# DNB Group

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

**SECOND QUARTER AND FIRST HALF REPORT 2017**
(Unaudited)

Q2

DNB

# Financial highlights

**DNB Group**

## Income statement

| *Amounts in NOK million* | 2nd quarter 2017 | 2nd quarter 2016 | 2017 | January-June 2016 | Full year 2016 |
|---|---|---|---|---|---|
| Net interest income | 9 031 | 8 544 | 17 552 | 17 257 | 34 110 |
| *Net commissions and fees* | *2 161* | *2 136* | *4 234* | *4 127* | *8 280* |
| *Net gains on financial instruments at fair value* | *982* | *1 029* | *1 790* | *3 413* | *6 513* |
| *Net financial and risk result, DNB Livsforsikring* | *454* | *166* | *694* | *278* | *664* |
| *Net insurance result, DNB Forsikring* | *189* | *204* | *344* | *319* | *648* |
| *Other operating income* | *196* | *1 418* | *320* | *1 757* | *1 948* |
| Net other operating income, total | 3 982 | 4 952 | 7 382 | 9 894 | 18 053 |
| Total income | 13 014 | 13 496 | 24 934 | 27 151 | 52 163 |
| Operating expenses | (5 518) | (5 281) | (10 761) | (10 438) | (20 693) |
| Restructuring costs and non-recurring effects | (97) | (104) | (294) | (657) | (639) |
| Pre-tax operating profit before impairment | 7 399 | 8 111 | 13 878 | 16 056 | 30 830 |
| Net gains on fixed and intangible assets | 17 | (20) | 23 | (26) | (19) |
| Impairment of loans and guarantees | (597) | (2 321) | (1 159) | (3 495) | (7 424) |
| Pre-tax operating profit | 6 819 | 5 770 | 12 743 | 12 534 | 23 387 |
| Tax expense | (1 568) | (1 190) | (2 931) | (2 720) | (4 140) |
| Profit from operations held for sale, after taxes | (14) | (10) | (31) | (23) | 4 |
| **Profit for the period** | **5 237** | **4 569** | **9 781** | **9 791** | **19 251** |

## Balance sheet

| *Amounts in NOK million* | 30 June 2017 | 31 Dec. 2016 | 30 June 2016 |
|---|---|---|---|
| Total assets | 2 722 809 | 2 653 201 | 2 665 157 |
| Loans to customers | 1 551 738 | 1 509 078 | 1 542 285 |
| Deposits from customers | 1 008 878 | 934 897 | 961 138 |
| Total equity | 207 069 | 206 423 | 191 279 |
| Average total assets | 2 906 849 | 2 841 117 | 2 929 613 |
| Total combined assets | 3 025 703 | 2 930 891 | 2 927 391 |

## Key figures and alternative performance measures

| | 2nd quarter 2017 | 2nd quarter 2016 | 2017 | January-June 2016 | Full year 2016 |
|---|---|---|---|---|---|
| Return on equity, annualised (per cent) [1] | 10.4 | 9.9 | 9.7 | 10.5 | 10.1 |
| Earnings per share (NOK) | 3.07 | 2.74 | 5.71 | 5.88 | 11.46 |
| Combined weighted total average spread for lending and deposits (per cent) [1] [2] | 1.32 | 1.33 | 1.30 | 1.34 | 1.32 |
| Average spread for ordinary lending to customers (per cent) [1] | 2.07 | 2.08 | 2.05 | 2.08 | 2.04 |
| Average spread for deposits from customers (per cent) [1] | 0.19 | 0.18 | 0.20 | 0.21 | 0.21 |
| Cost/income ratio (per cent) [1] | 43.1 | 39.9 | 44.3 | 40.9 | 40.9 |
| Ratio of customer deposits to net loans to customers at end of period [1] | 65.0 | 62.3 | 65.0 | 62.3 | 62.0 |
| Net non-performing and net doubtful loans and guarantees, per cent of net loans [1] | 1.35 | 1.19 | 1.35 | 1.19 | 1.49 |
| Impairment relative to average net loans to customers, annualised (per cent) [1] [2] | (0.15) | (0.61) | (0.15) | (0.46) | (0.48) |
| Individual impairment relative to average net loans to customers, annualised (per cent) [1] [2] | (0.14) | (0.42) | (0.13) | (0.28) | (0.34) |
| Common equity Tier 1 capital ratio, transitional rules, at end of period (per cent) [3] | 15.8 | 15.2 | 15.8 | 15.2 | 16.0 |
| Tier 1 capital ratio, transitional rules, at end of period (per cent) [3] | 17.3 | 16.2 | 17.3 | 16.2 | 17.6 |
| Capital ratio, transitional rules, at end of period (per cent) [3] | 19.2 | 18.2 | 19.2 | 18.2 | 19.5 |
| Leverage ratio, Basel III (per cent) | 7.2 | 6.8 | 7.2 | 6.8 | 7.3 |
| Share price at end of period (NOK) | 142.00 | 99.35 | 142.00 | 99.35 | 128.40 |
| Price/book value [1] | 1.21 | 0.89 | 1.21 | 0.89 | 1.10 |
| Dividend per share (NOK) | | | | | 5.70 |
| Score from RepTrak's reputation survey in Norway (points) | 70.6 | 64.3 | 67.1 | 64.3 | 65.4 |
| Customer satisfaction index, CSI, personal customers in Norway (score) | 67.2 | 69.4 | 67.8 | 70.5 | 70.2 |

1) *Defined as alternative performance measure (APM). APMs are described on page 36.*
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).

# Second quarter and first half 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

## Second quarter financial performance

DNB delivered solid results in the second quarter of 2017. Profits were NOK 5 237 million, an increase of NOK 669 million from the second quarter of 2016, driven by strong net interest income and lower impairment losses on loans and guarantees.

Earnings per share were NOK 3.07, up from NOK 2.74 in the year-earlier period. The common equity Tier 1 capital ratio was 15.8 per cent at end-June 2017, up from 15.2 per cent a year earlier, and unchanged from end-March 2017.

The leverage ratio for the Group was 7.2 per cent, up from 6.8 per cent a year earlier and 6.7 per cent at end-March 2017. The ratio was thus well above the requirement of 6 per cent which came into force on 30 June 2017.

Return on equity was 10.4 per cent, compared with 9.9 per cent in the year-earlier period.

