# DNB Group

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

**FIRST QUARTER REPORT 2017**
(Unaudited)

# Financial highlights

**DNB Group**

| **Income statement**<br>*Amounts in NOK million* | 1st quarter 2017 | 1st quarter 2016 | Full year 2016 |
|---|---|---|---|
| Net interest income | 8 521 | 8 713 | 34 110 |
| *Net commissions and fees* | *2 073* | *1 991* | *8 280* |
| *Net gains on financial instruments at fair value* | *808* | *2 384* | *6 513* |
| *Net financial and risk result, DNB Livsforsikring* | *240* | 112 | *664* |
| *Net insurance result, DNB Forsikring* | *155* | 115 | *648* |
| *Other operating income* | *123* | *340* | *1 948* |
| Net other operating income, total | 3 399 | 4 942 | 18 053 |
| Total income | 11 920 | 13 655 | 52 163 |
| Operating expenses | (5 243) | (5 157) | (20 693) |
| Restructuring costs and non-recurring effects | (197) | (553) | (639) |
| Pre-tax operating profit before impairment | 6 479 | 7 945 | 30 830 |
| Net gains on fixed and intangible assets | 6 | (6) | (19) |
| Impairment of loans and guarantees | (562) | (1 174) | (7 424) |
| Pre-tax operating profit | 5 923 | 6 764 | 23 387 |
| Tax expense | (1 362) | (1 529) | (4 140) |
| Profit from operations held for sale, after taxes | (17) | (13) | 4 |
| **Profit for the period** | **4 544** | **5 222** | **19 251** |

| **Balance sheet**<br>*Amounts in NOK million* | 31 March 2017 | 31 Dec. 2016 | 31 March 2016 |
|---|---|---|---|
| Total assets | 2 870 447 | 2 653 201 | 2 639 081 |
| Loans to customers | 1 531 096 | 1 509 078 | 1 534 902 |
| Deposits from customers | 1 016 896 | 934 897 | 927 559 |
| Total equity | 210 707 | 206 423 | 193 916 |
| Average total assets | 2 866 476 | 2 841 117 | 2 895 670 |
| Total combined assets | 3 163 373 | 2 930 891 | 2 897 991 |

| **Key figures and alternative performance measures** | 1st quarter 2017 | 1st quarter 2016 | Full year 2016 |
|---|---|---|---|
| Return on equity, annualised (per cent) [1)] | 9.1 | 11.2 | 10.1 |
| Earnings per share (NOK) | 2.64 | 3.14 | 11.46 |
| Combined weighted total average spread for lending and deposits (per cent) [1) 2)] | 1.29 | 1.35 | 1.32 |
| Average spread for ordinary lending to customers (per cent) [1)] | 2.03 | 2.07 | 2.04 |
| Average spread for deposits from customers (per cent) [1)] | 0.20 | 0.24 | 0.21 |
| Cost/income ratio (per cent) [1)] | 45.6 | 41.8 | 40.9 |
| Ratio of customer deposits to net loans to customers at end of period [1)] | 66.4 | 60.4 | 62.0 |
| Net non-performing and net doubtful loans and guarantees, per cent of net loans [1)] | 1.30 | 0.88 | 1.49 |
| Impairment relative to average net loans to customers, annualised (per cent) [1) 2)] | (0.15) | (0.31) | (0.48) |
| Individual impairment relative to average net loans to customers, annualised (per cent) [1) 2)] | (0.12) | (0.14) | (0.34) |
| Common equity Tier 1 capital ratio, transitional rules, at end of period (per cent) [3)] | 15.8 | 15.2 | 16.0 |
| Tier 1 capital ratio, transitional rules, at end of period (per cent) [3)] | 17.2 | 16.2 | 17.6 |
| Capital ratio, transitional rules, at end of period (per cent) [3)] | 19.2 | 18.3 | 19.5 |
| Share price at end of period (NOK) | 136.10 | 97.85 | 128.40 |
| Price/book value [1)] | 1.14 | 0.86 | 1.10 |
| Dividend per share (NOK) | | | 5.70 |
| Score from RepTrak's reputation survey in Norway (points) | 63.6 | 66.0 | 65.4 |
| Customer satisfaction index, CSI, personal customers in Norway (score) | 68.4 | 71.6 | 70.2 |

*1) Defined as alternative performance measure (APM). APMs are described on page 34.*
*2) Includes assets and liabilities in the Baltics, reclassified as held for sale in August 2016.*
*3) Including 50 per cent of profit for the period, except for the full year figures.*

For additional key figures and definitions, please see the Fact Book on dnb.no/ir (Financial reports).

# First quarter report 2017



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

# Directors' report

## First quarter financial performance

DNB recorded profits of NOK 4 544 million in the first quarter of 2017, a reduction of NOK 678 million from the first quarter of 2016. Excluding basis swaps, profits were NOK 519 million higher than in the corresponding period last year, which was mainly due to lower impairment losses on loans and guarantees and reduced costs. Net interest income was slightly lower than in the first quarter of 2016, but improved from the fourth quarter of 2016.

The common equity Tier 1 capital ratio was 15.8 per cent at end-March 2017, up from 15.2 per cent a year earlier, and down from 16.0 per cent at year-end 2016. As from the first quarter of 2017, the risk weight for significant investments in insurance companies also applies to calculations according to the transitional rules, which had a negative effect of 23 basis points on the Group's capital adequacy ratios.

The leverage ratio for the Group was 6.7 per cent in the first quarter of 2017, at the same level as a year earlier and down from 7.3 per cent at year-end 2016. The decrease is due to short-term money market deposits.

Return on equity was negatively affected by mark-to-market effects on financial instruments and higher capital, and ended at 9.1 per cent, which is 2.1 percentage points lower than in the year-earlier period. Adjusted for basis swaps, return on equity was 10.1 per cent in the first quarter of 2017.

Net interest income was down NOK 192 million from the first quarter of 2016, reflecting narrower spreads and higher long-term funding costs.

Net other operating income was NOK 3 399 million, down NOK 1 543 million from the first quarter of 2016. There was a positive contribution from the net financial and risk result in DNB Livsforsikring and from commissions and fees, and a negative contribution of NOK 1 624 million from basis swaps compared with the year-earlier period.

Operating expenses were down NOK 270 million compared with the first quarter of 2016.

Impairment losses on loans and guarantees totalled NOK 562 million for the quarter, down NOK 612 million from the corresponding quarter in 2016. There was a decrease in collective impairment, reflecting more favourable economic conditions compared with the first quarter of 2016.

## Important events in the first quarter

In mid-February, DNB entered into an alliance with 105 Norwegian savings banks to win the battle for the mobile wallet. DNB thus teamed up with the SpareBank 1 alliance, the savings banks which are also co-owners of Frende Forsikring, the Eika alliance and Sparebanken Møre as co-owners to establish Vipps as a separate company. DNB will have the majority of the shares in the new company, and the Norwegian Competition Authority has approved the cooperation. The transaction also requires the approval of Finanstilsynet (the Financial Supervisory Authority of Norway) and the Norwegian Ministry of Finance. The approvals are expected to be granted in the third quarter of 2017.

In August 2016, Nordea and DNB announced plans to merge their Baltic units. In early March, it became known that the name of the Baltic bank will be Luminor. The merger is pending approval from the regulatory authorities and is expected to be completed during the fourth quarter of 2017.

In the middle of March, DNB decided to sell its share of a loan to the Dakota Access Pipeline. Since November 2016, DNB has reviewed various options for its involvement in the project financing.

In the first quarter, DNB Wealth Management was named "Best Fixed-Income Fund House" for the third consecutive year at the Morningstar Fund Awards.

According to Prospera's annual customer satisfaction survey (published in the first quarter), DNB Markets is ranked best among Norwegian bond investors within both government and corporate bonds. For the first time, Swedish bond investors consider DNB Markets to be number one within high-yield bonds in Sweden.

DNB Markets was by far the largest arranger of both bond and commercial paper issues in the Norwegian market in the first quarter. In March, DNB Markets also completed the biggest share issue ever in the Norwegian market in the form of a private placement.

Additional functions in Vipps were launched in both the corporate and personal markets during the quarter.

Towards the end of February, a chatbot was tested at DNB's customer service centre. The robot will initially handle simple customer inquiries from Messenger that come via DNB's Facebook page, and will free up time for value creation. It has been developed by one of the entrepreneurs participating in the DNB Accelerator programme.

During the quarter, DNB finalised a new digital solution for extending existing home mortgages, which is now fully automated.

In the course of the first quarter, a reorganisation of the business area Corporate Banking was announced in order to make the organisation more robust and effective. The reorganisation will entail downsizing.

DNB experienced much critical system downtime during March. A number of systems failed, both independently of one another and interdependently. One of the most serious incidents was due to an error in the control system of the storage system, i.e. the systems that ensure data redundancy. This contributed to lowering DNB's reputation score in the first quarter of 2017. DNB is working continuously to increase system stability.

On 1 March, Kjerstin Braathen took over as CFO, succeeding Bjørn Erik Næss. At the same time, Kjersti Haugland took over as chief economist after Øystein Dørum.

At end-March, Standard & Poor's improved its long-term debt rating outlook for DNB Bank, partly due to stronger capitalisation.

In February, a stricter standard for consumer loans was proposed by the Norwegian financial services industry. The aim is that consumers shall be well-acquainted with the terms and conditions, agreement terms and financial obligations before signing an agreement on credit. The new standard will ensure that the marketing of consumer loans and credit cards is not persistent and aggressive. The government has presented draft legislation relating to credit information and new rules for the marketing of credit which enters into force on 1 November and 1 July 2017, respectively. The Ministry of Finance has adopted a regulation on the invoicing of credit card debt which enters into force on 15 June 2017.

On 1 January 2017, financial activities tax was introduced in Norway and new mortgage regulations entered into force.

## First quarter income statement – main items

### Net interest income

| *Amounts in NOK million* | 1st quarter 2017 | Change | 1st quarter 2016 |
|---|---|---|---|
| Net interest income | 8 521 | (192) | 8 713 |
| Other net interest income | | 165 | |
| Lending and deposit volumes, customer segments | | 69 | |
| Equity and non-interest bearing instruments | | 23 | |
| Amortisation effects and fees | | (36) | |
| Long-term funding costs | | (36) | |
| Interest days | | (67) | |
| Exchange rate movements | | (89) | |
| Lending and deposit spreads, customer segments | | (222) | |

Net interest income declined by NOK 192 million from the first quarter of 2016. Lower lending and deposit spreads had a negative effect on net interest income in the first quarter. For the customer segments, average lending and deposit spreads both contracted by 0.04 percentage points. Volume-weighted spreads for the customer segments narrowed by 0.06 percentage points compared with the same period in 2016. There was an average decrease of NOK 3.9 billion or 0.3 per cent in the healthy loan portfolio compared with the first quarter of 2016. During the same period, deposits were up NOK 40.7 billion or 4.3 per cent. Adjusted for exchange rate movements, loans increased by 0.9 per cent and deposits by 5.4 per cent.

### Net other operating income

| *Amounts in NOK million* | 1st quarter 2017 | Change | 1st quarter 2016 |
|---|---|---|---|
| Net other operating income | 3 399 | (1 543) | 4 942 |
| Exchange rate effects additional Tier 1 capital | | 363 | |
| Net financial and risk result from DNB Livsforsikring [1] | | 128 | |
| Net commissions and fees | | 82 | |
| Other operating income | | (46) | |
| Profit from associated companies | | (130) | |
| Net gains on other financial instruments | | (316) | |
| Basis swaps | | (1 624) | |

*1) Guaranteed returns and allocations to policyholders deducted.*

Net other operating income declined by NOK 1 543 million or 31.2 per cent from the first quarter of 2016. Exchange rate effects on additional Tier 1 capital gave a positive contribution of NOK 363 million. The net financial and risk result from DNB Livsforsikring gave a NOK 128 million rise in income due to a higher return on assets. Net commissions and fees increased by 4.6 per cent, mainly in consequence of higher investment banking activity. Profits from associated companies were reduced due to lower profits in Eksportfinans. Negative mark-to-market adjustments related to basis swaps increased by NOK 1 624 million compared with the first quarter of 2016. Net gains on other financial instruments were affected by the gain on Visa Europe shares from the sale of DNB's ownership in Nets in the first quarter of 2016.

### Operating expenses

| *Amounts in NOK million* | 1st quarter 2017 | Change | 1st quarter 2016 |
|---|---|---|---|
| Operating expenses | (5 441) | 270 | (5 711) |
| Salaries and other personnel expenses (excl. pension and restructuring costs) | | 69 | |
| Other costs | | 19 | |
| IT expenses | | (76) | |
| Provisions for financial activities tax | | (98) | |
| Restructuring costs [1] | | 395 | |
| Other non-recurring effects [1] | | (39) | |
| | | | |
| Operating expenses excl. non-recurring effects, of which: | | (86) | |
| Exchange rate effects for units outside Norway | | 81 | |
| Currency-adjusted operating expenses | | (167) | |

*1) Non-recurring effects.*

Operating expenses were reduced by NOK 270 million compared with the first quarter of 2016. Underlying operating expenses were NOK 86 million higher than in the year-earlier period.

Non-recurring effects recorded in the first quarter of 2017 mainly related to restructuring costs in the small and medium-sized enterprises and personal customers segments.

In the first quarter of 2017, the cost/income ratio was 45.6 per cent.

### Impairment of loans and guarantees

Impairment losses on loans and guarantees totalled NOK 562 million for the quarter, down NOK 612 million from the corresponding quarter in 2016. Adjusted for the sale of non-performing portfolios in the first quarter of 2016, impairment losses were reduced by NOK 1 185 million, while individual impairment was more than halved from the first quarter of 2016. The reduction reflects a reevaluation of non-performing consumer loans and some reassessments in the oil-related portfolio. There was a reduction in collective impairment losses, primarily in the shipping and offshore portfolio, though there was also a minor reduction for other industries, mainly due to more favourable economic conditions and positive migration in the portfolio.

Compared with the fourth quarter of 2016, impairment losses on loans and guarantees were down NOK 1 190 million, or NOK 1 348 million when adjusted for the sale of non-performing portfolios. Individual impairment declined by NOK 1 273 million from the fourth quarter of 2016 and collective impairment losses were reduced by NOK 74 million.

Net non-performing and doubtful loans and guarantees increased by NOK 8.2 billion from end-March 2016, totalling NOK 23.1 billion at end-March 2017. This represented 1.30 per cent of the loan portfolio, up from 0.88 per cent at end-March 2016. The increase stemmed mainly from oil-related industries. Compared with the fourth quarter of 2016, there was a total reduction in net non-performing and net doubtful loans and guarantees of NOK 2.6 billion or 10 per cent, primarily due to restructuring in the oil-related portfolio.

### Taxes

The DNB Group's tax expense for the first quarter of 2017 is estimated at NOK 1 362 million, or 23.0 per cent of pre-tax operating profits.

