB ASA comprising the financial statements of the Parent Company and the Group. The financial statements of the Parent Company comprise the balance sheet as at 31 December 2016, the income statement, cash flow statement and statement of changes in equity for the year then ended and notes to the financial statements, including a summary of significant accounting policies. The consolidated financial statements of the Group comprise the balance sheet as at 31 December 2016, the income statement, comprehensive income statement, cash flow statement and statement of changes in equity for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion,

- the financial statements are prepared in accordance with the law and regulations;
- the financial statements present fairly, in all material respects, the financial position of the Parent Company as at 31 December 2016, and of its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway;
- the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2016 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Norway, and we have fulfilled our ethical responsibilities as required by law and regulations. We have also complied with our other ethical obligations in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the financial statements.

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AUDITOR'S REPORT (continued)

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Impairment of loans

Loans to customers represent 57 per cent of total assets for the Group. Impairment of loans are calculated individually, for individually significant loans where objective evidence of impairment is identified, or collectively for groups of loans which are not assessed individually, and for which objective evidence of impairment is identified on a portfolio basis. The identification and calculation of impairment are processes involving judgement about various assumptions and factors including the financial condition of the counter party, expected future cash flows, observable market prices and expected net selling prices. The use of different modelling techniques and assumptions could produce significantly different estimates of impairment of loans. The oilfield services, offshore and oil & gas sectors have been subject to increased uncertainty as a consequence of a low oil price and a general downturn in related markets. Since the related impairments of loans are material, and subject to estimation uncertainty, we have assessed impairment of loans as a key audit matter.

We have assessed the design and tested the operating effectiveness of internal controls over individual and collective impairments of loans. For individually significant loans our procedures included assessing the identification of loss events and testing of assumptions used in the models, including the forecasted future cash flows and the estimated value of underlying collaterals. We also tested the mathematical accuracy of the models. For impairment of loans calculated on a collective basis, we evaluated the key input variables and assumptions to the models, and where relevant, compared data and assumptions to external benchmarks. We also tested the mathematical accuracy of the models.

See note 5, 6, 7, 8, 9, 10 and 11 in the consolidated financial statements for further information.

Valuation of Financial Instruments

Unlisted or illiquid financial instruments measured at fair value are valued based on models that use assumptions that are not observable in the market place. The valuation of these instruments therefore have a higher risk of errors. Such instruments comprise assets of NOK 100,569 million and liabilities of NOK 1,062 million measured at fair value in the consolidated balance sheet and classified as level 3 instruments within the fair value hierarchy. Due to the materiality of the unlisted or illiquid instruments, and the increased risk of errors, we considered the valuation of these instruments a key audit matter.

We assessed the design and tested the operating effectiveness of internal controls over the valuation process including management's determination and approval of assumptions and methodologies used in model-based calculations as well as management's review of valuations provided by internal experts. We also assessed pricing model methodologies against industry practice and valuation guidelines. We performed independent valuations for selected instruments and used external source data where available. We compared results of our valuations to the Group’s valuations.

Level 3 instruments which are presented at fair value on the balance sheet are disclosed in note 29 in the consolidated financial statements.

Hedge accounting - Interest rate risk on long-term debt securities issued

Derivative instruments are used to manage exposure to interest rate risk related to long-term debt securities issued in foreign currencies. Derivatives and borrowings designated at initial recognition as hedging relationships, are accounted for as fair value hedges. The effectiveness of the hedging relationships are assessed at the beginning and end of the relevant period. The application of hedge accounting and ensuring hedge effectiveness can be judgmental and requires close monitoring from management. Due to the materiality of the hedging relationships, we considered hedge accounting of interest rate risk on long-term debt securities issued as a key audit matter.

We assessed the design and tested the operating effectiveness of internal controls over the designation and ongoing management of hedge accounting relationships, including testing of hedge effectiveness. We examined hedge documentation to assess whether the documentation complied with the requirements of the accounting standards. We tested reconciliations between underlying source systems and documents used to manage and document hedging relationships, including testing the mathematical accuracy and calculation of hedge effectiveness.

See note 21 in the consolidated financial statements for further information.

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AUDITOR'S REPORT (continued)



Other information

Other information consists of the information included in the Company's annual report other than the financial statements and our auditor's report thereon. The Board of Directors and Group Chief Executive (management) is responsible for the other information. Our opinion on the financial statements does not cover the other information, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information, and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway for the financial statements of the Parent Company and International Financial Reporting Standards as adopted by the EU for the financial statements of the Group, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with law, regulations and generally accepted auditing principles in Norway, including ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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AUDITOR'S REPORT (continued)

Building a better working world

- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

Opinion on the Board of Directors' report and on the statements on corporate governance and corporate social responsibility

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report and in the statements on corporate governance and corporate social responsibility concerning the financial statements, the going concern assumption and the proposal for the allocation of the result is consistent with the financial statements and complies with the law and regulations.

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AUDITOR'S REPORT (continued)

Building a better working world

Opinion on registration and documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, «Assurance Engagements Other than Audits or Reviews of Historical Financial Information», it is our opinion that management has fulfilled its duty to ensure that the Company's accounting information is properly recorded and documented as required by law and bookkeeping standards and practices accepted in Norway.

Oslo, 8 March 2017
ERNST & YOUNG AS

Anders Gøbel
State Authorised Public Accountant (Norway)

(This translation from Norwegian has been made for information purposes only.)