Net interest income was up NOK 487 million from the second quarter of 2016, reflecting higher volumes, wider deposit spreads due to the rebalancing of deposits as well as lower long-term funding costs. Compared with the first quarter of 2017, there was profitable lending growth in all customer segments and an increase in lending spreads.

Net other operating income was NOK 3 982 million, down NOK 970 million from the second quarter of 2016. In 2016, income was positively affected by the sale of Visa Norge's holdings in Visa Europe, providing a gain of NOK 1 128 million. Excluding this non-recurring item, net operating income increased by NOK 158 million due to a positive contribution from the net financial and risk result in DNB Livsforsikring and higher commissions and fees.

Operating expenses were up NOK 230 million compared with the second quarter of 2016. The increase was mainly due to the introduction of financial activities tax in 2017, digitalisation projects and marketing of new digital services.

Impairment losses on loans and guarantees totalled NOK 597 million for the quarter, down NOK 1 724 million from the corresponding quarter in 2016. There was a reduction in both individual impairment losses and collective impairment losses, reflecting more stable economic conditions.

## Important events in the second quarter

A number of new products and services were launched during the second quarter as part of DNB's ongoing automation and digitalisation initiatives. In early June, DNB launched the application 'Spare', a new tool for saving in accounts, equities or mutual funds. At the end of June, only four weeks after the app was launched, more than 165 000 people had started using the app.

Autolease underwent a green shift in June, when the company launched a new and improved digital platform while making it more beneficial for customers to choose electric and hybrid cars.

At the beginning of May, DNB introduced VippsGO, a new service in the Vipps app that makes both purchases and sales easier. The service will give the trade and services industry a digital boost and requires no investment. All that companies need to do is to list the goods on offer, including prices and possibly photographs and additional information, and customers use their mobile to pay.

In the middle of April, DNB launched the crowdfunding service startskudd.no as part of its initiatives to focus on start-up companies. As an extension to the NXT Conference held in the autumn of 2016, DNB launched NXT Community in the second quarter of 2017, a new digital meeting place where entrepreneurs and investors can meet and get access to expertise and advice offered by DNB. The aim is that the meeting place will help ensure that more good business ideas are realised and that this will also result in sound projects for investors.

During the quarter, DNB Markets launched new mobile services for investor services and foreign exchange trading.

In June, a new chatbot was launched for corporate customers contacting the customer centre. This means that waiting time will be reduced and that customers will be referred to a person with the right competencies more quickly.

DNB's reputation score improved substantially, from 63.6 points in the first quarter to 70.6 points in the second quarter.

Even though the banking agreement with NorgesGruppen expired on 1 June, DNB will continue to offer banking services in post offices and shops across Norway. DNB thus still has the best availability in the market for manual banking services.

On 15 June, DNB experienced a period of system downtime. The problems affected the Internet bank, the mobile bank and SMS services, as well as equity and currency trading in the mobile and Internet banks. DNB is working continuously to increase system stability.

At the Annual General Meeting in April, Karl-Christian Agerup was elected as a member of DNB's Board of Directors, succeeding Jarle Bergo. At the same meeting, the Board of Directors was authorised to repurchase own shares for up to 2 per cent of the company's share capital, of which 0.5 per cent can only be used for hedging purposes in DNB Markets. In mid-June, Finanstilsynet (the Financial Supervisory Authority of Norway) approved the repurchase, provided that the targeted capital level is met following the repurchase, and that the sum of the amounts spent on dividends and the repurchase of shares does not exceed 75 per cent of the annual profit for 2016.

In a survey carried out by Universum, DNB was ranked as the most attractive employer in Norway among business students for the fourth year in a row and climbed from eighth to third place among IT students.

During the quarter, DNB Markets was ranked second within equity analysis in the Nordics in an annual customer survey undertaken by Extel.

DNB's Travel Insurance 'Best' was voted Norway's best travel insurance for the fourth year in a row.

During the second quarter, the Norwegian government and Finanstilsynet proposed a number of measures to protect consumers against irresponsible lending practices. The measures aim to ensure that banks make sound credit assessments and that customers make good, informed choices. The measures are described in further detail below.

In mid-June, the Norwegian government approved the rules on a share savings account with effect from 1 September 2017. This means that individual taxpayers can open a share savings account, using deposits to invest in equity funds, listed shares and listed equity certificates. Gains on the sale of securities in the account will not be taxed in connection with the sale, but when money is withdrawn from the account.

## Half-year financial performance

DNB recorded profits of NOK 9 781 million in the first half of 2017, down NOK 10 million from the first half of 2016. Return on equity was 9.7 per cent, compared with 10.5 per cent in the year-earlier period, and earnings per share were NOK 5.71, down from NOK 5.88 in the first half of 2016.

Net interest income increased by NOK 295 million from the previous year. Volumes were up and average lending and deposit spreads contracted compared with the previous year. There was an average increase in the healthy loan portfolio of 0.8 per cent parallel to a 4.5 per cent increase in average deposit volumes from the first half of 2016. Average lending spreads for the customer segments narrowed by 0.03 percentage points, and deposit spreads by 0.01 percentage points.

Net other operating income decreased by NOK 2 513 million from the first half of 2016. Adjusted for basis swaps and non-recurring effects relating to the sale of Visa Norge's holdings in Visa Europe, net other operating income was reduced by NOK 90 million. Net commissions and fees were up NOK 107 million, or 2.6 per cent, compared with the first half of 2016, mainly due to increased activity in DNB Markets.

Total operating expenses were reduced by NOK 40 million from the first half of 2016.

Impairment losses on loans and guarantees totalled NOK 1 159 million in the first half of 2017, down NOK 2 910 million from the high impairment level in the year-earlier period when adjusted for the sale of non-performing portfolios in the first quarter of 2016. There was a decrease in individual impairment losses of NOK 1 676 million, stemming primarily from the large corporate segment. Parallel to this, there was a reduction in collective impairment losses, reflecting more stable economic conditions in oil-related industries.