## Financial performance, segments

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

### Personal customers

| *Income statement in NOK million* | 1st quarter 2017 | 1st quarter 2016 | Change NOK mill | Change % |
|---|---|---|---|---|
| Net interest income | 3 114 | 3 290 | (177) | (5.4) |
| Net other operating income | 1 192 | 1 155 | 37 | 3.2 |
| Total income | 4 305 | 4 445 | (140) | (3.1) |
| Operating expenses | (2 103) | (2 494) | 391 | 15.7 |
| Pre-tax operating profit before impairment | 2 203 | 1 952 | 251 | 12.9 |
| Net gains on fixed and intangible assets | | 0 | (0) | |
| Impairment of loans and guarantees | 110 | 440 | (330) | |
| Pre-tax operating profit | 2 313 | 2 392 | (79) | (3.3) |
| Tax expense | (578) | (598) | 20 | 3.3 |
| Profit from operations held for sale, after taxes | | (1) | 1 | |
| Profit for the period | 1 735 | 1 793 | (58) | (3.2) |
| **Average balance sheet items in NOK billion** | | | | |
| Net loans to customers | 708.3 | 675.1 | 33.3 | 4.9 |
| Deposits from customers | 398.7 | 395.6 | 3.2 | 0.8 |
| **Key figures in per cent** | | | | |
| Lending spread [1] | 1.73 | 1.81 | | |
| Deposit spread [1] | 0.34 | 0.42 | | |
| Return on allocated capital [2] | 17.3 | 18.2 | | |
| Cost/income ratio | 48.8 | 56.1 | | |
| Ratio of deposits to loans | 56.3 | 58.6 | | |

*1) Calculated relative to the 3-month money market rate. See page 34 for additional information about alternative performance measures (APMs).*

*2) Calculated on the basis of allocated capital, corresponding to the external capital adequacy requirement which must be met by the DNB Group. See page 34 for additional information about alternative performance measures (APMs).*

Pressure on spreads gave a reduction in net interest income compared with the first quarter of 2016, while strict cost control and lower restructuring costs helped raise pre-tax operating profit before impairment.

After adjusting for portfolios of fixed-rate home mortgages sold from DNB Boligkreditt to DNB Livsforsikring, average loans to personal customers were up 5.2 per cent from the first quarter of 2016. Adjusted for a portfolio of deposits from associations and clubs that was transferred to the small and medium-sized enterprises segment in December 2016, there was an average rise in deposits of 2.6 per cent.

Interest rate adjustments implemented with effect as of 9 January 2017 helped raise volume-weighted combined spreads by 0.07 percentage points from the fourth quarter of 2016, while there was a 0.08 percentage point reduction from the first quarter of 2016. Margin income on loans and deposits was up NOK 72 million compared with the fourth quarter of 2016.

There was a stable level of net other operating income from the first quarter of 2016. Income from real estate broking and insurance products showed a positive trend, while regulations on interchange fee rates effective as of 1 September 2016 and rising costs related to SAS Eurobonus agreements had a negative impact on income from payment transfers during the period.

Restructuring costs totalled NOK 14 million for the quarter, compared with NOK 511 million in the first quarter of 2016. There was a moderate increase in ordinary expenses compared with the first quarter of 2016, which was attributable to financial activities tax, increased activity within real estate broking and higher IT expenses.

Close to 95 per cent of loans to personal customers represent well-secured home mortgages entailing low risk. Impairment losses in the first quarter of 2017 include a non-recurring effect of NOK 97 million related to the rise in value of a portfolio of non-performing loans. In addition, there were reversals on collective impairment losses of NOK 74 million in the quarter. The first quarter of 2016 was also affected by gains from the sale of a portfolio of non-performing loans. Adjusted for these factors, net impairment losses on loans remained stable at a low level.

The market share of credit to households stood at 24.9 per cent at end-February 2017, while the market share of home mortgages was 28.1 per cent. The market share of total household savings was 31.4 per cent. DNB Eiendom had a market share of 19.5 per cent in the first quarter of 2017.

Customers' use of digital services is increasing, and DNB is continuing to digitalise its products and services. A new digital solution for extending existing home mortgages was finalised during the first quarter. The process is thus fully automated, from the application is received until the funds are available on the customer's account, and will provide significant efficiency gains in the personal customer segment.

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

## Small and medium-sized enterprises

| | 1st quarter | | Change | |
|---|---|---|---|---|
| *Income statement in NOK million* | 2017 | 2016 | NOK mill | % |
| Net interest income | 2 035 | 1 937 | 98 | 5.1 |
| Net other operating income | 557 | 470 | 87 | 18.5 |
| Total income | 2 593 | 2 407 | 185 | 7.7 |
| Operating expenses | (1 164) | (1 014) | (150) | (14.8) |
| Pre-tax operating profit before impairment | 1 429 | 1 393 | 36 | 2.6 |
| Net gains on fixed and intangible assets | (0) | 3 | (3) | |
| Impairment of loans and guarantees | 10 | (259) | 269 | 103.8 |
| Profit from repossessed operations | (10) | (17) | 7 | 41.0 |
| Pre-tax operating profit | 1 429 | 1 121 | 308 | 27.5 |
| Tax expense | (357) | (280) | (77) | (27.5) |
| Profit for the period | 1 072 | 841 | 231 | 27.5 |
| **Average balance sheet items in NOK billion** | | | | |
| Net loans to customers | 268.5 | 252.7 | 15.7 | 6.2 |
| Deposits from customers | 197.9 | 170.3 | 27.6 | 16.2 |
| **Key figures in per cent** | | | | |
| Lending spread [1)] | 2.57 | 2.60 | | |
| Deposit spread [1)] | 0.42 | 0.46 | | |
| Return on allocated capital [2)] | 16.4 | 12.4 | | |
| Cost/income ratio | 44.9 | 42.1 | | |
| Ratio of deposits to loans | 73.7 | 67.4 | | |

1) *Calculated relative to the 3-month money market rate. See page 34 for additional information about alternative performance measures (APMs).*
2) *Calculated on the basis of allocated capital, corresponding to the external capital adequacy requirement which must be met by the DNB Group. See page 34 for additional information about alternative performance measures (APMs).*

Increases in both net interest income and other operating income combined with a reduction in impairment of loans and guarantees contributed to a rise in pre-tax operating profits from the first quarter of 2016.

Average loans to customers increased by 6.2 per cent from the first quarter of 2016, while average customer deposits were up 16.2 per cent. The significant increase in customer deposits includes deposits transferred from the personal customer segment in the fourth quarter of 2016. Adjusted growth in deposits from the first quarter of 2016 was 11.8 per cent. The sound increase in volumes ensured a rise in net interest income compared with the first quarter of 2016 despite a slight reduction in interest rate spreads.

The significant improvement in net other operating income primarily reflected increased activity within foreign exchange and interest rate hedging products. There was also a rise in income from pension products and cash management services.

The increase in operating expenses from the first quarter of 2016 was mainly due to provisions for restructuring costs and a rise in IT development costs. A higher level of activity within capital markets products, pension products, and leasing and factoring also contributed to a higher cost base.

There were net reversals on impairment losses on loans in the first quarter of 2017. On an annual basis, the reversals represented 0.02 per cent of average loans in the quarter, compared to net impairment losses of 0.41 per cent in the first quarter of 2016. Individual impairment was 0.11 per cent in the first quarter of 2017, down from 0.38 per cent in the corresponding quarter in 2016. There were no significant impairment losses.

There has been no material deterioration in the general quality of DNB's portfolio of loans to small and medium-sized corporate customers. Developments in oil-related sectors as well as all other sectors are closely monitored, and preventive measures are implemented to retain the level of quality.

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

## Large corporates and international customers

| | 1st quarter | | Change | |
|---|---|---|---|---|
| *Income statement in NOK million* | 2017 | 2016 | NOK mill | % |
| Net interest income | 3 100 | 3 382 | (282) | (8.3) |
| Net other operating income | 1 449 | 1 275 | 174 | 13.6 |
| Total income | 4 550 | 4 658 | (108) | (2.3) |
| Operating expenses | (1 907) | (1 869) | (39) | (2.1) |
| Pre-tax operating profit before impairment | 2 642 | 2 789 | (147) | (5.3) |
| Net gains on fixed and intangible assets | 6 | 4 | 2 | |
| Impairment of loans and guarantees | (697) | (1 358) | 662 | |
| Profit from repossessed operations | (0) | 1 | (2) | |
| Pre-tax operating profit | 1 951 | 1 436 | 515 | 35.9 |
| Tax expense | (546) | (388) | (159) | (40.9) |
| Profit from operations held for sale, after taxes | (0) | 3 | (3) | |
| Profit for the period | 1 405 | 1 052 | 353 | 33.6 |
| **Average balance sheet items in NOK billion** | | | | |
| Net loans to customers | 497.0 | 543.6 | (46.6) | (8.6) |
| Deposits from customers | 393.2 | 383.2 | 10.0 | 2.6 |
| **Key figures in per cent** | | | | |
| Lending spread [1)] | 2.18 | 2.16 | | |
| Deposit spread [1)] | (0.04) | (0.04) | | |
| Return on allocated capital [2)] | 6.9 | 5.0 | | |
| Cost/income ratio | 41.9 | 40.1 | | |
| Ratio of deposits to loans | 79.1 | 70.5 | | |

1) *Calculated relative to the 3-month money market rate. See page 34 for additional information about alternative performance measures (APMs).*
2) *Calculated on the basis of allocated capital, corresponding to the external capital adequacy requirement which must be met by the DNB Group. See page 34 for additional information about alternative performance measures (APMs).*

Lower impairment losses on loans were the main contributor to the increase in pre-tax operating profits compared with the first quarter of 2016.

Average lending volumes were down 8.6 per cent from the first quarter of 2016. Adjusted for exchange rate movements, the underlying volume was reduced by 6.3 per cent. This was a consequence of the rebalancing of the business area's overall portfolio and the restructuring of portfolios within shipping and oil and offshore-related segments. Customer deposits were up 2.6 per cent from the first quarter of 2016. Adjusted for exchange rate movements, the increase was 4.6 per cent.

Due to reduced volumes, net interest income was down compared with the first quarter of 2016.

Other operating income was up 13.6 per cent from the first quarter of 2016, mainly reflecting higher investment banking activity within syndication, corporate finance and bonds.

Operating expenses increased by 2.1 per cent from the first quarter of 2016 and by 4.6 per cent from the fourth quarter of 2016, reflecting a higher level of activity within investment banking. The number of full-time positions was reduced by 63 from end-March 2016. The reductions took place in both Norwegian and international operations.

Net impairment losses on loans and guarantees were reduced compared with the first quarter of 2016. On an annual basis, net impairment represented 0.57 per cent of average loans, down 0.43 percentage points from the year-earlier period. There was a 0.19 percentage point reduction in individual impairment losses, to 0.35 per cent in the first quarter of 2017, while collective impairment was reduced by 0.25 percentage points. The reduction in impairment losses reflected generally more stable economic conditions compared with the first quarter of 2016. Net non-performing and doubtful loans and guarantees amounted to NOK 17.5 billion at end-March 2017, compared with NOK 10.3 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 demanding conditions in specific markets, the situation remains challenging for the large corporate segment in DNB. The main aim for the business area is to strengthen profitability and contribute to fulfilling DNB's long-term ambitions. Reducing and rebalancing large corporate exposures through 2017 and 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 widen somewhat, and new transactions are expected to contribute positively in a longer-term perspective. DNB will continue to focus on building and utilising in-depth industry expertise, offering a wide product range and up-to-date technological solutions to prioritised customers. Through close relations with leading companies, DNB is well-positioned to cover a wide range of customers' financial needs and increase the contribution from non-lending products, such as investment banking, trade finance, leasing, factoring and defined-contribution pensions.

## Trading

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

| | 1st quarter | | Change | |
|---|---|---|---|---|
| *Income statement in NOK million* | 2017 | 2016 | NOK mill | % |
| Net interest income | 20 | 6 | 14 | 249.8 |
| Net other operating income | 729 | 337 | 392 | 116.4 |
| Total income | 749 | 343 | 407 | 118.6 |
| Operating expenses | (129) | (131) | 3 | 1.9 |
| Pre-tax operating profit | 621 | 211 | 409 | 193.5 |
| Tax expense | (143) | (53) | (90) | |
| Profit for the period | 478 | 159 | 319 | 201.3 |
| **Key figures in per cent** | | | | |
| Return on allocated capital [1)] | 24.4 | 8.9 | | |

1) *Calculated on the basis of allocated capital, corresponding to the external capital adequacy requirement which must be met by the DNB Group. See page 34 for additional information about alternative performance measures (APMs).*

There was an increase in income from trading in NOK interest rate instruments compared with the first quarter of 2016. In addition, bond values increased due to narrower spreads.

## 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.

| | 1st quarter | | Change | |
|---|---|---|---|---|
| *Income statement in NOK million* | 2017 | 2016 | NOK mill | % |
| Upfront pricing of risk and guaranteed rate of return | 38 | 83 | (46) | (54.6) |
| Owner's share of administration result | 57 | 83 | (25) | (30.6) |
| Owner's share of risk result | 27 | 29 | (2) | (5.2) |
| Owner's share of interest result | 19 | (67) | 85 | |
| Return on corporate portfolio | 118 | 82 | 36 | 44.4 |
| Pre-tax operating profit | 259 | 210 | 49 | 23.2 |
| Tax expense | (30) | (7) | (23) | |
| Profit for the period | 229 | 204 | 26 | 12.6 |
| **Average balance sheet items in NOK billion** | | | | |
| Assets under management | 202.4 | 202.8 | (0.4) | (0.2) |
| **Key figures in per cent** | | | | |
| Return on allocated capital [1)] | 4.6 | 4.4 | | |
| Cost/income ratio | 26.9 | 38.1 | | |

1) *Calculated on the basis of allocated capital, corresponding to the external capital adequacy requirement which must be met by the DNB Group. See page 34 for additional information about alternative performance measures (APMs).*

There was a healthy level of profits in the first quarter of 2017. The rise in profits from the year-earlier period reflects a higher return on financial assets, mainly equities and real estate, and a reduction in costs relating to provisions for higher life expectancy. The decline in the administration result and income from upfront pricing relates to the conversion from defined-benefit to defined-contribution pension schemes.

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 real estate investments. The structure of the portfolios will help ensure that returns will cover the guaranteed rate of return over the next years.

Each quarter, DNB Livsforsikring carries out a test to assess whether the company has adequate premium reserves. In the test, insurance provisions calculated on the basis of market rates and insurance liabilities calculated on the basis of the contracts' base rate (guaranteed rate of return) are compared. The test showed positive margins as at 31 March 2017.

In consequence of higher life expectancy, it will be necessary to strengthen the premium reserve for group pension insurance. At end-March 2017, reserves for higher life expectancy totalled NOK 10.8 billion, while the total required increase in reserves is estimated at NOK 11.3 billion. The remaining required increase in reserves of NOK 500 million will be financed during the period up to and including 2020. The entire amount refers to paid-up policies. 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 margin, calculated according to the transitional rules, was 197 per cent as at 31 March 2017. Without the transitional rules, DNB Livsforsikring had a solvency margin of 144 per cent. At end-December 2016, the solvency margins were 211 per cent and 152 per cent, respectively. The reduction in the solvency margin from year-end 2016, calculated according to the transitional rules, was due to a higher equity exposure and the fact that the transitional rule for technical insurance reserves was phased out by 1/16 from the start of 2017. The reduction in the solvency margin calculated without the transitional rules reflected a higher equity exposure and somewhat lower interest rates than at year-end 2016.

## Funding, liquidity and balance sheet

The short-term funding markets were generally sound in the first quarter of 2017. The uncertainty related to the effects of new regulations for US money market funds is now gone, and the market has largely adjusted. Overall, this has had no significant consequences for DNB. Prices declined somewhat in March, but are still higher than a few years ago. DNB had ample access to short-term funding throughout the quarter.

The level of activity in the long-term funding markets picked up during the first quarter of 2017, and DNB had good access to such funding during this period. In the covered bonds market, well-recognised issuers were the most active, though the overall volume was somewhat lower than a year earlier. This was largely due to the final round of the ECB's targeted longer-term refinancing operations, TLTRO, which to some degree reduced the need to issue secured bonds. Activity levels in the market for ordinary senior bonds continued to decline as an increasing number of issuers have started to issue subordinated senior bonds which meet the minimum requirement for own funds and eligible liabilities, MREL. There were good prices in this market, especially for well-recognised banks, and the subordinated loans issued by DNB in February were very well received by investors. Prices of both senior bonds and covered bonds declined further during the first quarter.