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KEY FIGURES

Amounts in NOK million	2016	2015	2014	2013	DNB Group 2012
Interest rate analysis					
1. Combined weighted total average spread for lending and deposits (%) [1) 2)]	1.32	1.33	1.31	1.31	1.18
2. Average spread for ordinary lending to customers (%) [1) 2)]	2.04	2.17	2.33	2.34	1.97
3. Average spread for deposits from customers (%) [1) 2)]	0.21	0.01	(0.25)	(0.31)	(0.14)
Rate of return/profitability					
4. Net other operating income, per cent of total income	34.6	34.5	34.2	35.2	34.8
5. Cost/income ratio (%)	40.9	36.9	41.9	45.7	49.1
6. Return on equity (%)	10.1	14.5	13.8	13.1	11.7
7. RAROC (%)	11.1	11.2	12.3	12.8	11.5
8. Average equity including allocated dividend (NOK million)	184 056	168 509	149 460	133 242	118 261
9. Return on average risk-weighted volume (%)	1.75	2.14	1.89	1.61	1.25
Financial strength at end of period					
10. Common equity Tier 1 capital ratio, transitional rules (%)	16.0	14.4	12.7	11.8	10.7
11. Tier 1 capital ratio, transitional rules (%)	17.6	15.3	13.0	12.1	11.0
12. Capital ratio, transitional rules (%)	19.5	17.8	15.2	14.0	12.6
13. Common equity Tier 1 capital at end of period (NOK million)	168 214	162 906	142 108	128 072	115 627
14. Risk-weighted volume, transitional rules (NOK million)	1 051 498	1 129 373	1 120 659	1 089 114	1 075 672
Loan portfolio and impairment					
15. Individual impairment relative to average net loans to customers, annualised [1)]	(0.34)	(0.13)	(0.14)	(0.18)	(0.22)
16. Impairment relative to average net loans to customers [1)]	(0.48)	(0.15)	(0.12)	(0.17)	(0.24)
17. Net non-performing and net doubtful loans and guarantees, per cent of net loans [1)]	1.49	0.76	0.96	1.38	1.50
18. Net non-performing and net doubtful loans and guarantees at end of period (NOK million) [1)]	25 654	13 982	17 261	20 749	19 740
Liquidity					
19. Ratio of customer deposits to net loans to customers at end of period (%)	62.0	61.2	65.4	64.7	62.5
Total assets owned or managed by DNB					
20. Customer assets under management at end of period (NOK billion)	548	563	549	519	459
21. Total combined assets at end of period (NOK billion)	2 931	2 901	2 936	2 656	2 537
22. Average total assets (NOK billion)	2 841	2 946	2 712	2 543	2 411
23. Customer savings at end of period (NOK billion) [1)]	1 519	1 507	1 490	1 387	1 270
Staff					
24. Number of full-time positions at end of period	11 007	11 380	11 643	12 016	13 291
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	1 628 799
26. Average number of shares (1 000)	1 628 799	1 628 799	1 628 799	1 628 799	1 628 799
27. Earnings per share (NOK)	11.46	14.98	12.67	10.75	8.48
28. Earnings per share excluding operations held for sale (NOK)	11.46	15.01	12.68	10.75	8.42
29. Dividend per share (NOK) [3)]	5.70	4.50	3.80	2.70	2.10
30. Total shareholder's return (%)	22.2	1.9	4.7	57.6	23.7
31. Dividend yield (%)	4.44	4.10	3.16	2.49	2.98
32. Equity per share including allocated dividend at end of period (NOK)	116.94	111.57	97.45	87.15	78.11
33. Share price at end of period (NOK)	128.40	109.80	110.70	108.50	70.40
34. Price/earnings ratio	11.20	7.33	8.74	10.09	8.37
35. Price/book value	1.10	0.98	1.14	1.25	0.90
36. Market capitalisation (NOK billion)	209.1	178.8	180.3	176.7	114.7

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) Proposed dividend for 2016.

For definition of selected key figures, see next page.

DEFINITIONS OF SELECTED KEY FIGURES

1, 2, 3	Based on nominal values excluding impaired loans, measured against the 3-month money market rate.
5	Total operating expenses relative to total income.
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. 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	Closing price at end of period relative to equity per share.
36	Number of shares multiplied by the closing share price at end of period.

Global systemically important bank and indicator values

DNB Bank ASA has been defined by the EBA (European Banking Authority) as a potential global systemically important bank, as its total on and off-balance sheet exposures exceed EUR 200 billion. As a result, DNB Bank ASA delivers data to the EBA for the calculation of defined indicator values. See bis.org/bcbs/gsib/ for more information. DNB's indicator values as at 31 December 2016 will be available on dnb.no/investor-relations in April 2017.

FINANCIAL CALENDAR 2017

Annual general meeting	25 April
Distribution of dividends	as of 5 May
First quarter	28 April
Second quarter	12 July
Third quarter	26 October

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ANNUAL GENERAL MEETING

The Annual General Meeting will be held on 25 April 2017 at 3 p.m. at DNB's premises in Dronning Eufemias gate 30, Bjørvika, Oslo. Information on how to register attendance and items on the agenda can be found at dnb.no/en/agm.

Shareholders registered as owners in DNB ASA with the Norwegian Central Securities Depository, VPS, may opt to receive annual reports and the notice of the Annual General Meeting electronically. For more information about Investor Account Services, please contact your VPS registrar. Shareholders with VPS accounts in DNB who do not wish to receive notices by regular mail and who do not have access to DNB's Internet bank, may register at dnb.no/en/investor-account-services. Select "New user sign-up". Shareholders who have access to DNB's Internet bank can go to the "Savings & Investments" menu. Select "Investor account services" and follow the procedure described on the page. Customers with BankID may also log in via vps.no.

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This report contains statements regarding the future prospects of DNB, including estimates, strategies and objectives. The risks and uncertainties inherent in all forward-looking statements can lead to actual developments and profits differing materially from what has been expressed or implied.

The Group's annual report has been approved by the Board of Directors in the original Norwegian version. This is an English translation.

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When it matters the most.