## Second quarter income statement – main items

### Net interest income

| Amounts in NOK million | 2nd quarter 2017 | Change | 2nd quarter 2016 |
|---|---|---|---|
| Net interest income | 9 031 | 487 | 8 544 |
| Other net interest income | | 133 | |
| Long-term funding costs | | 126 | |
| Lending and deposit volumes, customer segments | | 115 | |
| Interest on income subject to impairment provisions | | 68 | |
| Exchange rate movements | | 40 | |
| Equity and non-interest bearing instruments | | 28 | |
| Lending and deposit spreads, customer segments | | 14 | |
| Amortisation effects and fees | | (37) | |

Net interest income increased by NOK 487 million from the second quarter of 2016. For the customer segments, higher volumes and the rebalancing of deposits had a positive effect on net interest income in the second quarter of 2017. Average lending spreads contracted by 0.01 percentage points while deposit spreads widened by 0.01 percentage points. Volume-weighted spreads for the customer segments narrowed by 0.01 percentage points compared with the same period in 2016, but widened by 0.03 percentage points compared with the first quarter of 2017. There was an average increase of NOK 27.8 billion or 1.9 per cent in the healthy loan portfolio compared with the second quarter of 2016. During the same period, deposits were up NOK 45.2 billion or 4.8 per cent. Adjusted for exchange rate movements, loans increased by 1.4 per cent and deposits by 4.3 per cent.

### Net other operating income

| Amounts in NOK million | 2nd quarter 2017 | Change | 2nd quarter 2016 |
|---|---|---|---|
| Net other operating income | 3 982 | (970) | 4 952 |
| Basis swaps | | 329 | |
| Net financial and risk result from DNB Livsforsikring [1] | | 288 | |
| Net commissions and fees | | 25 | |
| Net insurance result from DNB Forsikring | | (15) | |
| Other operating income | | (101) | |
| Exchange rate effects Additional Tier 1 capital | | (367) | |
| Sale of holdings in Visa | | (1 128) | |

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

Net other operating income declined by NOK 970 million or 19.6 per cent from the second quarter of 2016 due to a positive one-off effect in 2016 related to the sale of Visa Norge's holdings in Visa Europe. Adjusted for this effect, net operating income increased in the second quarter of 2017 due to stronger results in DNB Livsforsikring and positive mark-to-market adjustments related to basis swaps. There was also an increase in net commissions and fees, mainly due to higher activity within real estate broking, DNB Asset Management and investment banking. Exchange rate effects on additional Tier 1 capital gave a negative contribution of NOK 367 million.

### Operating expenses

| Amounts in NOK million | 2nd quarter 2017 | Change | 2nd quarter 2016 |
|---|---|---|---|
| Operating expenses | (5 615) | (230) | (5 385) |
| Other costs | | 37 | |
| Marketing etc | | (33) | |
| Salaries and other personnel exp. (excl. pensions and restructuring costs) | | (52) | |
| Provisions for financial activities tax | | (94) | |
| Fees | | (94) | |
| Restructuring costs [1] | | 12 | |
| Other non-recurring effects [1] | | (5) | |
| | | | |
| Operating expenses excl. non-recurring effects, of which: | | (237) | |
| Exchange rate effects for units outside Norway | | 12 | |
| Currency-adjusted operating expenses | | (249) | |

1) *Non-recurring effects.*

Operating expenses increased by NOK 230 million compared with the second quarter of 2016. Underlying operating expenses were NOK 237 million higher than in the year-earlier period. The increase stemmed mainly from the introduction of financial activities tax in 2017 and a higher level of activity in digitalisation projects and marketing.

In the second quarter of 2017, the cost/income ratio was 43.1 per cent.

### Impairment of loans and guarantees

Impairment losses on loans and guarantees totalled NOK 597 million in the second quarter, of which collective impairment losses represented 7.4 per cent.

Individual impairment losses were reduced by around 65 per cent compared with the second quarter of 2016. The decrease was a result of successful restructuring of portfolios within shipping and oil and offshore-related segments.

There was also a reduction in collective impairment, reflecting somewhat more stable economic conditions in these industries.

Net non-performing and doubtful loans and guarantees increased by NOK 2.9 billion from end-June 2016, totalling NOK 23.6 billion at end-June 2017. This represented 1.35 per cent of the loan portfolio, up from 1.19 per cent at end-June 2016. The increase mainly stemmed from the oil and shipping-related portfolio. There are no signs of negative spill-over effects from the situation in the oil-related industries in the other credit portfolios, and non-performing and doubtful loans and guarantees were roughly at the same level as at end-March 2017.

### Taxes

The DNB Group's tax expense for the second quarter of 2017 is estimated at NOK 1 568 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

| | 2nd quarter | | Change | |
|---|---|---|---|---|
| *Income statement in NOK million* | 2017 | 2016 | NOK mill | % |
| Net interest income | 3 306 | 3 221 | 85 | 2.6 |
| Net other operating income | 1 392 | 1 387 | 5 | 0.4 |
| Total income | 4 698 | 4 607 | 90 | 2.0 |
| Operating expenses | (2 111) | (2 081) | (30) | (1.4) |
| Pre-tax operating profit before impairment | 2 587 | 2 526 | 60 | 2.4 |
| Impairment of loans and guarantees | (100) | (89) | (11) | (12.5) |
| Pre-tax operating profit | 2 486 | 2 437 | 49 | 2.0 |
| Tax expense | (622) | (609) | (12) | (2.0) |
| Profit for the period | 1 865 | 1 828 | 37 | 2.0 |
| **Average balance sheet items in NOK billion** | | | | |
| Net loans to customers | 719.1 | 681.7 | 37.4 | 5.5 |
| Deposits from customers | 399.1 | 398.8 | 0.2 | 0.1 |
| **Key figures in per cent** | | | | |
| Lending spread 1) | 1.80 | 1.82 | | |
| Deposit spread 1) | 0.26 | 0.33 | | |
| Return on allocated capital 2) | 19.0 | 18.3 | | |
| Cost/income ratio | 44.9 | 45.2 | | |
| Ratio of deposits to loans | 55.5 | 58.5 | | |

1) *Calculated relative to the 3-month money market rate. See page 36 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 36 for additional information about alternative performance measures (APMs).*

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

There was a healthy rise in average loans from the second quarter of 2016. Deposit volumes remained stable, but adjusted for an internal transfer of deposits from associations and clubs to the SME segment in December 2016, there was an increase of 2.1 per cent. Higher loan volumes contributed to a rise in net interest income compared with both the second quarter of 2016 and the first quarter of 2017. Volume-weighted spreads contracted by 0.02 percentage points from the second quarter of 2016, but widened by 0.03 percentage points from the first quarter of 2017.