The nominal value of long-term debt securities issued by the Group was NOK 598 billion at end-March 2017 and NOK 583 billion a year earlier. The average remaining term to maturity for these debt securities was 4.0 years at end-March 2017, the same as a year earlier.

The short-term liquidity requirement, Liquidity Coverage Ratio, LCR, remained stable at above 100 per cent throughout the first quarter and was 135 per cent at end-March.

Total combined assets in the DNB Group were NOK 3 163 billion at end-March 2017, up from NOK 2 898 billion a year earlier. Of this, total assets in DNB Livsforsikring amounted to NOK 306 billion and NOK 291 billion, respectively.

In the DNB Bank Group, loans to customers decreased by NOK 9 billion or 0.6 per cent from end-March 2016. Customer deposits were up NOK 90 billion or 9.6 per cent during the same period. For the banking group the ratio of customer deposits to net loans to customers was up from 61.5 per cent at end-March 2016 to 67.8 per cent a year later. The ambition is to have a ratio of customer deposits to net loans, for the banking group, of minimum 60 per cent.

## Risk and capital adequacy

In connection with a review of the bank's porfolios in the first quarter of 2017, Standard & Poor's revised DNB Bank's long-term debt rating outlook from negative to stable.

The DNB Group quantifies risk by measuring economic capital. Economic capital increased by NOK 1.7 billion from year-end 2016, to NOK 74.7 billion at end-March 2017.

### Economic capital for the DNB Group

| *Amounts in NOK billion* | 31 March 2017 | 31 Dec. 2016 | 30 Sept. 2016 | 31 March 2016 |
|---|---|---|---|---|
| Credit risk | 54.8 | 54.4 | 54.8 | 54.1 |
| Market risk | 8.4 | 7.0 | 7.0 | 7.2 |
| Market risk in life insurance | 6.2 | 5.3 | 5.7 | 8.9 |
| Insurance risk | 1.7 | 1.7 | 1.7 | 2.1 |
| Operational risk | 11.0 | 11.5 | 11.5 | 11.5 |
| Business risk | 7.9 | 7.3 | 7.3 | 7.1 |
| Gross economic capital | 89.9 | 87.2 | 87.9 | 90.9 |
| Diversification effect [1)] | (15.2) | (14.2) | (14.7) | (15.8) |
| Net economic capital | 74.7 | 73.0 | 73.3 | 75.0 |
| Diversification effect in per cent of gross economic capital [1)] | 16.9 | 16.3 | 16.7 | 17.4 |

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 risk increased by NOK 0.4 billion through the quarter, reflecting a combination of effects. The overall credit quality remained stable. Volumes in the shipping and energy segments were reduced, while the exposure towards financial institutions and residential mortgages increased. The total credit portfolio increased by approximately NOK 30 billion in terms of exposure at default, EAD. The challenging conditions for oil service and offshore companies still prevail. DNB devotes considerable resources and professional expertise to the ongoing restructuring processes. Rates in the dry bulk market continued to improve in the first quarter, but are still at a very low level. Rates in the tanker segment were weak, but above the break-even level.

Economic capital for market risk in DNB Livsforsikring increased by NOK 0.9 billion during the quarter, reflecting a higher equity exposure.

DNB's market risk exposure in operations other than life insurance increased by NOK 1.4 billion. The main factor behind the increase is that the calculation of economic capital has been expanded to include basis swap spread risk in banking activities and credit spread risk in Norwegian kroner. The Group's pension commitments linked to the compensation scheme have been included in the calculation of economic capital and replace the risk associated with the defined-benefit schemes which were terminated at year-end 2016.

The operational risk situation was considered unsatisfactory in the first quarter, in spite of a low level of losses. This was due to a negative development in the operational stability of DNB's IT systems. DNB has implemented measures and close monitoring to avoid similar incidents.

Calculated according to transitional rules, risk-weighted assets were NOK 1 078 billion, up from NOK 1 049 billion at end-March 2016. The common equity Tier 1 capital ratio was 15.8 per cent, while the capital adequacy ratio was 19.2 per cent.

## New regulatory framework

### Stricter requirements for consumer loans and credit cards

The level of household debt in Norway gives reason for concern, especially the level of consumer credit. The Norwegian government and Finanstilsynet therefore proposed a number of measures to protect consumers against irresponsible lending practices. Among other things, the measures aim to ensure that banks make sound credit assessments and that customers make good, informed choices.

Credit information companies

The government has presented draft legislation which will open up for giving private players a licence to establish companies providing credit information in connection with credit scoring. Financial institutions are thus given the opportunity to check how much credit and consumer debt a new loan applicant already has, and can thus make a better credit scoring of the customer.

Credit information companies must have a licence from the authorities and be subject to public supervision.

Marketing of credit

The government has laid down a regulation governing the marketing of credit. The purpose is to prevent persistent and aggressive marketing that turns customers' attention away from the potential negative consequences of high borrowing. The new regulation implies that the marketing of credit shall not emphasise how easily available such credit is. In addition, there will be rules restricting the opportunity to highlight additional benefits such as miles, discounts, recruitment gifts and insurance. Also, there will be a ban on marketing credit through door-to-door sales. The rules will enter into force on 1 July 2017.

Invoicing of credit card debt

The Ministry of Finance has adopted a regulation on the invoicing of credit card debt. The regulation requires, among other things, that the amount field on invoices from financial undertakings show the overall outstanding credit. The purpose is to ensure that customers are given adequate information about their actual debt and on how it can be repaid. Financial undertakings must have adapted to the regulation no later than 15 June 2017.

Guidelines for handling unsecured credit

Finanstilsynet has circulated for comment guidelines for financial undertakings' processing of applications for consumer loans and credit cards. Finanstilsynet proposes requirements governing banks' documentation of credit assessments as well as customers' debt servicing capacity, instalment payments and maximum total debt relative to income. Furthermore, banks' responsibility for their own agents as well as their duty to check payment remarks and income and debt information are emphasised.

### Share savings account aims to increase private ownership in Norwegian companies

The Norwegian Parliament (Stortinget) has decided to introduce a scheme allowing private individuals to establish a share savings account. The purpose is to make it easier and more flexible for small-scale savers to invest in listed shares and mutual funds. A share savings account will allow private individuals to reinvest in other shares and mutual funds without triggering tax. Gains are not taxed until at a later date when the funds are withdrawn from the share savings account. A transitional rule will apply in 2017 and make it possible to transfer shares and mutual fund holdings to a share savings account without realising potential gains. Some technical clarifications remain which will be further specified in regulations. The scheme is therefore not expected to be launched in the market until mid-2017.

### More favourable for companies to borrow money

In the EU, the ordinary capital requirement for banks for loans up to EUR 1.5 million to small and medium-sized enterprises (SMEs) will be reduced by 23.81 per cent. The European Commission has proposed to continue and expand this "SME supporting factor" by also reducing the capital requirement by 15 per cent for amounts in excess of EUR 1.5 million. The Ministry of Finance has now announced that the SME supporting factor will finally be introduced in Norway once the EU's total capital requirements regulations (CRD IV/CRR) are included in the EEA agreement. The SME supporting factor may have positive effects on the access to capital and value creation in the business community, and help ensure that banks in the Norwegian market will face more similar requirements and compete on more equal terms for the same corporate customers in Norway.

### Covered bonds and overcollateralisation

Covered bonds are a key funding instrument for Norwegian banks. The Ministry of Finance has laid down in regulations that the cover pool at any given time shall represent minimum 102 per cent of the bonds issued, i.e. a requirement for 2 per cent overcollateralisation. The regulation implies that the current practice is formalised and will contribute to reduced uncertainty among investors and derivative counterparties. The regulation must also be seen in light of the fact that the European Market Infrastructure Regulation, EMIR, allows an exemption from the clearing obligation rules and the rules on risk-mitigating measures for certain OTC derivatives, including OTC derivatives that are included in the cover pool for covered bonds. In order to qualify for such exemptions, however, the covered bonds must meet several requirements, including the requirement for 2 per cent overcollateralisation.

The Ministry of Finance has also asked Finanstilsynet to implement a more extensive review of the covered bonds system in Norway, which includes considering the level of overcollateralisation in a longer term perspective. The deadline for the review has been set at 1 September 2017.

## Macroeconomic developments

Global GDP growth ended at 3.1 per cent in 2016 and looks set to be slightly higher this year. Growth will probably increase further in 2018. The emerging economies were the main driver behind the rise in economic growth, while developments in industrialised countries remain relatively weak, with a growth rate of 1.6 per cent in 2016. Nevertheless, activity levels appear to be picking up in the industrial countries and unemployment continues to fall. Higher energy prices have given a rise in inflation.

The Chinese economy continued to grow strongly in 2016. This was due partly to the authorities' expansionary policy and partly to higher commodity prices, which contributed to higher earnings growth in many industries. Parallel to this, consumption growth remained sound in spite of a certain decline during the recent period. Economic growth in China was 6.7 per cent in 2016, which was in line with the authorities' ambition of a growth rate between 6.5 and 7.0 per cent. Growth is expected to slow somewhat in the period ahead. High debt and unprofitable investments are among the factors that increase the risk of a crisis further ahead in time.

The business upturn appears to be continuing in the US, and American households and businesses have become significantly more optimistic after Trump was elected president. Nevertheless, growth is likely to be sluggish in early 2017, primarily due to weaker consumption growth. The US president wants lower taxes and higher infrastructure investments, which implies that fiscal policy can be expected to be somewhat more expansionary in the period ahead. However, it will take time to implement such a shift in fiscal policy, and no material effect on GDP is expected until next year. The labour market remains strong, with falling unemployment and good employment growth. Wage growth is still moderate, and price inflation is just below the Federal Reserve's 2 per cent target. An expansionary monetary policy has supported the US recovery in recent years. However, monetary policy is expected to be normalised in the coming period. The Federal Reserve raised interest rates in both December 2016 and March 2017 and is expected to implement further rate increases twice this year.

Economic growth in the euro area was 1.7 per cent in 2016, which reflected higher private consumption on the back of a strong rise in households' real disposable income. Higher inflation will probably result in lower income growth for households in the period ahead, which in turn will have a negative impact on consumption. At the same time, there is strong confidence in the business sector, which indicates increased activity. Business investment is up and will probably represent a higher share of GDP after many years of sluggish growth. Increased uncertainty, especially related to the political landscape, Greek debt levels and weak Italian banks, is also expected to put a damper on demand. The European Central Bank will probably continue to conduct an expansionary monetary policy and to gradually scale down its asset purchases, which will not end until 2019.

The British no to further EU membership has so far had fewer negative consequences than expected. The financial turmoil was short-lived, and domestic demand remained buoyant throughout 2016. The British pound depreciated more than expected, which has stimulated the balance of payments. At the same time, the weaker currency has resulted in higher inflation and reduced households' real income. Article 50 was triggered on 29 March. This means that the United Kingdom has two years to negotiate a withdrawal agreement and new trade agreements before leaving the European Union. Uncertainty regarding the process and the results thereof make future prospects more unpredictable than normal.

GDP for Mainland Norway increased by 0.8 per cent from 2015 to 2016. This is the lowest growth rate since 2009, the year of the financial crisis. Growth is expected to rise to 1.6 per cent in 2017. The weak development last year was mainly due to a significant drop in oil investments. Increased activity in the public sector, the building and construction and tourism-based industries contributed to keeping up production. During the fourth quarter of 2016, the upturn in the mainland economy was somewhat broader based, and an increase in business investment is anticipated this year. In addition, a somewhat smaller drop in oil investments and a certain rise in private consumption are expected to provide a slight increase in growth this year.

Unemployment seems to have peaked. The unemployment rate, as measured in Statistics Norway's labour force survey, dropped from 5.0 per cent in July 2016 to 4.2 per cent in January 2017 (the latest reading). Registered unemployment measured by the Norwegian Labour and Welfare Administration declined slightly and was 2.9 per cent in March 2017. The unemployment rate has dropped during the recent period, as measured by both Statistics Norway's labour force survey and the Norwegian Labour and Welfare Administration's statistics of registered unemployed people. Employment growth, however, remains weak, with virtually unchanged employment figures throughout 2016. The national accounts show signs of a slight increase in employment towards the end of last year, while the labour force survey shows a decline.

Housing price growth was high in 2016, with an increase of 8.3 per cent from the previous year. There were large regional differences. Housing prices fell in Stavanger, while Oslo experienced the highest price growth. The stricter home mortgage regulation, which came into effect on 1 January 2017, coupled with an increase in housebuilding activity, a weak development in household income and the record-low mortgage rates, is expected to result in lower housing price growth this year. During the first three months of 2017, average seasonally-adjusted price growth was 0.5 per cent per month. In comparison, average price growth was about 1 per cent per month in 2016.

Consumer price growth has slowed markedly in recent months. The weak exchange rate gave a temporary rise in inflation in 2016, and lower price growth was expected when exchange rate effects were phased out of the inflation figures. However, the decline emerged more quickly and was stronger than expected. The parties in the labour market agreed on a framework for the wage negotiations of 2.4 per cent, which indicates that domestic price pressure will remain moderate in the period ahead.

## Future prospects

DNB's principal target is 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, lower impairment losses and more efficient use of capital.

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 growth is expected to return to a normalised level of 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.

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

The Group aspires to have a dividend payout ratio of more than 50 per cent from 2017. A share buy-back programme has been approved by the Annual General Meeting and will comprise up to 1.5 per cent of outstanding shares. The buy-back is dependent on approval from Finanstilsynet.

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

Oslo, 27 April 2017
The Board of Directors of DNB ASA

Anne Carine Tanum
(chairman)

Tore Olaf Rimmereid
(vice-chairman)

Karl-Christian Agerup

Carl A. Løvvik

Vigdis Mathisen

Jaan Ivar Semlitsch

Berit Svendsen

Rune Bjerke
(group chief executive)

# Income statement

| Amounts in NOK million | Note | 1st quarter 2017 | 1st quarter 2016 | Full year 2016 |
|---|---|---|---|---|
| | | | | **DNB Group** |
| Total interest income | 5 | 13 223 | 13 295 | 52 424 |
| Total interest expenses | 5 | (4 702) | (4 582) | (18 314) |
| **Net interest income** | 5 | **8 521** | **8 713** | **34 110** |
| Commission and fee income | 6 | 2 944 | 2 794 | 11 452 |
| Commission and fee expenses | 6 | (871) | (803) | (3 172) |
| Net gains on financial instruments at fair value | 7 | 808 | 2 384 | 6 513 |
| Net financial result, DNB Livsforsikring | | 117 | 9 | (72) |
| Net risk result, DNB Livsforsikring | | 123 | 103 | 736 |
| Net insurance result, DNB Forsikring | | 155 | 115 | 648 |
| Profit from investments accounted for by the equity method | | (45) | 86 | 1 189 |
| Net gains on investment properties | | 14 | (5) | (35) |
| Other income | | 154 | 259 | 795 |
| **Net other operating income** | | **3 399** | **4 942** | **18 053** |
| **Total income** | | **11 920** | **13 655** | **52 163** |
| Salaries and other personnel expenses | 8 | (3 056) | (3 277) | (11 904) |
| Other expenses | 8 | (1 874) | (1 765) | (7 251) |
| Depreciation and impairment of fixed and intangible assets | 8 | (510) | (668) | (2 177) |
| **Total operating expenses** | 8 | **(5 441)** | **(5 711)** | **(21 333)** |
| **Pre-tax operating profit before impairment** | | **6 479** | **7 945** | **30 830** |
| Net gains on fixed and intangible assets | | 6 | (6) | (19) |
| Impairment of loans and guarantees | 9 | (562) | (1 174) | (7 424) |
| **Pre-tax operating profit** | | **5 923** | **6 764** | **23 387** |
| Tax expense | | (1 362) | (1 529) | (4 140) |
| Profit from operations held for sale, after taxes | | (17) | (13) | 4 |
| **Profit for the period** | | **4 544** | **5 222** | **19 251** |
| Portion attributable to shareholders | | 4 304 | 5 107 | 18 656 |
| Portion attributable to additional Tier 1 capital holders | | 240 | 115 | 595 |
| **Profit for the period** | | **4 544** | **5 222** | **19 251** |
| Earnings/diluted earnings per share (NOK) | | 2.64 | 3.14 | 11.46 |
| Earnings per share excluding operations held for sale (NOK) | | 2.65 | 3.15 | 11.46 |

# Comprehensive income statement

| Amounts in NOK million | 1st quarter 2017 | 1st quarter 2016 | Full year 2016 |
|---|---|---|---|
| | | | **DNB Group** |
| **Profit for the period** | **4 544** | **5 222** | **19 251** |
| Actuarial gains and losses | | (39) | (183) |
| Property revaluation | 22 | 2 | 47 |
| Items allocated to customers (life insurance) | (22) | (2) | (47) |
| Items that will not be reclassified to the income statement | | (39) | (183) |
| Currency translation of foreign operations [1)] | 531 | (4 376) | (6 476) |
| Currency translation reserve reclassified to the income statement | | | (43) |
| Hedging of net investment [2)] | (252) | 2 968 | 4 346 |
| Investments according to the equity method [3)] | 87 | (33) | (25) |
| Investments according to the equity method, reclassified to the income statement [3)] | | | (855) |
| Items that may subsequently be reclassified to the income statement | 366 | (1 442) | (3 052) |
| **Other comprehensive income for the period (net of tax)** | **366** | **(1 480)** | **(3 236)** |
| **Comprehensive income for the period** | **4 910** | **3 742** | **16 015** |

1) *Currency translation effects related to the Baltics represented a loss of NOK 120 million in the first quarter of 2017.*
2) *Hedging of net investments in the Baltics represented a gain of NOK 106 million in the first quarter of 2017, 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 | 31 March 2017 | 31 Dec. 2016 | 31 March 2016 |
|---|---|---|---|---|
| | | | | **DNB Group** |
| **Assets** | | | | |
| Cash and deposits with central banks | | 368 518 | 208 263 | 166 587 |
| Due from credit institutions | 12, 13 | 200 848 | 176 442 | 180 065 |
| Loans to customers | 10, 11, 12, 13 | 1 531 096 | 1 509 078 | 1 534 902 |
| Commercial paper and bonds at fair value | 13, 14 | 298 948 | 296 642 | 286 273 |
| Shareholdings | 13 | 28 535 | 22 512 | 27 578 |
| Financial assets, customers bearing the risk | 13 | 64 688 | 60 220 | 50 967 |
| Financial derivatives | 13 | 141 449 | 157 940 | 215 743 |
| Commercial paper and bonds, held to maturity | 12, 14 | 92 433 | 94 008 | 100 516 |
| Investment properties | 15 | 15 967 | 15 912 | 15 416 |
| Investments accounted for by the equity method | | 7 926 | 7 768 | 9 715 |
| Intangible assets | | 5 767 | 5 814 | 5 963 |
| Deferred tax assets | | 1 406 | 1 404 | 1 100 |
| Fixed assets | | 8 125 | 7 949 | 8 717 |
| Assets held for sale | 16 | 53 365 | 52 541 | 204 |
| Other assets | | 51 375 | 36 709 | 35 338 |
| **Total assets** | | **2 870 447** | **2 653 201** | **2 639 081** |
| **Liabilities and equity** | | | | |
| Due to credit institutions | 12, 13 | 273 010 | 212 882 | 160 778 |
| Deposits from customers | 12, 13 | 1 016 896 | 934 897 | 927 559 |
| Financial derivatives | 13 | 111 697 | 130 161 | 173 398 |
| Debt securities issued | 12, 13, 17 | 832 521 | 765 869 | 829 997 |
| Insurance liabilities, customers bearing the risk | | 64 688 | 60 220 | 50 967 |
| Liabilities to life insurance policyholders in DNB Livsforsikring | | 209 354 | 208 160 | 210 230 |
| Insurance liabilities, DNB Forsikring | | 2 259 | 1 892 | 2 125 |
| Payable taxes | | 9 222 | 8 874 | 4 186 |
| Deferred taxes | | 3 891 | 3 816 | 7 780 |
| Other liabilities | | 60 983 | 44 568 | 44 009 |
| Liabilities held for sale | 16 | 41 671 | 41 243 | 56 |
| Provisions | | 1 885 | 2 094 | 1 570 |
| Pension commitments | | 2 867 | 2 756 | 2 684 |
| Subordinated loan capital | 12, 13, 17 | 28 795 | 29 347 | 29 826 |
| **Total liabilities** | | **2 659 740** | **2 446 779** | **2 445 165** |
| Share capital | | 16 283 | 16 286 | 16 268 |
| Share premium | | 22 609 | 22 609 | 22 609 |
| Additional Tier 1 capital | | 15 594 | 15 952 | 8 067 |
| Other equity | | 156 221 | 151 576 | 146 972 |
| **Total equity** | | **210 707** | **206 423** | **193 916** |
| **Total liabilities and equity** | | **2 870 447** | **2 653 201** | **2 639 081** |

# Statement of changes in equity

**DNB Group**

| Amounts in NOK million | Share capital [1)] | Share premium | Additional Tier 1 capital | Actuarial gains and losses | Currency translation reserve [2)] | Net investment hedge reserve [2)] | Other equity [1)] | Total equity [1) 2)] |
|---|---|---|---|---|---|---|---|---|
| **Balance sheet as at 31 Dec. 2015 restated** | **16 257** | **22 609** | **8 353** | **(525)** | **18 317** | **(11 848)** | **137 263** | **190 425** |
| Profit for the period | | | 115 | | | | 5 107 | 5 222 |
| Other comprehensive income (net of tax) | | | | (39) | (4 376) | 2 968 | (33) | (1 480) |
| Comprehensive income for the period | | | 115 | (39) | (4 376) | 2 968 | 5 074 | 3 742 |
| Interest payments additional Tier 1 capital | | | (389) | | | | | (389) |
| Currency movements taken to income | | | (11) | | | | 11 | |
| Net purchase of treasury shares | 11 | | | | | | 127 | 138 |
| **Balance sheet as at 31 March 2016** | **16 268** | **22 609** | **8 067** | **(564)** | **13 941** | **(8 880)** | **142 475** | **193 916** |
| | | | | | | | | |
| **Balance sheet as at 31 Dec. 2016** | **16 286** | **22 609** | **15 952** | **(692)** | **11 798** | **(7 502)** | **147 971** | **206 423** |
| Profit for the period | | | 240 | | | | 4 304 | 4 544 |
| Other comprehensive income (net of tax) | | | | | 531 | (252) | 87 | 366 |
| Comprehensive income for the period | | | 240 | | 531 | (252) | 4 391 | 4 910 |
| Interest payments additional Tier 1 capital | | | (591) | | | | | (591) |
| Currency movements taken to income | | | (7) | | | | 7 | |
| Net purchase of treasury shares | (3) | | | | | | (31) | (34) |
| **Balance sheet as at 31 March 2017** | **16 283** | **22 609** | **15 594** | **(692)** | **12 329** | **(7 754)** | **152 338** | **210 707** |

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

| | Share capital | Other equity | Total equity |
|---|---|---|---|
| *Balance sheet as at 31 December 2016* | *(2)* | *(26)* | *(28)* |
| *Net purchase of treasury shares* | *(3)* | *(31)* | *(34)* |
| *Reversal of fair value adjustments through the income statement* | | *(13)* | *(13)* |
| *Balance sheet as at 31 March 2017* | *(5)* | *(69)* | *(75)* |

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

| | Currency translation reserve | Net investment hedge reserve | Total equity |
|---|---|---|---|
| *Balance sheet as at 31 December 2016* | *1 015* | *(712)* | *304* |
| *Other comprehensive income* | *(120)* | *106* | *(14)* |
| *Balance sheet as at 31 March 2017* | *895* | *(606)* | *289* |

*Currency translation reserve and net investment hedge reserve related to the Baltics totaled NOK 289 million as at 31 March 2017, of which NOK 245 million represented accumulated tax on the hedging instruments.*

# Cash flow statement

| Amounts in NOK million | 1st quarter 2017 | 1st quarter 2016 | Full year 2016 |
|---|---|---|---|
| | | | **DNB Group** |
| **Operating activities** | | | |
| Net payments on loans to customers | (20 705) | (11 765) | (41 244) |
| Interest received from customers | 11 494 | 11 731 | 46 858 |
| Net receipts/payments on deposits from customers | 85 490 | (5 267) | 42 821 |
| Interest paid to customers | (525) | (124) | (3 656) |
| Net receipts on loans to credit institutions | 38 874 | 115 994 | 166 440 |
| Interest received from credit institutions | 516 | 458 | 1 258 |
| Interest paid to credit institutions | (471) | (319) | (1 661) |
| Net receipts/payments on the sale of financial assets for investment or trading | (123) | 3 615 | 20 955 |
| Interest received on bonds and commercial paper | 494 | 738 | 4 488 |
| Net receipts on commissions and fees | 1 761 | 2 013 | 8 303 |
| Payments to operations | (4 648) | (4 221) | (20 032) |
| Taxes paid | (848) | (434) | (2 918) |
| Receipts on premiums | 4 465 | 4 806 | 15 599 |
| Net receipts/payments on premium reserve transfers | 1 352 | 277 | (1 512) |
| Payments of insurance settlements | (3 886) | (3 697) | (14 745) |
| Other receipts/payments | (3 749) | 1 734 | (5 583) |
| **Net cash flow from operating activities** | **109 489** | **115 537** | **215 372** |
| **Investing activities** | | | |
| Net payments on the acquisition of fixed assets | (643) | (403) | (1 540) |
| Net receipts, investment properties | 71 | 165 | (1 512) |
| Receipts on the sale of long-term investments in shares | | | 861 |
| Dividends received on long-term investments in shares | 0 | 0 | 66 |
| **Net cash flow from investment activities** | **(572)** | **(238)** | **(2 124)** |
| **Financing activities** | | | |
| Receipts on issued bonds and commercial paper | 2 026 703 | 906 088 | 8 995 908 |
| Payments on redeemed bonds and commercial paper | (1 963 162) | (860 298) | (9 000 786) |
| Interest payments on issued bonds and commercial paper | (4 964) | (6 160) | (16 016) |
| Receipts on the raising of subordinated loan capital | 10 106 | | 738 |
| Redemptions of subordinated loan capital | (10 544) | | (3) |
| Interest payments on subordinated loan capital | (418) | (370) | (923) |
| Receipts on issued additional Tier 1 capital | | | 7 520 |
| Interest payments on additional Tier 1 capital | (591) | (389) | (516) |
| Dividend payments | | | (7 330) |
| **Net cash flow from funding activities** | **57 129** | **38 871** | **(21 408)** |
| **Effects of exchange rate changes on cash and cash equivalents** | **(4 000)** | **(7 385)** | **(272)** |
| **Net cash flow** | **162 047** | **146 786** | **191 567** |
| Cash as at 1 January | 214 807 | 23 239 | 23 239 |
| Net receipts/payments of cash | 162 047 | 146 786 | 191 567 |
| Cash at end of period *) | 376 854 | 170 026 | 214 807 |

| | | | |
|---|---|---|---|
| **) Of which: Cash and deposits with central banks* | *372 509* | *166 587* | *211 908* |
| *Deposits with credit institutions with no agreed period of notice 1)* | *4 345* | *3 439* | *2 899* |

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

## Note 1 Basis for preparation

The quarterly financial statements for the Group have been prepared in accordance with IAS 34 Interim Financial Reporting as issued by the International Accounting Standards Board and as adopted by the European Union. When preparing the consolidated financial statements, management makes estimates, judgments and assumptions that affect the application of the accounting principles and the carrying amount of assets, liabilities, income and expenses. Estimates and assumptions are subject to continual evaluation and are based on historical experience and other factors, including expectations of future events that are believed to be probable on the balance sheet date. A description of the accounting policies, significant estimates and areas where judgment is applied by the Group, appear in note 1 Accounting principles in the annual report for 2016.

The customer segments have recently been redefined. See note 2 Segments for further information. The change only impacts the allocation between the segments and has no impact to the Group's financial statements. The numbers for the comparable periods have been restated.

## Note 2 Segments

Financial governance in DNB is geared to the different customer segments. The follow-up of total customer relationships and segment profitability are two important dimensions when making strategic priorities and deciding where to allocate the Group's resources. Special product areas are responsible for production and development for parts of the product range and for ensuring that the Group meets the needs of the various customer segments. Reported figures for the different segments will reflect the Group's total sales of products and services to the relevant customer segments. Following the reorganisation announced in September 2016, the Group has changed its distribution of the profit from DNB Finans' operations between the three customer segments. As of 1 January 2017, profit from DNB Finans' operations in Sweden are divided between the personal customer segment, the small and medium-sized enterprises segment and the large corporates and international customers segment. Profit from DNB Finans' operations in Denmark are divided between the small and medium-sized enterprises segment and the large corporates and international customers segment. Previously, profits from these operations were included in the large corporates and international customers segment. The distribution of DNB Finans' profit from operations in Norway on the various segments has also been changed. Figures for 2016 have been adjusted correspondingly.

| | | |
|---|---|---|
| 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). Credit cards and consumer financing in Sweden are also included in this business area. |
| Small and medium-sized enterprises | - | is responsible for product sales and advisory services to small and medium-sized enterprises in Norway. Customers in this segment range from small businesses and start-up companies to relatively large corporate customers, and the product offerings are adapted to the customers' different needs. Small and medium-sized enterprises are served through the Group's physical distribution network throughout Norway as well as digital and telephone banking (24/7). Factoring, leasing and asset financing for small and medium-sized enterprises in Sweden and Denmark are also included in this business area. |
| Large corporates and international customers | - | includes large Norwegian and international corporate customers and all customers served by DNB's subsidiary banks in the Baltics and Poland. Operations are based on sound industry expertise and long-term customer relationships. |
| Trading | - | includes market making and other trading activities in fixed income, currencies and commodities (FICC) as well as equities, including risk management of the risk inherent in customer transactions. Markets' trading activities support the customer activities. |
| Traditional pension products | - | includes traditional defined-benefit pension products in DNB Livsforsikring and assets related to these products. DNB no longer offers such products to new customers. |

The income statement and balance sheet for the segments have been prepared on the basis of internal financial reporting for the functional organisation of the DNB Group into segments, as reported to group management (chief operating decision maker) for an assessment of current developments and the allocation of resources. Figures for segments are based on the group's accounting principles and DNB's management model. Allocation of costs and capital between segments involves a number of assumptions, estimates and discretionary distributions.

Capital allocated to the segments is calculated on the basis of the Group's common equity Tier 1 capital and long-term capitalisation ambition. There are special capital adequacy regulations for insurance operations, and in these companies, allocated capital corresponds to recorded equity. For other group operations, the allocation of capital to all units is based on the Group's adaptation to Basel III with capital requirement related to credit risk, market risk and operational risk. The allocation of capital for credit risk is based on the Group's internal measurement of risk-adjusted capital requirements for credit. Capital requirements for market risk are allocated directly in accordance with risk-weighted volume, and operational risk is allocated based on the respective units' total income.