Net other operating income was on a level with the second quarter of 2016, but increased by 16.8 per cent from the first quarter of 2017. A high level of activity in DNB Eiendom had a positive effect, 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.

There was a moderate rise in operating expenses compared with the second quarter of 2016. A reduction in ordinary salaries due to restructuring was offset by costs attributable to the financial activities tax, increased activity within real estate broking and IT development.

Close to 95 per cent of loans to personal customers represent well-secured home mortgages entailing low risk. Impairment losses on loans remained at a stable low level in the second quarter of 2017.

The market share of credit to households stood at 24.8 per cent at end-May 2017, while the market share of home mortgages was 28.1 per cent. The market share of total household savings was 31.2 per cent. DNB Eiendom had a market share of 19.9 per cent in the second quarter of 2017.

Customers' use of digital services is increasing, and DNB is continuing to digitise its products and services. A new app, 'Spare', which gives a clear overview of customers' total finances in DNB as well as investment advice, while motivating them to save, was launched in the second quarter of 2017. At end-June, the app had been downloaded by more than 165 000 unique users.

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

| | 2nd quarter | | Change | |
|---|---|---|---|---|
| *Income statement in NOK million* | 2017 | 2016 | NOK mill | % |
| Net interest income | 2 121 | 1 933 | 188 | 9.7 |
| Net other operating income | 515 | 521 | (6) | (1.1) |
| Total income | 2 636 | 2 454 | 182 | 7.4 |
| Operating expenses | (1 053) | (1 025) | (29) | (2.8) |
| Pre-tax operating profit before impairment | 1 582 | 1 429 | 153 | 10.7 |
| Net gains on fixed and intangible assets | (0) | (1) | 1 | 73.9 |
| Impairment of loans and guarantees | (127) | (209) | 81 | 39.0 |
| Profit from repossessed operations | (17) | (12) | (5) | (44.1) |
| Pre-tax operating profit | 1 438 | 1 208 | 230 | 19.1 |
| Tax expense | (359) | (302) | (58) | (19.1) |
| Profit for the period | 1 078 | 906 | 173 | 19.1 |
| **Average balance sheet items in NOK billion** | | | | |
| Net loans to customers | 274.3 | 256.1 | 18.3 | 7.1 |
| Deposits from customers | 205.2 | 173.5 | 31.7 | 18.2 |
| **Key figures in per cent** | | | | |
| Lending spread 1) | 2.62 | 2.62 | | |
| Deposit spread 1) | 0.35 | 0.38 | | |
| Return on allocated capital 2) | 16.6 | 13.7 | | |
| Cost/income ratio | 40.0 | 41.8 | | |
| Ratio of deposits to loans | 74.8 | 67.8 | | |

1) *Calculated relative to the 3-month money market rate. See page 36 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 36 for additional information about alternative performance measures (APMs).*

Higher net interest income combined with a reduction in net impairment losses on loans contributed to a solid increase in pre-tax operating profits from the second quarter of 2016.

There was strong growth in both lending and deposit volumes compared with the second quarter of 2016. The rise in deposits reflected an internal transfer of deposits from the personal customer segment. Adjusted for this transfer, deposits nevertheless grew by 13 per cent. Higher volumes ensured a healthy rise in net interest income compared with the second quarter of 2016. Lending spreads were stable, while deposit spreads narrowed slightly during the period.

The trend in other operating income reflected somewhat lower activity within sales of currency and interest rate hedging products as a result of the weak Norwegian krone and expectations of continued low interest rates. There was also a reduction in the risk result from pension management compared with the second quarter of 2016, while income from the sale of pension products and payment services developed positively during the period.

The increase in operating expenses from the second quarter of 2016 was partly due to a higher level of activity within IT development. The financial activities tax introduced in 2017 also contributed to a higher cost base.

On an annual basis, net impairment losses on loans represented 0.19 per cent of average loans in the second quarter of 2017, a reduction from 0.33 per cent in the year-earlier period. The general quality of DNB's portfolio of loans to small and medium-sized corporate customers remained high and showed no signs of deteriorating during the period. Developments in oil-related sectors as well as all other sectors are closely monitored, and preventive measures are continually considered and implemented to retain the strong portfolio quality.

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

## Large corporates and international customers

| | 2nd quarter | | Change | |
|---|---|---|---|---|
| *Income statement in NOK million* | 2017 | 2016 | NOK mill | % |
| Net interest income | 3 330 | 3 231 | 100 | 3.1 |
| Net other operating income | 1 524 | 1 611 | (87) | (5.4) |
| Total income | 4 854 | 4 841 | 13 | 0.3 |
| Operating expenses | (2 027) | (1 803) | (224) | (12.4) |
| Pre-tax operating profit before impairment | 2 827 | 3 038 | (211) | (6.9) |
| Net gains on fixed and intangible assets | 18 | 5 | 13 | 266.8 |
| Impairment of loans and guarantees | (362) | (2 028) | 1 665 | 82.1 |
| Profit from repossessed operations | (4) | (5) | 1 | 17.4 |
| Pre-tax operating profit | 2 479 | 1 011 | 1 468 | 145.3 |
| Tax expense | (694) | (273) | (421) | (154.4) |
| Profit for the period | 1 785 | 738 | 1 047 | 141.9 |
| **Average balance sheet items in NOK billion** | | | | |
| Net loans to customers | 508.4 | 534.3 | (25.9) | (4.8) |
| Deposits from customers | 391.9 | 378.5 | 13.4 | 3.5 |
| **Key figures in per cent** | | | | |
| Lending spread 1) | 2.16 | 2.15 | | |
| Deposit spread 1) | 0.04 | (0.08) | | |
| Return on allocated capital 2) | 8.3 | 3.6 | | |
| Cost/income ratio | 41.8 | 37.2 | | |
| Ratio of deposits to loans | 77.1 | 70.8 | | |

1) *Calculated relative to the 3-month money market rate. See page 36 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 36 for additional information about alternative performance measures (APMs).*

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

Average lending volumes were down 4.8 per cent from the second quarter of 2016. Adjusted for exchange rate movements, the underlying volume was reduced by 6.1 per cent. The rebalancing of the business area's portfolio continued in the second quarter of 2017. As a result of the restructuring of portfolios within shipping and oil and offshore-related segments, there was a reduction in loan volumes to these industries, while there was a rise in lending to other industries during this period. Customer deposits were up 3.5 per cent from the second quarter of 2016. Adjusted for exchange rate movements, the increase was 2.5 per cent.

Higher deposit volumes and wider deposit spreads contributed to raising net interest income and compensated for the effect of lower loan volumes. In addition, there was a positive effect from interest payments on non-performing loans compared with the second quarter of 2016.

Other operating income declined from the second quarter of 2016, partly due to high gains from equity investments in 2016. Other operating income rose by 5.2 per cent from the first quarter of 2017. Income from investment banking products increased compared with both the second quarter of 2016 and the first quarter of 2017. There was increasing activity towards the end of the quarter, especially in the debt capital markets, but also in the equity capital markets.

The increase in expenses from the second quarter of 2016 reflected higher expenses related to the work on compliance and anti-money laundering. In addition, several ongoing digitalisation initiatives gave an increase in costs during the quarter. The number of full-time positions was reduced by 128 from end-June 2016. The reductions took place in both Norwegian and international operations.

Net impairment losses on loans and guarantees were down from the second quarter of 2016. On an annual basis, net impairment represented 0.29 per cent of average loans, compared with 1.53 per cent in the year-earlier period. Individual impairment was reduced from 0.98 per cent in the second quarter of 2016, to 0.25 per cent. The reduction in impairment losses reflected generally more stable economic conditions compared with the second quarter of 2016. The oil price has stabilised at a somewhat higher level, and several of the largest offshore-related exposures have been successfully restructured. Net non-performing and doubtful loans and guarantees amounted to NOK 17.2 billion at end-June 2017, up from NOK 16.0 billion a year earlier.

Due to increasing capital requirements over the past few years, the business area needs to make more efficient use of capital by reducing its exposure to capital-intensive and cyclical industries. Additional measures to achieve higher non-lending income and reduce capital usage are to increase portfolio turnover, reduce final hold and use the capital markets more actively. Overall, this will contribute to raising the return on equity.

## Trading

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

| | 2nd quarter | | Change | |
|---|---|---|---|---|
| *Income statement in NOK million* | 2017 | 2016 | NOK mill | % |
| Net interest income | 5 | 3 | 3 | 101.5 |
| Net other operating income | 448 | 688 | (239) | (34.8) |
| Total income | 454 | 690 | (237) | (34.3) |
| Operating expenses | (135) | (131) | (4) | (3.0) |
| Pre-tax operating profit | 319 | 560 | (240) | (43.0) |
| Tax expense | (73) | (140) | 66 | 47.5 |
| Profit for the period | 246 | 420 | (174) | (41.4) |
| **Key figures in per cent** | | | | |
| Return on allocated capital 1) | 13.8 | 22.8 | | |

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 36 for additional information about alternative performance measures (APMs).*

There was a decline in market volatility and activity levels compared with the "Brexit quarter" last year. Total income declined from a high level in the second quarter of 2016. There was a reduction in income from money market, interest rate and foreign exchange trading. Bond values increased by NOK 86 million due to slightly 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.

| | 2nd quarter | | Change | |
|---|---|---|---|---|
| *Income statement in NOK million* | 2017 | 2016 | NOK mill | % |
| Upfront pricing of risk and guaranteed rate of return | 34 | 81 | (47) | (58.0) |
| Owner's share of administration result | 57 | 39 | 18 | 47.2 |
| Owner's share of risk result | 18 | (2) | 20 | 825.2 |
| Owner's share of interest result | (11) | (65) | 54 | 83.1 |
| Return on corporate portfolio | 349 | 145 | 204 | 140.2 |
| Pre-tax operating profit | 447 | 197 | 250 | 127.1 |
| Tax expense | (14) | (31) | 17 | 53.4 |
| Profit for the period | 432 | 166 | 267 | 160.7 |
| **Average balance sheet items in NOK billion** | | | | |
| Assets under management | 203.1 | 203.6 | (0.5) | (0.2) |
| **Key figures in per cent** | | | | |
| Return on allocated capital [1)] | 8.4 | 3.4 | | |
| Cost/income ratio | 16.6 | 37.5 | | |

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 36 for additional information about alternative performance measures (APMs).*

There was a strong level of profits from traditional pension products in the second quarter of 2017. The rise in profits from the year-earlier period reflects a higher return on financial assets, mainly equities, and a reduction in costs relating to provisions for higher life expectancy. The decline in 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' guaranteed rate of return are compared. The test showed positive margins as at 30 June 2017.

In consequence of higher life expectancy, it will be necessary to strengthen the premium reserve for group pension insurance. At end-June 2017, reserves for higher life expectancy totalled NOK 11.0 billion, while the total required increase in reserves is estimated at NOK 11.3 billion. DNB Livsforsikring's ambition is to fund the required reserves for higher life expectancy in the course of 2017. This will give the company a sound basis for paying dividends over the coming years.

DNB Livsforsikring had a solvency margin of 193 per cent according to the transitional rules, while the margin calculated without the transitional rules was 142 per cent as at 30 June 2017. As at 31 March 2017, the solvency margins were 197 per cent and 144 per cent, respectively. An increase in the solvency capital requirement due to higher interest rate risk and reduced loss-absorption capacity was the main explanation for the reduction in the solvency margin.

## Funding, liquidity and balance sheet

The short-term funding markets were sound in the second quarter of 2017. The European market has been characterised by limited interest in short maturities, while the rising yield curve in the US has rekindled interest in longer maturities. In line with expectations, more banks are able to use the US commercial paper market, which has resulted in a certain rise in prices for DNB and the bank's Scandinavian peers. DNB had ample access to short-term funding throughout the quarter.

The level of activity in the long-term funding markets was somewhat lower in the second quarter than in the first, but picked up towards the end of the quarter. Issue activity in the euro market for covered bonds was lower in the first half of 2017 than in the corresponding period in 2016. This was largely due to the final round of the ECB's targeted longer-term refinancing operations, TLTRO, which somewhat 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. This has also resulted in a higher level of activity in the market for subordinated loans (Tier 2), as such loans have become more interesting to investors than subordinated senior bonds. Prices of both senior bonds and covered bonds remain roughly at the same low level as in the first quarter.

The nominal value of long-term debt securities issued by the Group was NOK 576 billion at end-June 2017 and NOK 603 billion a year earlier. The average remaining term to maturity for these debt securities was 4.1 years at end-June 2017, up from 4.0 years a year earlier.