# Note 2 Segments (continued)

## Income statement, first quarter

**DNB Group**

| | Personal customers | | Small and medium-sized enterprises | | Large corporates and international customers | | Trading | | Traditional pension products [1] | | Other operations/ eliminations [2] | | DNB Group | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1st quarter | | 1st quarter | | 1st quarter | | 1st quarter | | 1st quarter | | 1st quarter | | 1st quarter | |
| *Amounts in NOK million* | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| Net interest income | 3 114 | 3 290 | 2 035 | 1 937 | 3 100 | 3 382 | 20 | 6 | | | 251 | 98 | 8 521 | 8 713 |
| Net other operating income | 1 192 | 1 155 | 557 | 470 | 1 449 | 1 275 | 729 | 337 | 355 | 339 | (883) | 1 365 | 3 399 | 4 942 |
| Total income | 4 305 | 4 445 | 2 593 | 2 407 | 4 550 | 4 658 | 749 | 343 | 355 | 339 | (632) | 1 463 | 11 920 | 13 655 |
| Operating expenses | (2 103) | (2 494) | (1 164) | (1 014) | (1 907) | (1 869) | (129) | (131) | (95) | (129) | (43) | (74) | (5 441) | (5 711) |
| Pre-tax operating profit before impairment | 2 203 | 1 952 | 1 429 | 1 393 | 2 642 | 2 789 | 621 | 211 | 259 | 210 | (674) | 1 389 | 6 479 | 7 945 |
| Net gains on fixed and intangible assets | | 0 | (0) | 3 | 6 | 4 | | | | | 0 | (13) | 6 | (6) |
| Impairment of loans and guarantees [3] | 110 | 440 | 10 | (259) | (697) | (1 358) | | 0 | | | 15 | 3 | (562) | (1 174) |
| Profit from repossessed operations | | | (10) | (17) | (0) | 1 | | | | | 10 | 15 | | |
| Pre-tax operating profit | 2 313 | 2 392 | 1 429 | 1 121 | 1 951 | 1 436 | 621 | 211 | 259 | 210 | (650) | 1 394 | 5 923 | 6 764 |
| Tax expense | (578) | (598) | (357) | (280) | (546) | (388) | (143) | (53) | (30) | (7) | 292 | (204) | (1 362) | (1 529) |
| Profit from operations held for sale, after taxes | | (1) | | | (0) | 3 | | | | | (17) | (15) | (17) | (13) |
| Profit for the period | 1 735 | 1 793 | 1 072 | 841 | 1 405 | 1 052 | 478 | 159 | 229 | 204 | (375) | 1 175 | 4 544 | 5 222 |

*1) See the tables below for more information about Traditional pension products.*
*2) See the tables below for more information about Other operations/eliminations.*
*3) See note 9 Impairment of loans and guarantees for an analysis of the gross change in impairment for the Group.*

## Main average balance sheet items

**DNB Group**

| | Personal customers | | Small and medium-sized enterprises | | Large corporates and international customers | | Trading | | Traditional pension products | | Other operations/ eliminations | | DNB Group | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1st quarter | | 1st quarter | | 1st quarter | | 1st quarter | | 1st quarter | | 1st quarter | | 1st quarter | |
| *Amounts in NOK billion* | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| Loans to customers [1) 2)] | 708.3 | 675.1 | 268.5 | 252.7 | 497.0 | 543.6 | 31.6 | 32.7 | 38.6 | 28.8 | (29.6) | 6.3 | 1 514.4 | 1 539.2 |
| Deposits from customers [1) 2)] | 398.7 | 395.6 | 197.9 | 170.3 | 393.2 | 383.2 | 74.4 | 177.6 | | | (44.1) | (6.1) | 1 020.1 | 1 120.5 |
| Assets under management | 80.6 | 75.7 | 82.2 | 67.7 | 189.1 | 205.0 | | | 202.4 | 202.8 | 22.8 | 16.3 | 577.0 | 567.6 |
| Allocated capital [3] | 40.7 | 39.6 | 26.5 | 27.3 | 83.1 | 84.7 | 8.0 | 7.2 | 20.4 | 18.6 | | | | |

## Key figures

**DNB Group**

| | Personal customers | | Small and medium-sized enterprises | | Large corporates and international customers | | Trading | | Traditional pension products | | Other operations/ eliminations | | DNB Group | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1st quarter | | 1st quarter | | 1st quarter | | 1st quarter | | 1st quarter | | 1st quarter | | 1st quarter | |
| *Per cent* | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| Cost/income ratio [4] | 48.8 | 56.1 | 44.9 | 42.1 | 41.9 | 40.1 | 17.2 | 38.3 | 26.9 | 38.1 | | | 45.6 | 41.8 |
| Ratio of deposits to loans [2) 5)] | 56.3 | 58.6 | 73.7 | 67.4 | 79.1 | 70.5 | | | | | | | 67.4 | 72.8 |
| Return on allocated capital, annualised [3] | 17.3 | 18.2 | 16.4 | 12.4 | 6.9 | 5.0 | 24.4 | 8.9 | 4.6 | 4.4 | | | 9.1 | 11.2 |

*1) Loans to and deposits from customers in the Baltics are included under Large corporates and international customers in spite of being reclassified as assets and liabilities held for sale in August 2016. The reclassification is reflected under Other operations/eliminations. Reclassified loans amounted to NOK 47.7 billion and deposits to NOK 36.0 billion.*
*2) Loans to customers include accrued interest, impairment and value adjustments. Correspondingly, deposits from customers include accrued interest and value adjustments.*
*3) Allocated capital for the segments is calculated based on the external capital adequacy requirement (Basel III) which must be met by the Group. The capital allocated in 2017 corresponds to a common equity Tier 1 capital ratio of 18.0 per cent compared to 17.2 per cent in 2016. Recorded capital is used for the Group.*
*4) Total operating expenses relative to total income.*
*5) Deposits from customers relative to loans to customers. Calculated on the basis of average balance sheet items.*

## Note 2 Segments (continued)

### Traditional pension products

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

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

| *Amounts in NOK million* | 1st quarter 2017 | 1st quarter 2016 | Full year 2016 |
|---|---|---|---|
| Recorded interest result | 480 | 5 | 1 185 |
| Risk result | 78 | 61 | 448 |
| Administration result | 82 | 105 | 327 |
| Upfront pricing of risk and guaranteed rate of return | 38 | 83 | 288 |
| Provisions for higher life expentancy, group pension [1)] | (28) | (72) | (1 452) |
| Allocations to policyholders, products with guaranteed rates of return | (507) | (55) | (455) |
| Return on corporate portfolio | 118 | 82 | 439 |
| Pre-tax operating profit - Traditional pension products | 259 | 210 | 779 |

1) *Provisions for higher life expectancy, group pension:*

| *Amounts in NOK million* | *Accumulated balance 31 March 2017* |
|---|---|
| *Paid-up policies* | *9 256* |
| *Defined benefit* | *1 511* |
| *Total group pension [*)]* | *10 767* |

**) The total required increase in reserves for the portfolio as at 31 March 2017 was approximately NOK 11.3 billion.*

### Other operations/eliminations

Other operations/eliminations include IT and Operations, HR (Human Resources), Group Finance including Group Treasury, Risk Management, Corporate Communications, Vipps and Payments, 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* | 1st quarter 2017 | 1st quarter 2016 |
| Unallocated interest income | 45 | 46 |
| Income from equity investments | (12) | (48) |
| Mark-to-market adjustments on financial instruments | (30) | 320 |
| Basis swaps | (620) | 1 003 |
| Profit from associated companies | (45) | 87 |
| Net gains on investment properties | 16 | 6 |
| Profit from repossessed operations | 10 | 15 |
| Ownership-related expenses (costs relating to shareholders, investor relations, strategic planning etc.) | (88) | (115) |
| Unallocated personnel expenses | 24 | 9 |
| Unallocated IT and Operations expenses | 38 | 63 |
| Other | 12 | 7 |
| Pre-tax operating profit | (650) | 1 394 |

## Note 3 Capital adequacy

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

| **Primary capital** | **DNB Bank ASA** | | **DNB Bank Group** | | **DNB Group** | |
|---|---|---|---|---|---|---|
| *Amounts in NOK million* | 31 March 2017 | 31 Dec. 2016 | 31 March 2017 | 31 Dec. 2016 | 31 March 2017 | 31 Dec. 2016 1) |
| Total equity excluding profit for the period | 167 757 | 168 104 | 190 092 | 190 078 | 206 403 | 206 423 |
| Effect from regulatory consolidation | | | (181) | (181) | (5 795) | (5 795) |
| Additional Tier 1 capital instruments included in total equity | (15 574) | (15 574) | (15 574) | (15 574) | (15 574) | (15 574) |
| Net accrued interest on additional Tier 1 capital instruments | (15) | (284) | (15) | (284) | (15) | (284) |
| Common equity Tier 1 capital instruments | 152 167 | 152 246 | 174 321 | 174 039 | 185 019 | 184 770 |
| Deductions | | | | | | |
| Pension funds above pension commitments | (3) | | (3) | | (3) | |
| Goodwill | (2 892) | (2 900) | (2 947) | (2 951) | (4 652) | (4 656) |
| Deferred tax assets that are not due to temporary differences | (224) | (224) | (599) | (482) | (599) | (482) |
| Other intangible assets | (684) | (699) | (991) | (946) | (991) | (946) |
| Dividends payable etc. | | | (5 084) | (5 084) | (9 284) | (9 284) |
| Significant investments in financial sector entities | | | | | | |
| Expected losses exceeding actual losses, IRB portfolios | (71) | (6) | (121) | (153) | (121) | (153) |
| Value adjustments due to the requirements for prudent valuation (AVA) | (498) | (479) | (907) | (786) | (907) | (786) |
| Adjustments for unrealised losses/(gains) on debt recorded at fair value | 107 | 107 | (90) | (90) | (90) | (90) |
| Adjustments for unrealised losses/(gains) arising from the institution's own credit risk related to derivative liabilities (DVA) | (575) | (580) | (155) | (159) | (155) | (159) |
| Common equity Tier 1 capital | 147 327 | 147 467 | 163 424 | 163 389 | 168 217 | 168 214 |
| Common equity Tier 1 capital incl. 50 per cent of profit for the period | 149 106 | | 165 411 | | 170 176 | |
| Additional Tier 1 capital instruments | 15 574 | 17 471 | 15 574 | 17 471 | 15 574 | 17 471 |
| Non-eligible Tier 1 capital, DNB Group 2) | | | | | (18) | (176) |
| Tier 1 capital | 162 901 | 164 938 | 178 998 | 180 860 | 183 772 | 185 509 |
| Tier 1 capital incl. 50 per cent of profit for the period | 164 679 | | 180 985 | | 185 731 | |
| Perpetual subordinated loan capital | 5 624 | 5 602 | 5 624 | 5 602 | 5 624 | 5 602 |
| Term subordinated loan capital | 22 860 | 21 249 | 22 860 | 21 249 | 22 860 | 21 249 |
| Deduction of holdings of Tier 2 instruments in DNB Livsforsikring and DNB Forsikring | | | | | (5 750) | (5 750) |
| Non-eligible Tier 2 capital, DNB Group 2) | | | | | (1 516) | (1 440) |
| Tier 2 capital | 28 484 | 26 851 | 28 484 | 26 851 | 21 218 | 19 661 |
| Total eligible capital | 191 385 | 191 789 | 207 481 | 207 711 | 204 990 | 205 170 |
| Total eligible capital incl. 50 per cent of profit for the period | 193 163 | | 209 469 | | 206 949 | |
| Risk-weighted volume, transitional rules 3) | 784 738 | 773 244 | 1 051 578 | 1 040 888 | 1 077 792 | 1 051 498 |
| Minimum capital requirement, transitional rules | 62 779 | 61 860 | 84 126 | 83 271 | 86 223 | 84 120 |
| Common equity Tier 1 capital ratio, transitional rules (%) | 19.0 | 19.1 | 15.7 | 15.7 | 15.8 | 16.0 |
| Tier 1 capital ratio, transitional rules (%) | 21.0 | 21.3 | 17.2 | 17.4 | 17.2 | 17.6 |
| Capital ratio, transitional rules (%) | 24.6 | 24.8 | 19.9 | 20.0 | 19.2 | 19.5 |
| Common equity Tier 1 capital ratio, transitional rules, excluding 50 per cent of profit for the period (%) | 18.8 | | 15.5 | | 15.6 | |
| Tier 1 capital ratio, transitional rules, excluding 50 per cent of profit for the period (%) | 20.8 | | 17.0 | | 17.1 | |
| Capital ratio, transitional rules, excluding 50 per cent of profit for the period (%) | 24.4 | | 19.7 | | 19.0 | |

*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.*

*3) As from the first quarter of 2017, the risk weight of 250 per cent for significant investments in financial sector entities also applies to the calculation according to the transitional rules (Basel I).*

## Note 3 Capital adequacy (continued)

### Basel III

The majority of the credit portfolios are reported according to the IRB approach. However, one portfolio, banks and financial institutions (DNB Bank), is still subject to final IRB approval from Finanstilsynet.

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

| *Amounts in NOK million* | Nominal exposure 31 March 2017 | EAD [1] 31 March 2017 | Average risk weights in per cent 31 March 2017 | Risk-weighted volume 31 March 2017 | Capital requirement 31 March 2017 | Capital requirement 31 Dec. 2016 |
|---|---|---|---|---|---|---|
| IRB approach | | | | | | |
| Corporate | 1 043 503 | 846 689 | 49.1 | 416 135 | 33 291 | 32 619 |
| Specialised lending (SL) | 9 985 | 9 464 | 50.7 | 4 799 | 384 | 356 |
| Retail - mortgages | 714 231 | 714 231 | 22.0 | 157 380 | 12 590 | 12 465 |
| Retail - other exposures | 112 820 | 92 716 | 25.2 | 23 336 | 1 867 | 1 901 |
| Securitisation | 11 940 | 11 940 | 87.7 | 10 473 | 838 | 937 |
| Total credit risk, IRB approach | 1 892 479 | 1 675 040 | 36.5 | 612 122 | 48 970 | 48 279 |
| Standardised approach | | | | | | |
| Central government | 57 773 | 72 221 | 0.1 | 79 | 6 | 7 |
| Institutions | 157 678 | 102 409 | 26.6 | 27 271 | 2 182 | 1 989 |
| Corporate | 173 202 | 137 039 | 86.2 | 118 065 | 9 445 | 8 767 |
| Retail - mortgages | 53 233 | 50 639 | 45.4 | 22 986 | 1 839 | 1 805 |
| Retail - other exposures | 136 605 | 51 719 | 75.3 | 38 956 | 3 116 | 2 939 |
| Equity positions | 19 508 | 19 508 | 231.1 | 45 086 | 3 607 | 3 584 |
| Securitisation | 1 740 | 1 140 | 43.4 | 495 | 40 | 41 |
| Other assets | 13 629 | 13 629 | 66.5 | 9 061 | 725 | 848 |
| Total credit risk, standardised approach | 613 367 | 448 303 | 58.4 | 261 998 | 20 960 | 19 979 |
| Total credit risk | 2 505 846 | 2 123 343 | 41.2 | 874 121 | 69 930 | 68 258 |
| Market risk | | | | | | |
| Position risk, debt instruments | | | | 13 031 | 1 043 | 1 169 |
| Position risk, equity instruments | | | | 210 | 17 | 25 |
| Currency risk | | | | | | |
| Commodity risk | | | | 22 | 2 | 6 |
| Credit value adjustment risk (CVA) | | | | 6 307 | 505 | 490 |
| Total market risk | | | | 19 571 | 1 566 | 1 690 |
| Operational risk | | | | 84 304 | 6 744 | 6 670 |
| Net insurance, after eliminations | | | | | | |
| Total risk-weighted volume and capital requirements before transitional rules | | | | 977 995 | 78 240 | 76 618 |
| Additional capital requirements according to transitional rules [2] | | | | 99 797 | 7 984 | 7 502 |
| Total risk-weighted volume and capital requirements | | | | 1 077 792 | 86 223 | 84 120 |

*1) EAD, exposure at default.*

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

## Note 4 Liquidity risk

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

The Board of Directors has approved internal limits which restrict the short-term maturity of liabilities within different time frames. The various maturities are subject to stress testing based on a bank-specific crisis, a systemic crisis and a combination thereof, and a contingency plan has been established to handle market events. In addition, limits have been set for structural liquidity risk, which implies that lending to customers should largely be financed through customer deposits, subordinated capital and long-term funding. Ordinary senior bond debt and covered bonds are the major sources of long-term funding. For the purpose of liquidity management, the ratio of deposits to net loans is more relevant for the banking group than 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 67.8 per cent at end-March 2017, up from 61.5 per cent a year earlier. The ratio of deposits to net loans in DNB Bank ASA was 142.0 per cent at end-March 2017.