The short-term liquidity requirement, Liquidity Coverage Ratio, LCR, remained stable at above 100 per cent throughout the second quarter and was 123 per cent at end-June.

Total combined assets in the DNB Group were NOK 3 026 billion at end-June 2017, up from NOK 2 927 billion a year earlier. Of this, total assets in DNB Livsforsikring amounted to NOK 309 billion and NOK 294 billion, respectively.

In the DNB Bank Group, average net loans to customers increased by NOK 28 billion from end-June 2016. Average customer deposits were up NOK 45 billion or 4.8 per cent during the same period. The ratio of customer deposits to net loans to customers was up from 62.9 per cent at end-June 2016 to 66.2 per cent a year later. This is in line with the ambition to have a ratio of customer deposits to net loans of minimum 60 per cent for the DNB Bank Group.

## Risk and capital adequacy

The DNB Group quantifies risk by measuring economic capital. Economic capital increased by NOK 0.8 billion from end-March 2017, to NOK 75.4 billion at end-June 2017.

### Economic capital for the DNB Group

| *Amounts in NOK billion* | 30 June 2017 | 31 March 2017 | 31 Dec. 2016 | 30 June 2016 |
|---|---|---|---|---|
| Credit risk | 56.2 | 54.8 | 54.4 | 55.8 |
| Market risk | 8.4 | 8.4 | 7.0 | 7.2 |
| Market risk in life insurance | 5.2 | 6.2 | 5.3 | 9.3 |
| Insurance risk | 1.7 | 1.7 | 1.7 | 1.7 |
| Operational risk | 11.0 | 11.0 | 11.5 | 11.5 |
| Business risk | 7.9 | 7.9 | 7.3 | 7.3 |
| Gross economic capital | 90.3 | 89.9 | 87.2 | 92.7 |
| Diversification effect [1)] | (14.9) | (15.3) | (14.2) | (15.9) |
| Net economic capital | 75.4 | 74.6 | 73.0 | 76.8 |
| Diversification effect in per cent of gross economic capital [1)] | 16.5 | 17.0 | 16.3 | 17.1 |

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 1.4 billion through the quarter. The increase in economic capital reflected an upward adjustment of LGD (loss given default) in the large corporates and international customers segment. In March 2017, DNB was notified by Finanstilsynet of a possible requirement to increase LGD for the large corporate models in consequence of a prolonged decline. Internal calculations also showed that LGD should be adjusted somewhat upwards. An upward adjustment of LGD in line with the notification was implemented during the second quarter of 2017. There is still extensive restructuring in the rig and offshore segments, while there are signs of recovery in industries which are exposed to oil price fluctuations. The number of new orders has increased, and industry players have shown that they can succeed in restructuring their operations and cutting costs. As a result of the increased LGD level, risk-weighted assets rose by NOK 78 billion, calculated according to the Basel III regulations. The effect of the Basel I floor in the form of higher risk-weighted assets has been reduced to approximately NOK 15 billion for the Group.

Economic capital for market risk in DNB Livsforsikring decreased by NOK 1.0 billion during the quarter. There were strong returns on investments during the first half of the year and the company has strengthened its financial buffers. The proportion of equities in the portfolios under management was reduced during the quarter. DNB's market risk exposure in operations other than life insurance remained stable during the second quarter.

The operational risk situation in the second quarter was not considered to be satisfactory. A business disruption on 15 June resulted in errors and downtime for several of the bank's customer services. A number of measures have been implemented to increase capacity and ensure better stability in the IT systems in the period ahead. DNB was not affected by the massive ransomware attacks in May and June, though the threat level is considered to be high. Strong emphasis is being placed on strengthening the Group's security solutions to counter digital attacks.

Calculated according to transitional rules, risk-weighted assets were NOK 1 087 billion, up from NOK 1 069 billion at end-June 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

### New rules on deposit guarantee scheme and crisis management for banks

The Ministry of Finance has proposed new legislation to the Norwegian parliament (Stortinget) for banking crisis resolution and the deposit guarantee scheme. The amending legislation will implement the EU Bank Recovery and Resolution Directive (BRRD) and the revised directive on Deposit Guarantee Schemes (DGS) in Norway. Both directives are EEA relevant, but have not yet been included in the EEA Agreement.

Among other things, the Ministry of Finance proposes that plans be drawn up for the recovery and crisis management of individual banks, and that Finanstilsynet be given new tools to intervene at an early stage when banks have financial problems. Among the proposed crisis resolution measures, internal recapitalisation (bail-in) is the most significant change compared with current legislation. Bail-in implies that parts of the debt of the bank in resolution are converted to equity, whereby losses are covered and the bank is capitalised to a level where operations can be continued.

Norway currently has one of the best capitalised deposit guarantee funds in Europe. At year-end 2016, the fund amounted to NOK 32.5 billion, equivalent to 2.75 per cent of total guaranteed deposits. In line with the EU directives, the Ministry of Finance proposes to transfer the capital to two new funds that will fund the deposit guarantee and resolution measures. The directives require that the funds represent minimum 1.8 per cent of guaranteed deposits in 2024. The level of capital in both Norwegian funds already exceeds the target set by the EU.

In addition, the Ministry of Finance proposes to retain the requirement of annual payments from the banks to the funds. Payments from DNB to the funds will be higher than today. This is mainly due to the fact that the duty to contribute to the resolution fund will also apply to DNB's mortgage institutions. Payments to the new funds will be more strongly differentiated according to risk, which implies that the banks with the highest risk level must pay a larger share.

The Ministry of Finance proposes to retain the general deposit guarantee of NOK 2 million per depositor per bank. The government is in talks with the EU to continue to retain this deposit guarantee level when the revised DGS directive is implemented in the EEA Agreement.

### Agreement in the EU on securitisation

The securitisation institute in Europe is undergoing extensive modernisation after it was subject to much negative attention during the financial crisis. As part of the work on the Capital Markets Union (CMU), the European Commission has emphasised that the reestablishment of sound securitisation markets will be a key measure to achieve economic growth. Increasing the use of securitisation will free up capacity on the banks' balance sheets, partly to ensure increased access to credit for small and medium-sized enterprises.

On 30 May, the European Parliament and the Council of the European Union agreed on a framework to facilitate so-called STS securitisation (simple, transparent and standardised securitisation). In the EU, the various players have had particularly diverging views with respect to the stake to be retained by originators in connection with securitisation ("risk retention"). The compromise which has now been reached implies that the originator must retain a stake of 5 per cent. This requirement shall ensure that securitised products are not created solely for the purpose of distribution to investors.