The short-term funding markets were generally sound in the first quarter of 2017. The uncertainty related to the effects of new regulations for US money market funds is now gone, and the market has largely adjusted. Overall, this has had no significant consequences for DNB. Prices declined somewhat in March, but are still higher than a few years ago. DNB had ample access to short-term funding throughout the quarter.

The activity level in the long-term funding markets was generally good during the first quarter. High-quality banks were more active, especially in the market for covered bonds, but the total volume issued was somewhat down compared with the year-earlier period. This was largely due to the final round of the ECB’s targeted longer-term refinancing operations, TLTRO, which to some degree reduced the need to issue secured bonds. The level of activity in the market for ordinary senior bonds continued to slow down, as several issuers have started to issue subordinated senior bonds that are MREL eligible (Minimum Requirement for own fund and Eligible Liabilities). In turn, this has increased the demand for Tier 2 bonds as such bonds are more attractive to investors than subordinated senior bonds. Prices of all new long-term funding declined further during the quarter.

The short-term liquidity requirement, Liquidity Coverage Ratio (LCR), remained stable at above 100 per cent throughout the quarter. At end-March, the total LCR was 135 per cent, with an LCR of 455 per cent for EUR, 137 per cent for USD and 82 per cent for NOK.

The average remaining term to maturity for the portfolio of senior bond debt and covered bonds was 4.0 years at end-March 2017, unchanged from a year earlier. The DNB Group aims to maintain a sound and stable maturity structure for funding over the next five years.

## Note 5 Net interest income

| | | | **DNB Group** |
|---|---|---|---|
| *Amounts in NOK million* | 1st quarter 2017 | 1st quarter 2016 | Full year 2016 |
| Interest on amounts due from credit institutions | 546 | 447 | 1 340 |
| Interest on loans to customers | 11 036 | 11 161 | 44 229 |
| Interest on impaired loans and guarantees | 267 | 145 | 911 |
| Interest on commercial paper and bonds | 1 182 | 1 127 | 4 626 |
| Front-end fees etc. | 74 | 73 | 294 |
| Other interest income | 117 | 342 | 1 024 |
| **Total interest income** | **13 223** | **13 295** | **52 424** |
| | | | |
| Interest on amounts due to credit institutions | (474) | (313) | (1 705) |
| Interest on deposits from customers | (1 787) | (1 676) | (6 645) |
| Interest on debt securities issued | (2 823) | (3 251) | (12 385) |
| Interest on subordinated loan capital | (135) | (137) | (532) |
| Guarantee fund levy [1)] | (175) | (193) | (768) |
| Other interest expenses [2)] | 692 | 988 | 3 720 |
| **Total interest expenses** | **(4 702)** | **(4 582)** | **(18 314)** |
| **Net interest income** | **8 521** | **8 713** | **34 110** |

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

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

## Note 6 Net commission and fee income

| Amounts in NOK million | 1st quarter 2017 | 1st quarter 2016 | Full year 2016 |
|---|---|---|---|
| | **DNB Group** | | |
| Money transfers | 960 | 940 | 3 725 |
| Asset management services | 307 | 337 | 1 267 |
| Custodial services | 86 | 76 | 315 |
| Securities broking | 212 | 135 | 616 |
| Corporate finance | 205 | 110 | 767 |
| Interbank fees | 4 | 5 | 23 |
| Credit broking | 136 | 126 | 491 |
| Sale of insurance products | 572 | 653 | 2 418 |
| Real estate broking | 269 | 245 | 1 121 |
| Other commissions and fees | 193 | 166 | 708 |
| **Total commission and fee income** | **2 944** | **2 794** | **11 452** |
| Money transfers | (508) | (426) | (1 795) |
| Asset management services | (31) | (65) | (104) |
| Custodial services | (53) | (36) | (172) |
| Securities broking | (43) | (53) | (177) |
| Corporate finance | (36) | (17) | (73) |
| Interbank fees | (11) | (13) | (57) |
| Credit broking | (4) | (8) | (26) |
| Sale of insurance products | (51) | (47) | (202) |
| Other commissions and fees | (134) | (138) | (567) |
| **Total commission and fee expenses** | **(871)** | **(803)** | **(3 172)** |
| **Net commission and fee income** | **2 073** | **1 991** | **8 280** |

## Note 7 Net gains on financial instruments at fair value

| Amounts in NOK million | 1st quarter 2017 | 1st quarter 2016 | Full year 2016 |
|---|---|---|---|
| | **DNB Group** | | |
| Dividends | (7) | 11 | 140 |
| Net gains on commercial paper and bonds | 130 | 847 | (1 810) |
| Net gains on shareholdings and equity-related derivatives | 34 | (109) | 356 |
| Net unrealised gains on basis swaps | (620) | 1 003 | (542) |
| Net gains on other financial instruments | 1 272 | 632 | 8 368 |
| **Net gains on financial instruments at fair value** | **808** | **2 384** | **6 513** |

## Note 8 Operating expenses

| *Amounts in NOK million* | 1st quarter 2017 | 1st quarter 2016 | Full year 2016 |
|---|---|---|---|
| | | | **DNB Group** |
| Salaries | (2 020) | (2 082) | (8 190) |
| Employer's national insurance contributions | (402) | (322) | (1 301) |
| Pension expenses | (315) | (320) | (1 035) |
| Restructuring expenses | (158) | (393) | (720) |
| Other personnel expenses | (162) | (160) | (658) |
| **Total salaries and other personnel expenses** | **(3 056)** | **(3 277)** | **(11 904)** |
| Fees [1)] | (414) | (314) | (1 631) |
| IT expenses [1)] | (568) | (561) | (2 107) |
| Postage and telecommunications | (56) | (63) | (238) |
| Office supplies | (18) | (19) | (76) |
| Marketing and public relations | (179) | (180) | (815) |
| Travel expenses | (50) | (49) | (237) |
| Reimbursement to Norway Post for transactions executed | (49) | (51) | (198) |
| Training expenses | (18) | (18) | (62) |
| Operating expenses on properties and premises | (308) | (309) | (1 191) |
| Operating expenses on machinery, vehicles and office equipment | (18) | (22) | (93) |
| Other operating expenses | (196) | (180) | (604) |
| **Total other expenses** | **(1 874)** | **(1 765)** | **(7 251)** |
| Depreciation and impairment of fixed and intangible assets | (510) | (668) | (2 177) |
| **Total depreciation and impairment of fixed and intangible assets** | **(510)** | **(668)** | **(2 177)** |
| **Total operating expenses** | **(5 441)** | **(5 711)** | **(21 333)** |

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

## Note 9 Impairment of loans and guarantees

| Amounts in NOK million | 1st quarter 2017 | 1st quarter 2016 | Full year 2016 |
|---|---|---|---|
| | | | **DNB Group** |
| Write-offs | (120) | (163) | (1 359) |
| New/increased individual impairment | (1 386) | (1 393) | (5 910) |
| Total new/increased individual impairment | (1 506) | (1 556) | (7 269) |
| Reassessed individual impairment previous years | 991 | 381 | 990 |
| Recoveries on loans and guarantees previously written off | 50 | 646 | 999 |
| Net individual impairment | (464) | (528) | (5 280) |
| Change in collective impairment of loans | (98) | (646) | (2 144) |
| **Impairment of loans and guarantees [1)]** | **(562)** | **(1 174)** | **(7 424)** |
| Write-offs covered by individual impairment made in previous years | 603 | 634 | 2 803 |
| *1) Of which individual impairment of guarantees* | *209* | *(2)* | *(344)* |

## Note 10 Loans to customers

| Amounts in NOK million | 31 March 2017 | 31 Dec. 2016 | 31 March 2016 |
|---|---|---|---|
| | | | **DNB Group** |
| **Loans at amortised cost** | | | |
| Loans to customers, nominal amount | 1 407 150 | 1 384 022 | 1 401 748 |
| Individual impairment | (8 650) | (8 566) | (8 701) |
| Loans to customers, after individual impairment | 1 398 500 | 1 375 456 | 1 393 047 |
| Accrued interest and amortisation | 1 888 | 1 877 | 2 376 |
| Individual impairment of accrued interest and amortisation | (502) | (494) | (626) |
| Collective impairment | (4 596) | (4 488) | (3 100) |
| Loans to customers, at amortised cost | 1 395 291 | 1 372 351 | 1 391 697 |
| **Loans at fair value** | | | |
| Loans to customers, nominal amount | 134 274 | 135 370 | 140 713 |
| Accrued interest | 180 | 193 | 196 |
| Adjustment to fair value | 1 351 | 1 164 | 2 296 |
| Loans to customers, at fair value | 135 805 | 136 727 | 143 205 |
| **Loans to customers [*) 1)]** | **1 531 096** | **1 509 078** | **1 534 902** |
| **) Of which repo trading volumes* | *32 693* | *29 466* | *34 811* |

*1) Loans to customers in the Baltics were reclassified as assets held for sale in August 2016 and amounted to NOK 45 921 million at end-March 2017.*

## Note 11 Net impaired loans and guarantees for principal customer groups

| | | | DNB Group |
|---|---|---|---|
| *Amounts in NOK million* | 31 March 2017 | 31 Dec. 2016 | 31 March 2016 |
| Private individuals | 2 437 | 2 290 | 2 572 |
| Transportation by sea and pipelines and vessel construction | 2 488 | 2 748 | 1 998 |
| Real estate | 1 746 | 1 826 | 2 291 |
| Manufacturing | 2 667 | 3 986 | 1 518 |
| Services | 997 | 797 | 767 |
| Trade | 417 | 790 | 441 |
| Oil and gas | 3 316 | 3 625 | |
| Transportation and communication | 3 552 | 3 905 | 1 334 |
| Building and construction | 694 | 749 | 629 |
| Power and water supply | 498 | 386 | 31 |
| Seafood | 44 | 44 | 13 |
| Hotels and restaurants | 53 | 61 | 99 |
| Agriculture and forestry | 109 | 107 | 86 |
| Central and local government | 0 | 0 | 6 |
| Other sectors | 18 | 19 | 22 |
| Total customers | 19 035 | 21 331 | 11 805 |
| Credit institutions | | | |
| Total net impaired loans and guarantees | 19 035 | 21 331 | 11 805 |
| Non-performing loans and guarantees not subject to impairment | 4 043 | 4 322 | 3 123 |
| Total net non-performing and doubtful loans and guarantees | 23 078 | 25 654 | 14 928 |

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 2 004 million at end-March 2017.

## Note 12 Fair value of financial instruments at amortised cost

| | | | | DNB Group |
|---|---|---|---|---|
| | 31 March 2017 | | 31 March 2016 | |
| *Amounts in NOK million* | Carrying amount | Fair value | Carrying amount | Fair value |
| Cash and deposits with central banks | 8 079 | 8 079 | 5 293 | 5 293 |
| Due from credit institutions | 17 450 | 17 450 | 18 347 | 18 347 |
| Loans to customers | 1 395 291 | 1 398 484 | 1 391 697 | 1 384 914 |
| Commercial paper and bonds, held to maturity | 92 433 | 100 987 | 100 516 | 111 414 |
| Total financial assets | 1 513 253 | 1 525 000 | 1 515 854 | 1 519 968 |
| Due to credit institutions | 46 485 | 46 485 | 27 709 | 27 709 |
| Deposits from customers | 948 482 | 948 482 | 879 607 | 879 607 |
| Securities issued [1)] | 537 855 | 545 944 | 529 737 | 534 110 |
| Subordinated loan capital [1)] | 25 935 | 25 644 | 28 598 | 28 581 |
| Total financial liabilities | 1 558 758 | 1 566 555 | 1 465 651 | 1 470 008 |

*1) Includes hedged liabilities.*

## Note 13 Financial instruments at fair value

| Amounts in NOK million | Valuation based on quoted prices in an active market Level 1 | Valuation based on observable market data Level 2 | Valuation based on other than observable market data Level 3 | DNB Group Total |
|---|---|---|---|---|
| **Assets as at 31 March 2017** | | | | |
| Deposits with central banks | | 360 439 | | 360 439 |
| Due from credit institutions | | 183 399 | | 183 399 |
| Loans to customers | | 47 427 | 88 377 | 135 805 |
| Commercial paper and bonds at fair value | 62 548 | 236 079 | 321 | 298 948 |
| Shareholdings | 6 708 | 16 790 | 5 038 | 28 535 |
| Financial assets, customers bearing the risk | | 64 688 | | 64 688 |
| Financial derivatives | 0 | 140 202 | 1 247 | 141 449 |
| **Liabilities as at 31 March 2017** | | | | |
| Due to credit institutions | | 226 525 | | 226 525 |
| Deposits from customers | | 68 414 | | 68 414 |
| Debt securities issued | | 294 666 | | 294 666 |
| Subordinated loan capital | | 2 860 | | 2 860 |
| Financial derivatives | 0 | 110 695 | 1 002 | 111 697 |
| Other financial liabilities [1)] | 3 914 | 739 | | 4 653 |

| Amounts in NOK million | Valuation based on quoted prices in an active market Level 1 | Valuation based on observable market data Level 2 | Valuation based on other than observable market data Level 3 | DNB Group Total |
|---|---|---|---|---|
| **Assets as at 31 March 2016** | | | | |
| Deposits with central banks | | 161 294 | | 161 294 |
| Due from credit institutions | | 161 717 | | 161 717 |
| Loans to customers | | 40 506 | 102 699 | 143 205 |
| Commercial paper and bonds at fair value | 45 803 | 239 775 | 694 | 286 273 |
| Shareholdings | 6 524 | 15 138 | 5 915 | 27 578 |
| Financial assets, customers bearing the risk | | 50 967 | | 50 967 |
| Financial derivatives | 0 | 214 124 | 1 618 | 215 743 |
| **Liabilities as at 31 March 2016** | | | | |
| Due to credit institutions | | 133 069 | | 133 069 |
| Deposits from customers | | 47 952 | | 47 952 |
| Debt securities issued | | 300 260 | | 300 260 |
| Subordinated loan capital | | 1 228 | | 1 228 |
| Financial derivatives | 0 | 172 111 | 1 286 | 173 398 |
| Other financial liabilities [1)] | 1 329 | | | 1 329 |