The framework for facilitating so-called STS securitisation is believed to be EEA relevant and must therefore be introduced in Norway. In the longer term, a well-functioning securitisation institute could be important for the supply of capital to the business community and for banks' adaptation to the capital adequacy regulations. In addition, securitisation will provide greater investment opportunities for pension capital managers and give investment firms new business opportunities.

### More favourable pension savings schemes

The Norwegian parliament has adopted a new scheme for tax-favoured individual pension savings (IPS), with the same tax rate on contributions and payments. In the same way as in the current IPS scheme, funds in the new pension savings scheme will be exempt from wealth tax and current income tax on returns. The annual savings amount will be increased from NOK 15 000 to NOK 40 000. The new scheme will enter into force as of the 2017 fiscal year.

In order to give self-employed persons better opportunities for pension savings, parliament also decided to increase the limit for tax-favoured pension savings from 4 to 6 per cent of estimated earned income from self-employment. This change will enter into force as of the 2017 fiscal year. Self-employed persons will also be able to save in the new IPS scheme.

### Request for comments on PSD2 implementation

The EU's revised Payment Services Directive (PSD2) regulates new players in the payment market and new payment services. The purpose is to strengthen competition in the payment market and make the market more effective than it is today. As an example, the directive allows customers to choose other providers than banks to carry out their payments.

On 28 April, the Ministry of Finance circulated for public comment draft rules on the implementation of parts of PSD2. PSD2 will enter into force in the EU on 13 January 2018. However, the directive has not yet been incorporated in the EEA Agreement, and no deadline has thus been set for its implementation in Norway. According to the Ministry of Finance, it would be an advantage if PSD2 would take effect as closely as possible to its entry into force in the EU.

### Guidelines for the treatment of consumer loans and credit cards

During the first half of the year, the Norwegian government and Finanstilsynet implemented a number of measures to protect consumers against irresponsible lending practices, including guidelines for consumer loans, regulations on the marketing of credit, regulations on the invoicing of credit card debt and draft legislation whereby private players can be granted licences to provide credit information in connection with credit scoring.

On 7 June, Finanstilsynet published guidelines for responsible lending practices for consumer loans. The guidelines aim to reduce the risk that customers incur levels of debt that they are later unable to service, while contributing to sound banks. The guidelines apply to all unsecured credit to consumers, including credit and payment cards. Just as for home mortgages, the guidelines set requirements for debt servicing capacity, maximum loan-to-income ratio and instalment payments. As from the fourth quarter of 2017, banks shall report compliance with the guidelines to their own Board of Directors.

### Non-risk based capital requirement, leverage ratio

As a supplement to the risk-weighted capital requirements and as a measure to counter adjustments and gaps in the regulations, a non-risk based capital requirement, "leverage ratio", will also be introduced. The Ministry of Finance has set a minimum requirement of 3 per cent as of 30 June 2017. All banks must have a buffer on top of the minimum requirement of minimum 2 per cent. Systemically important banks must have an additional buffer of minimum 1 per cent. As a systemically important bank in Norway, the total requirement for DNB will thus be 6 per cent. As at 30 June 2017, DNB had a leverage ratio of 7.2 per cent.

## Macroeconomic developments

Global GDP growth ended at 3.0 per cent in 2016 and looks set to be slightly higher this year. Growth will probably increase further in 2018. A rise is expected for both industrialised countries and emerging economies, though the level of growth is expected to remain low in the industrial countries. Nevertheless, a further decline in unemployment is anticipated in these countries, while price inflation will remain below the central banks' targets.

The Chinese economy continued to grow strongly in 2016, by 6.7 per cent, which was in line with the authorities' ambition of a growth rate between 6.5 and 7.0 per cent. The pace of growth has slowed somewhat in 2017, with a weaker development within real estate and infrastructure investments. Growth is expected to decelerate further during the year, but large parts of the economy, including consumption, remain strong and contribute to a relatively moderate slowdown. Due to factors such as high debt levels and unprofitable investments, there is a risk of a crisis further ahead in time. 2016 was a quite good year for the Japanese economy, which grew by 1.0 per cent from the year before. A slightly lower future growth rate is expected, reflecting the limited growth potential caused, among other things, by demographic factors.

In the United States, the cyclical upturn looks set to continue. There was weak growth in the first quarter, though this was probably due to temporary factors. The level of activity is expected to pick up next year as a result of an expansionary fiscal policy. The rate of unemployment has declined further, while employment growth has been somewhat weaker in recent months. Overall, the labour market is still strong. Wage growth is nevertheless 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 its policy rate in both March and June and is expected to implement further rate increases in December this year and twice next year. In addition, the Federal Reserve will probably start to scale down its balance sheet by reducing reinvestments in Treasury bills and mortgage-backed securities during the year.

In the euro area, GDP growth in the first quarter was higher than expected and confidence indexes for households and businesses indicate a further recovery. Business investment is up and will probably represent a higher share of GDP after many years of sluggish growth. However, the confidence indexes appear to focus too strongly on activity levels. Moreover, consumption is expected to decline in step with higher inflation and lower growth in households' real income. Wage growth is still low and inflation is likely to remain below the central bank target for a long time. The European Central Bank will probably continue to pursue an expansionary monetary policy for many years and to gradually scale down its asset purchases, which will not end until 2019.

In the UK, there will probably be significantly weaker growth in the period ahead as a result of uncertainty about the exit agreement with the EU and new trade agreements. This will probably contribute to lowering both consumption and investments. In consequence of weaker growth, the Bank of England will keep its policy rate unchanged for a long time, in spite of the temporary high inflation resulting from the depreciating pound in the aftermath of the Brexit vote. Uncertainty regarding the process around Brexit and the results thereof makes future prospects more unpredictable than normal.

GDP growth for Mainland Norway was significantly stronger in the first quarter of the year than throughout last year and also showed signs of being broadly based. A less pronounced drop in oil investments and a certain rise in private consumption are expected to provide a slight increase in growth this year. From next year onwards, the upswing will be curbed by lower housing investment and a more neutral contribution from fiscal policy. Unemployment seems to have peaked. The unemployment rate has dropped from its highest level, 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 has also increased somewhat, but is still moderate.