*1) Short positions, trading activities.*

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

## Note 13 Financial instruments at fair value (continued)

### Financial instruments at fair value, level 3

**DNB Group**

| Amounts in NOK million | Financial assets | | | | Financial liabilities |
|---|---|---|---|---|---|
| | Loans to customers | Commercial paper and bonds | Share-holdings | Financial derivatives | Financial derivatives |
| **Carrying amount as at 31 December 2016** | **93 753** | **375** | **5 122** | **1 319** | **1 062** |
| Net gains recognised in the income statement | 155 | (32) | 84 | (76) | (81) |
| Additions/purchases | 2 554 | 6 | 40 | 137 | 135 |
| Sales | | (90) | (208) | | |
| Settled | (8 111) | 0 | | (132) | (119) |
| Transferred from level 1 or level 2 | | 65 | | | |
| Transferred to level 1 or level 2 | | (5) | | | |
| Other | 26 | 2 | | (1) | 5 |
| **Carrying amount as at 31 March 2017** | **88 377** | **321** | **5 038** | **1 247** | **1 002** |

### Breakdown of fair value, level 3

**DNB Group**

| Amounts in NOK million | 31 March 2017 | | |
|---|---|---|---|
| | Loans to customers | Commercial paper and bonds | Share-holdings |
| Principal amount/purchase price | 86 860 | 351 | 4 247 |
| Fair value adjustment [1)] | 1 349 | (30) | 791 |
| Accrued interest | 168 | | |
| Carrying amount | 88 377 | 321 | 5 038 |

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

### Breakdown of shareholdings, level 3

**DNB Group**

| Amounts in NOK million | Property funds | Hedge-funds | Unquoted equities | Private Equity (PE) funds | Other | Total |
|---|---|---|---|---|---|---|
| Carrying amount as at 31 March 2017 | 412 | 871 | 1 003 | 2 726 | 25 | 5 038 |

### Sensitivity analysis, level 3

**DNB Group**

| Amounts in NOK million | Carrying amount 31 March 2017 | Effect of reasonably possible alternative assumptions |
|---|---|---|
| Loans to customers | 88 377 | (203) |
| Commercial paper and bonds | 321 | (1) |
| Shareholdings | 5 038 | |
| Financial derivatives, net | 245 | |

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 4 056 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 14 Commercial paper and bonds, held to maturity

| Amounts in NOK million | 31 March 2017 | 31 Dec. 2016 | 31 March 2016 |
|---|---|---|---|
| | | | **DNB Group** |
| International bond portfolio | 11 940 | 12 760 | 16 728 |
| DNB Livsforsikring AS | 81 932 | 82 664 | 85 244 |
| Other units [1] | (1 439) | (1 416) | (1 456) |
| **Commercial paper and bonds, held to maturity** | **92 433** | **94 008** | **100 516** |

*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 March 2017 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 9.9 billion at end-March 2017. The average term to maturity of the portfolio was 4.9 years, and the change in value resulting from a credit spread adjustment of one basis point was NOK 4.9 million at end-March 2017.

### Effects on profits of the reclassification

| Amounts in NOK million | 1st quarter 2017 | 1st quarter 2016 | Full year 2016 |
|---|---|---|---|
| | | | **DNB Group** |
| Recorded amortisation effect | 33 | 16 | 84 |
| Net gain, if valued at fair value | 81 | 9 | 448 |
| Effects of reclassification on profits | (48) | 7 | (364) |

### Effects on the balance sheet of the reclassification

| Amounts in NOK million | 31 March 2017 | 31 Dec. 2016 | 31 March 2016 |
|---|---|---|---|
| | | | **DNB Group** |
| Recorded unrealised losses | 285 | 318 | 386 |
| Unrealised losses, if valued at fair value | 584 | 665 | 1 104 |
| Effects of reclassification on the balance sheet | 299 | 347 | 718 |

### Development in the portfolio after the reclassification

| Amounts in NOK million | 31 March 2017 | 31 Dec. 2016 | 31 March 2016 |
|---|---|---|---|
| | | | **DNB Group** |
| Reclassified portfolio, carrying amount | 9 877 | 10 414 | 14 445 |
| Reclassified portfolio, if valued at fair value | 9 577 | 10 067 | 13 727 |
| Effects of reclassification on the balance sheet | 299 | 347 | 718 |

## Note 15 Investment properties

| Amounts in NOK million | 31 March 2017 | 31 Dec. 2016 | 31 March 2016 |
|---|---|---|---|
| | | | **DNB Group** |
| DNB Livsforsikring | 15 674 | 15 565 | 14 087 |
| Properties for own use | (827) | (827) | (794) |
| Other investment properties [1)] | 1 119 | 1 175 | 2 122 |
| **Total investment properties** | **15 967** | **15 912** | **15 416** |

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

### Fair value

Investment properties in DNB Livsforsikring are part of the common portfolio and are owned with the intention to achieve long-term returns for policyholders. The property portfolio is recorded at fair value on the balance sheet date. Fair value is defined as the price that would be received to sell an asset in an orderly transaction between market participants ("exit price").The Norwegian properties are valued by using an internal valuation model. As a supplement, external appraisals are obtained for a representative selection of properties in the portfolio at regular intervals throughout the year. During the first quarter of 2017, external appraisals were obtained for a total of 11 properties, representing 40 per cent of portfolio value. The purpose of the external appraisals is to benchmark the internal valuations against independent references. Internal calculations and the values recorded in the balance sheet are 3.9 per cent lower than average external appraisals. The Swedish properties in the portfolio and partially owned properties are valued based on external appraisals.

### Internal valuation model

In the internal model, fair value is calculated as the present value of future cash flows during and after the contract period. The required rate of return stipulated in the model reflects market risk. A required rate of return of 7.6 per cent has principally been used.

### Value development and sensitivity

The value of investment properties in DNB Livsforsikring was adjusted upwards by NOK 255 million during the first quarter of 2017.

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 4.9 per cent or NOK 620 million. Correspondingly, a 5 per cent change in future market rents will change the value of the property portfolio by 1.2 per cent or NOK 154 million.

### Changes in the value of investment properties

| Amounts in NOK million | DNB Group Investment property |
|---|---|
| **Carrying amount as at 31 December 2015** | **16 734** |
| Additions, purchases of new properties | 12 |
| Additions, capitalised investments | 20 |
| Additions, acquired companies | 31 |
| Net gains | 20 |
| Disposals | (1 288) |
| Exchange rate movements | (114) |
| **Recorded value as at 31 March 2016** | **15 416** |
| | |
| **Carrying amount as at 31 December 2016** | **15 912** |
| Additions, purchases of new properties | |
| Additions, capitalised investments | 27 |
| Additions, acquired companies | |
| Net gains [1)] | 250 |
| Disposals | (282) |
| Exchange rate movements | 60 |
| **Carrying amount as at 31 March 2017** | **15 967** |

1) *Of which NOK 16 million represented a net gain on investment properties which are not owned by DNB Livsforsikring.*

## Note 16 Assets and liabilities held for sale

On 25 August 2016 DNB and Nordea announced an agreement to combine their operations in Estonia, Latvia and Lithuania. The transaction is conditional upon regulatory approvals, and is expected to close during the fourth quarter of 2017. Nordea and DNB will have equal voting rights in the combined bank Luminor, 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-March 2017 all assets and related liabilities were presented as held for sale, while there were no changes in the presentation in the income statement. The capital adequacy reporting was not affected. No impairment loss has been recognised in the income statement following the reclassification. The subsidiaries are part of DNB's Large corporates and international customers segment. Following the completion of the transaction, DNB's ownership will be consolidated on one line in the financial statement according to the equity method.

The table below shows consolidated balance sheet amounts reclassified as assets and liabilities held for sale.

| *Amounts in NOK million* | **DNB Baltics**<br>31 March 2017 |
|---|---|
| **Assets** | |
| Cash and deposits with central banks | 3 873 |
| Due from credit institutions | 225 |
| Loans to customers | 45 921 |
| Commercial paper and bonds at fair value | 1 497 |
| Shareholdings | 50 |
| Financial derivatives | 62 |
| Investment properties | 649 |
| Intangible assets | 72 |
| Deferred tax assets | 117 |
| Fixed assets | 395 |
| Other assets | 279 |
| **Total assets** | **53 140** |
| **Liabilities** | |
| Due to credit institutions | 3 927 |
| Deposits from customers | 36 911 |
| Financial derivatives | 323 |
| Payable taxes | 21 |
| Other liabilities | 435 |
| Provisions | 4 |
| **Total liabilities** | **41 621** |

## Note 17 Debt securities issued and subordinated loan capital

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

### Debt securities issued

DNB Group

| *Amounts in NOK million* | Balance sheet 31 March 2017 | Issued 2017 | Matured/ redeemed 2017 | Exchange rate movements 2017 | Other adjustments 2017 | Balance sheet 31 Dec. 2016 |
|---|---|---|---|---|---|---|
| Commercial paper issued, nominal amount | 205 989 | 1 987 335 | (1 936 987) | 2 225 | | 153 415 |
| Bond debt, nominal amount [1)] | 597 997 | 39 368 | (26 175) | 5 183 | | 579 622 |
| Adjustments | 28 534 | | | | (4 297) | 32 832 |
| **Total debt securities issued** | **832 521** | **2 026 703** | **(1 963 162)** | **7 409** | **(4 297)** | **765 869** |

### Debt securities issued

DNB Group

| *Amounts in NOK million* | Balance sheet 31 March 2016 | Issued 2016 | Matured/ redeemed 2016 | Exchange rate movements 2016 | Other adjustments 2016 | Balance sheet 31 Dec. 2015 |
|---|---|---|---|---|---|---|
| Commercial paper issued, nominal amount | 206 309 | 871 636 | (814 605) | (10 710) | | 159 988 |
| Bond debt, nominal amount [1)] | 583 443 | 34 453 | (45 693) | (11 496) | | 606 179 |
| Adjustments | 40 246 | | | | 1 484 | 38 761 |
| **Total debt securities issued** | **829 997** | **906 088** | **(860 298)** | **(22 205)** | **1 484** | **804 928** |

### Subordinated loan capital and perpetual subordinated loan capital securities

DNB Group

| *Amounts in NOK million* | Balance sheet 31 March 2017 | Issued 2017 | Matured/ redeemed 2017 | Exchange rate movements 2017 | Other adjustments 2017 | Balance sheet 31 Dec. 2016 |
|---|---|---|---|---|---|---|
| Term subordinated loan capital, nominal amount | 22 860 | 10 106 | (6 812) | 151 | | 19 415 |
| Perpetual subordinated loan capital, nominal amount | 5 624 | | | 22 | | 5 602 |
| Perpetual subordinated loan capital securities, nominal amount | | | (3 732) | | | 3 732 |
| Adjustments | 311 | | | | (288) | 599 |
| **Total subordinated loan capital and perpetual subordinated loan capital securities** | **28 795** | **10 106** | **(10 544)** | **174** | **(288)** | **29 347** |

### Subordinated loan capital and perpetual subordinated loan capital securities

DNB Group

| *Amounts in NOK million* | Balance sheet 31 March 2016 | Issued 2016 | Matured/ redeemed 2016 | Exchange rate movements 2016 | Other adjustments 2016 | Balance sheet 31 Dec. 2015 |
|---|---|---|---|---|---|---|
| Term subordinated loan capital, nominal amount | 19 502 | | | (336) | | 19 838 |
| Perpetual subordinated loan capital, nominal amount | 5 415 | | | (286) | | 5 702 |
| Perpetual subordinated loan capital securities, nominal amount | 4 163 | | | (398) | | 4 561 |
| Adjustments | 746 | | | | (107) | 853 |
| **Total subordinated loan capital and perpetual subordinated loan capital securities** | **29 826** | | | **(1 020)** | **(107)** | **30 953** |

1) *Minus own bonds. The total nominal amount of outstanding covered bonds in DNB Boligkreditt was NOK 444.9 billion as at 31 March 2017. The market value of the cover pool represented NOK 607.1 billion.*

# Note 18 Off-balance sheet transactions and contingencies

## Off-balance sheet transactions and additional information

| *Amounts in NOK million* | 31 March 2017 | 31 Dec. 2016 | 31 March 2016 |
|---|---|---|---|
| | | | DNB Group |
| Performance guarantees | 29 634 | 30 824 | 31 844 |
| Payment guarantees | 34 527 | 34 411 | 32 226 |
| Loan guarantees | 17 896 | 17 898 | 15 816 |
| Guarantees for taxes etc. | 6 096 | 6 557 | 6 978 |
| Other guarantee commitments | 2 557 | 2 713 | 2 982 |
| Total guarantee commitments | 90 710 | 92 403 | 89 845 |
| Support agreements | 5 807 | 6 106 | 11 494 |
| Total guarantee commitments etc. *) | 96 517 | 98 509 | 101 339 |
| Unutilised credit lines and loan offers | 634 764 | 606 055 | 561 838 |
| Documentary credit commitments | 4 547 | 3 948 | 3 977 |
| Other commitments | 1 349 | 1 397 | 1 028 |
| Total commitments | 640 661 | 611 399 | 566 843 |
| Total guarantee and off-balance commitments | 737 178 | 709 908 | 668 182 |
| Pledged securities | | | |
| **) Of which counter-guaranteed by financial institutions* | *312* | *326* | *294* |

## 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.

# DNB ASA

## Income statement

| Amounts in NOK million | 1st quarter 2017 | 1st quarter 2016 | Full year 2016 |
|---|---|---|---|
| Total interest income | 10 | 10 | 43 |
| Total interest expenses | (95) | (63) | (312) |
| **Net interest income** | **(84)** | **(53)** | **(268)** |
| Commissions and fees payable | (2) | (2) | (7) |
| Other income [1)] | | | 11 213 |
| **Net other operating income** | **(2)** | **(2)** | **11 205** |
| **Total income** | **(87)** | **(55)** | **10 937** |
| Salaries and other personnel expenses | (1) | (1) | (4) |
| Other expenses | (87) | (114) | (461) |
| **Total operating expenses** | **(88)** | **(115)** | **(465)** |
| **Pre-tax operating profit** | **(174)** | **(170)** | **10 472** |
| Tax expense | 44 | 42 | 0 |
| **Profit for the period** | **(131)** | **(127)** | **10 472** |
| Earnings/diluted earnings per share (NOK) | (0.08) | (0.08) | 6.43 |
| Earnings per share excluding operations held for sale (NOK) | (0.08) | (0.08) | 6.43 |

DNB ASA

## Balance sheet

| Amounts in NOK million | 31 March 2017 | 31 Dec. 2016 | 31 March 2016 |
|---|---|---|---|
| **Assets** | | | |
| Due from DNB Bank ASA | 6 737 | 6 824 | 6 087 |
| Investments in group companies | 74 270 | 74 270 | 68 980 |
| Receivables due from group companies [1)] | 11 013 | 11 013 | 8 369 |
| **Total assets** | **92 019** | **92 107** | **83 437** |
| **Liabilities and equity** | | | |
| Short-term amounts due to DNB Bank ASA | 9 | 8 | 6 |
| Due to other group companies | 5 290 | 5 290 | 1 500 |
| Other liabilities and provisions | 9 241 | 9 285 | 8 698 |
| Long-term amounts due to DNB Bank ASA | 16 429 | 16 342 | 13 366 |
| **Total liabilities** | **30 968** | **30 925** | **23 570** |
| Share capital | 16 288 | 16 288 | 16 288 |
| Share premium | 22 556 | 22 556 | 22 556 |
| Other equity | 22 206 | 22 337 | 21 022 |
| **Total equity** | **61 051** | **61 181** | **59 866** |
| **Total liabilities and equity** | **92 019** | **92 107** | **83 437** |

DNB ASA

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

## Statement of changes in equity

| Amounts in NOK million | Share capital | Share premium | Other equity | Total equity |
|---|---|---|---|---|
| **Balance sheet as at 31 December 2015** | **16 288** | **22 556** | **21 149** | **59 994** |
| Profit for the period | | | (127) | (127) |
| **Balance sheet as at 31 March 2016** | **16 288** | **22 556** | **21 022** | **59 866** |
| | | | | |
| **Balance sheet as at 31 December 2016** | **16 288** | **22 556** | **22 337** | **61 181** |
| Profit for the period | | | (131) | (131) |
| **Balance sheet as at 31 March 2017** | **16 288** | **22 556** | **22 206** | **61 051** |

DNB ASA

### Basis for preparation

DNB ASA has prepared the financial statements according to the Norwegian Ministry of Finance's regulations on annual accounts, Section 1-6, on the use of IFRS. A description of the accounting principles applied by the company when preparing the financial statements appear in note 1 Accounting principles in the annual report for 2016.

# Profit and balance sheet trends

## Income statement

DNB Group

| *Amounts in NOK million* | 1st quarter 2017 | 4th quarter 2016 | 3rd quarter 2016 | 2nd quarter 2016 | 1st quarter 2016 |
|---|---|---|---|---|---|
| Total interest income | 13 223 | 13 273 | 12 976 | 12 880 | 13 295 |
| Total interest expenses | (4 702) | (4 901) | (4 495) | (4 336) | (4 582) |
| **Net interest income** | **8 521** | **8 372** | **8 481** | **8 544** | **8 713** |
| Commission and fee income | 2 944 | 2 814 | 2 851 | 2 992 | 2 794 |
| Commission and fee expenses | (871) | (678) | (835) | (856) | (803) |
| Net gains on financial instruments at fair value | 808 | 1 689 | 1 411 | 1 029 | 2 384 |
| Net financial result, DNB Livsforsikring | 117 | (57) | 45 | (68) | 9 |
| Net risk result, DNB Livsforsikring | 123 | 290 | 109 | 234 | 103 |
| Net insurance result, DNB Forsikring | 155 | 181 | 148 | 204 | 115 |
| Profit from investments accounted for by the equity method | (45) | (45) | (0) | 1 148 | 86 |
| Net gains on investment properties | 14 | (7) | (5) | (18) | (5) |
| Other income | 154 | 44 | 205 | 287 | 259 |
| **Net other operating income** | **3 399** | **4 230** | **3 929** | **4 952** | **4 942** |
| **Total income** | **11 920** | **12 602** | **12 409** | **13 496** | **13 655** |
| Salaries and other personnel expenses | (3 056) | (2 842) | (2 874) | (2 911) | (3 277) |
| Other expenses | (1 874) | (1 828) | (1 694) | (1 965) | (1 765) |
| Depreciation and impairment of fixed and intangible assets | (510) | (524) | (475) | (510) | (668) |
| **Total operating expenses** | **(5 441)** | **(5 194)** | **(5 043)** | **(5 385)** | **(5 711)** |
| **Pre-tax operating profit before impairment** | **6 479** | **7 409** | **7 366** | **8 111** | **7 945** |
| Net gains on fixed and intangible assets | 6 | (12) | 20 | (20) | (6) |
| Impairment of loans and guarantees | (562) | (1 753) | (2 176) | (2 321) | (1 174) |
| **Pre-tax operating profit** | **5 923** | **5 644** | **5 209** | **5 770** | **6 764** |
| Tax expense | (1 362) | (290) | (1 130) | (1 190) | (1 529) |
| Profit from operations held for sale, after taxes | (17) | 26 | 1 | (10) | (13) |
| **Profit for the period** | **4 544** | **5 380** | **4 080** | **4 569** | **5 222** |
| | | | | | |
| Portion attributable to shareholders | 4 304 | 5 143 | 3 952 | 4 454 | 5 107 |
| Portion attributable to additional Tier 1 capital holders | 240 | 238 | 128 | 115 | 115 |
| **Profit for the period** | **4 544** | **5 380** | **4 080** | **4 569** | **5 222** |
| | | | | | |
| Earnings/diluted earnings per share (NOK) | 2.64 | 3.16 | 2.43 | 2.74 | 3.14 |

## Comprehensive income statement

DNB Group

| *Amounts in NOK million* | 1st quarter 2017 | 4th quarter 2016 | 3rd quarter 2016 | 2nd quarter 2016 | 1st quarter 2016 |
|---|---|---|---|---|---|
| **Profit for the period** | **4 544** | **5 380** | **4 080** | **4 569** | **5 222** |
| Actuarial gains and losses | | (23) | (122) | | (39) |
| Property revaluation | 22 | 37 | 7 | 1 | 2 |
| Items allocated to customers (life insurance) | (22) | (37) | (7) | (1) | (2) |
| Items that will not be reclassified to the income statement | | (23) | (122) | | (39) |
| Currency translation of foreign operations [1] | 531 | 3 562 | (4 321) | (1 340) | (4 376) |
| Currency translation reserve reclassified to the income statement | | | | (43) | |
| Hedging of net investment [2] | (252) | (2 415) | 2 950 | 843 | 2 968 |
| Investments according to the equity method [3] | 87 | 4 | 4 | | (33) |
| Investments according to the equity method, reclassified to the income statement [3] | | | | (855) | |
| Items that may subsequently be reclassified to the income statement | 366 | 1 151 | (1 367) | (1 395) | (1 442) |
| **Other comprehensive income for the period (net of tax)** | **366** | **1 128** | **(1 489)** | **(1 395)** | **(1 480)** |
| **Comprehensive income for the period** | **4 910** | **6 509** | **2 591** | **3 173** | **3 742** |

1) *Currency translation effects related to the Baltics represented a loss of NOK 120 million in the first quarter of 2017.*
2) *Hedging of net investments in the Baltics represented a gain of NOK 106 million in the first quarter of 2017, net of tax.*
3) *DNB had indirect ownership interests in Visa Europe through its membership in Visa Norge. In connection with the valuation of the holdings in Visa Europe as at 31 March 2016 an accumulated gain of NOK 855 million was recognised in other comprehensive income. Upon the completion of the acquisition of Visa Europe by Visa Inc in the second quarter of 2016, this amount was reclassified to profit and a total gain of NOK 1 128 million was recognised as "Profit from investments accounted for by the equity method" in the income statement.*

## Profit and balance sheet trends (continued)

### Balance sheet

**DNB Group**

| *Amounts in NOK million* | 31 March 2017 | 31 Dec. 2016 | 30 Sept. 2016 | 30 June 2016 | 31 March 2016 |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Cash and deposits with central banks | 368 518 | 208 263 | 175 212 | 154 438 | 166 587 |
| Due from credit institutions | 200 848 | 176 442 | 192 931 | 214 902 | 180 065 |
| Loans to customers | 1 531 096 | 1 509 078 | 1 484 756 | 1 542 285 | 1 534 902 |
| Commercial paper and bonds at fair value | 298 948 | 296 642 | 302 291 | 300 706 | 286 273 |
| Shareholdings | 28 535 | 22 512 | 21 205 | 25 626 | 27 578 |
| Financial assets, customers bearing the risk | 64 688 | 60 220 | 56 417 | 52 893 | 50 967 |
| Financial derivatives | 141 449 | 157 940 | 187 023 | 198 953 | 215 743 |
| Commercial paper and bonds, held to maturity | 92 433 | 94 008 | 95 963 | 99 489 | 100 516 |
| Investment properties | 15 967 | 15 912 | 15 493 | 16 419 | 15 416 |
| Investments accounted for by the equity method | 7 926 | 7 768 | 7 901 | 7 869 | 9 715 |
| Intangible assets | 5 767 | 5 814 | 5 759 | 5 903 | 5 963 |
| Deferred tax assets | 1 406 | 1 404 | 943 | 1 061 | 1 100 |
| Fixed assets | 8 125 | 7 949 | 7 898 | 8 565 | 8 717 |
| Assets held for sale | 53 365 | 52 541 | 52 482 | 180 | 204 |
| Other assets | 51 375 | 36 709 | 45 210 | 35 867 | 35 338 |
| **Total assets** | **2 870 447** | **2 653 201** | **2 651 484** | **2 665 157** | **2 639 081** |
| **Liabilities and equity** | | | | | |
| Due to credit institutions | 273 010 | 212 882 | 192 979 | 189 824 | 160 778 |
| Deposits from customers | 1 016 896 | 934 897 | 917 952 | 961 138 | 927 559 |
| Financial derivatives | 111 697 | 130 161 | 155 491 | 156 121 | 173 398 |
| Debt securities issued | 832 521 | 765 869 | 784 953 | 811 523 | 829 997 |
| Insurance liabilities, customers bearing the risk | 64 688 | 60 220 | 56 417 | 52 893 | 50 967 |
| Liabilities to life insurance policyholders in DNB Livsforsikring | 209 354 | 208 160 | 210 425 | 210 027 | 210 230 |
| Insurance liabilities, DNB Forsikring | 2 259 | 1 892 | 2 057 | 2 108 | 2 125 |
| Payable taxes | 9 222 | 8 874 | 7 093 | 5 080 | 4 186 |
| Deferred taxes | 3 891 | 3 816 | 7 860 | 7 950 | 7 780 |
| Other liabilities | 60 983 | 44 568 | 49 806 | 43 174 | 44 009 |
| Liabilities held for sale | 41 671 | 41 243 | 39 547 | 59 | 56 |
| Provisions | 1 885 | 2 094 | 1 762 | 1 725 | 1 570 |
| Pension commitments | 2 867 | 2 756 | 3 003 | 2 757 | 2 684 |
| Subordinated loan capital | 28 795 | 29 347 | 28 202 | 29 498 | 29 826 |
| **Total liabilities** | **2 659 740** | **2 446 779** | **2 457 549** | **2 473 878** | **2 445 165** |
| | | | | | |
| Share capital | 16 283 | 16 286 | 16 288 | 16 282 | 16 268 |
| Share premium | 22 609 | 22 609 | 22 609 | 22 609 | 22 609 |
| Additional Tier 1 capital | 15 594 | 15 952 | 9 641 | 9 559 | 8 067 |
| Other equity | 156 221 | 151 576 | 145 397 | 142 829 | 146 972 |
| **Total equity** | **210 707** | **206 423** | **193 935** | **191 279** | **193 916** |
| **Total liabilities and equity** | **2 870 447** | **2 653 201** | **2 651 484** | **2 665 157** | **2 639 081** |

# Alternative performance measures

DNB's alternative performance measures (APMs) present useful information which supplements the financial statements. These measures are not defined under IFRS and may not be directly comparable with other companies' adjusted measures. The APMs are not intended to be a substitute for, or superior to, any IFRS measures of performance, but have been included to provide insight into DNB's performance and represent important measures for how management governs the company and its business activities.

Key financial ratios regulated by IFRS or other legislation (CRR/CRD) are not considered APMs, neither are non-financial data. DNB's APMs are presented in the financial highlights and in the directors' report. APMs are shown with comparable figures for earlier periods.

## DNB's APMs and definitions

**Return on equity (ROE), Return on equity (ROE) adjusted for basis swaps, and Return on allocated capital**

These measures give relevant information on DNB's profitability by measuring the ability to generate profits from the shareholders' investments. ROE is one of DNB's main financial targets. Return on allocated capital is used to assess the profitability of the segments in relation to their use of capital and ensures that the returns achieved by the various segments are measured on a comparable basis.

- Return on equity (ROE) is calculated as: Shareholders' share of profits for the period divided by average equity excluding additional Tier 1 capital.
- Return on equity (ROE) adjusted for basis swaps: Shareholders' share of profits minus basis swaps after tax in the period, divided by average equity excluding additional Tier 1 capital. In the first quarter of 2017 this is calculated as: 4 304 – (465) / 192 074 = 10.1% annualised.
- Return on allocated capital is calculated as: Profit for the period divided by allocated capital. Allocated capital for the segments is based on the Group's capital adequacy requirement for credit risk, market risk and operational risk. See also note 2 Segments.

**Average interest rate spreads**

These measures give relevant information on DNB's net interest income by measuring the respective average interest rate relative to the 3-month money market rate.

- Average spread for ordinary lending to customers is calculated as: Margin income on performing loans relative to average performing loans for the period. Margin income is defined as interest income on the loans less funding costs corresponding to the 3-month money market rate.
- Average spread for deposits from customers is calculated as: Margin income on deposits relative to average deposits for the period. Margin income on deposits is defined as estimated interest income on the deposits based on the 3-month money market rate less interest expenses on the deposits.
- Combined weighted average interest spread for lending and deposits – customer segments is calculated as: Total margin income on loans and deposits relative to total average performing loans and deposits.

**Net non-performing and net doubtful loans and guarantees in per cent of net loans, Impairment relative to average net loans to customers and Individual impairment relative to average net loans to customers**

These ratios are included to show DNB's provisions relating to credit exposure.

- Calculated as: Net non-performing and net doubtful loans plus guarantees divided by net loans.
- Calculated as: Impairment divided by average annualised net loans to customers.
- Calculated as: Individual impairment divided by average annualised net loans to customers.

**Ratio of customer deposits to net loans to customers at end of period, also adjusted for short-term money market deposits**

These measures give relevant information on DNB's liquidity position.

- Calculated as: Customer deposits divided by net loans to customers at the end of the period. Customer deposits minus short-term money market deposits divided by net loans to customers at the end of the period.

**Cost/income ratio**

This ratio is included to provide information on the correlation between income and expenses and is considered to be one of DNB's key financial targets.

- Calculated as: Total operating expenses divided by total income.

**Price/book value**

This measure is used to compare the company's current market price to its book value. It is frequently used to compare banks.

- Calculated as: DNB's closing share price at the end of the period divided by equity per share. Equity per share is calculated as shareholders' equity excluding additional Tier 1 capital at the end of the period, divided by the total number of shares.

**Payout ratio**

The dividend payout ratio provides an indication of how much money DNB is returning to its shareholders and is one of the company's key financial targets.

- Calculated as: Dividend paid divided by the profit for the period attributable to the shareholders.

# Information about the DNB Group

## Head office DNB ASA

| | |
|---|---|
| Mailing address | P.O.Box 1600 Sentrum, NO-0021 Oslo |
| Visiting address | Dronning Eufemias gate 30, Oslo |
| Telephone | +47 915 04800 |
| Internet | dnb.no |
| Organisation number | Register of Business Enterprises NO 981 276 957 MVA |

## Board of Directors in DNB ASA

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

## Group management

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

## Investor Relations

| | | |
|---|---|---|
| Kjerstin Braathen, chief financial officer | tel. +47 9056 6848 | kjerstin.braathen@dnb.no |
| Rune Helland, head of Investor Relations | tel. +47 2326 8400 | rune.helland@dnb.no |
| Amra Koluder, SVP Investor Relations | tel. +47 2326 8404 | amra.koluder@dnb.no |
| Thor Tellefsen, Long Term Funding | tel. +47 2326 8404 | thor.tellefsen@dnb.no |

## Financial calendar

**2017**

| | |
|---|---|
| as of 5 May | Distribution of dividends |
| 12 July | Q2 2017 |
| 26 October | Q3 2017 |
| 21 November | Capital markets day |

**2018**

| | |
|---|---|
| 1 February | Q4 2017 |
| 8 March | Annual report 2017 |
| 24 April | Annual general meeting |
| 25 April | Ex-dividend date |
| 26 April | Q1 2018 |
| as of 4 May | Distribution of dividends |
| 12 July | Q2 2018 |
| 25 October | Q3 2018 |

## Other sources of information

### Annual and quarterly reports

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

*The quarterly report has been produced by Group Financial Reporting in DNB.*
*Cover design: REDINK*

Here for you. Every day.
When it matters the most.

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