The tightening of the home mortgage lending regulation as of 1 January 2017 has contributed to prices levelling off during the first six months of this year. Combined with greater housebuilding activity and the fact that mortgage rates appear to have bottomed out, this is expected to result in housing prices levelling off over the next few years. A general improvement in the Norwegian economy and continued low interest rates limit the downside in housing prices.

Consumer price growth has slowed markedly since the summer of 2016. The weak Norwegian krone 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 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.

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 and to increase the dividend per share each year. In order to optimise its capital structure, DNB plans a share buy-back programme in the second half of 2017, and approval has been given by Finanstilsynet. DNB will start the share buy-back in the third quarter, comprising about 0.5 per cent of registered shares. DNB may decide to initiate further buy-backs, up to the approved limit of 1.5 per cent, and will use buy-backs as a tool to pay out excess capital.

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

Oslo, 11 July 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 | 2nd quarter 2017 | 2nd quarter 2016 | 2017 | January-June 2016 | DNB Group<br>Full year 2016 |
|---|---|---|---|---|---|---|
| Total interest income | 5 | 13 709 | 12 880 | 26 931 | 26 175 | 52 424 |
| Total interest expenses | 5 | (4 677) | (4 336) | (9 379) | (8 918) | (18 314) |
| **Net interest income** | 5 | **9 031** | **8 544** | **17 552** | **17 257** | **34 110** |
| Commission and fee income | 6 | 3 026 | 2 992 | 5 971 | 5 786 | 11 452 |
| Commission and fee expenses | 6 | (866) | (856) | (1 737) | (1 659) | (3 172) |
| Net gains on financial instruments at fair value | 7 | 982 | 1 029 | 1 790 | 3 413 | 6 513 |
| Net financial result, DNB Livsforsikring | | 372 | (68) | 488 | (59) | (72) |
| Net risk result, DNB Livsforsikring | | 83 | 234 | 206 | 338 | 736 |
| Net insurance result, DNB Forsikring | | 189 | 204 | 344 | 319 | 648 |
| Profit from investments accounted for by the equity method | | 23 | 1 148 | (21) | 1 234 | 1 189 |
| Net gains on investment properties | | (14) | (18) | 0 | (23) | (35) |
| Other income | | 187 | 287 | 341 | 546 | 795 |
| **Net other operating income** | | **3 982** | **4 952** | **7 382** | **9 894** | **18 053** |
| **Total income** | | **13 014** | **13 496** | **24 934** | **27 151** | **52 163** |
| Salaries and other personnel expenses | 8 | (3 049) | (2 911) | (6 105) | (6 188) | (11 904) |
| Other expenses | 8 | (2 088) | (1 965) | (3 962) | (3 730) | (7 251) |
| Depreciation and impairment of fixed and intangible assets | 8 | (478) | (510) | (988) | (1 178) | (2 177) |
| **Total operating expenses** | 8 | **(5 615)** | **(5 385)** | **(11 055)** | **(11 096)** | **(21 333)** |
| **Pre-tax operating profit before impairment** | | **7 399** | **8 111** | **13 878** | **16 056** | **30 830** |
| Net gains on fixed and intangible assets | | 17 | (20) | 23 | (26) | (19) |
| Impairment of loans and guarantees | 9 | (597) | (2 321) | (1 159) | (3 495) | (7 424) |
| **Pre-tax operating profit** | | **6 819** | **5 770** | **12 743** | **12 534** | **23 387** |
| Tax expense | | (1 568) | (1 190) | (2 931) | (2 720) | (4 140) |
| Profit from operations held for sale, after taxes | | (14) | (10) | (31) | (23) | 4 |
| **Profit for the period** | | **5 237** | **4 569** | **9 781** | **9 791** | **19 251** |
| Portion attributable to shareholders | | 5 000 | 4 454 | 9 304 | 9 561 | 18 656 |
| Portion attributable to additional Tier 1 capital holders | | 238 | 115 | 478 | 230 | 595 |
| **Profit for the period** | | **5 237** | **4 569** | **9 781** | **9 791** | **19 251** |
| Earnings/diluted earnings per share (NOK) | | 3.07 | 2.74 | 5.71 | 5.88 | 11.46 |
| Earnings per share excluding operations held for sale (NOK) | | 3.08 | 2.74 | 5.73 | 5.89 | 11.46 |

# Comprehensive income statement

| Amounts in NOK million | 2nd quarter 2017 | 2nd quarter 2016 | 2017 | January-June 2016 | DNB Group<br>Full year 2016 |
|---|---|---|---|---|---|
| **Profit for the period** | **5 237** | **4 569** | **9 781** | **9 791** | **19 251** |
| Actuarial gains and losses | | | | (39) | (183) |
| Property revaluation | (28) | 1 | (6) | 3 | 47 |
| Items allocated to customers (life insurance) | 28 | (1) | 6 | (3) | (47) |
| Items that will not be reclassified to the income statement | | | | (39) | (183) |
| Currency translation of foreign operations [1)] | 895 | (1 340) | 1 426 | (5 716) | (6 476) |
| Currency translation reserve reclassified to the income statement | | (43) | | (43) | (43) |
| Hedging of net investment [2)] | (516) | 843 | (768) | 3 811 | 4 346 |
| Investments according to the equity method [3)] | 12 | | 100 | (33) | (25) |
| Investments according to the equity method, reclassified to the income statement [3)] | | (855) | | (855) | (855) |
| Items that may subsequently be reclassified to the income statement | 391 | (1 395) | 757 | (2 837) | (3 052) |
| **Other comprehensive income for the period (net of tax)** | **391** | **(1 395)** | **757** | **(2 875)** | **(3 236)** |
| **Comprehensive income for the period** | **5 629** | **3 173** | **10 538** | **6 915** | **16 015** |

*1) Currency translation effects related to the Baltics represented a gain of NOK 574 million in the second quarter of 2017.*

*2) Hedging of net investments in the Baltics represented a loss of NOK 372 million in the second 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 | DNB Group<br>30 June 2017 | 31 Dec. 2016 | 30 June 2016 |
|---|---|---|---|---|
| **Assets** | | | | |
| Cash and deposits with central banks | | 265 552 | 208 263 | 154 438 |
| Due from credit institutions | 12, 13 | 160 749 | 176 442 | 214 902 |
| Loans to customers | 10, 11, 12, 13 | 1 551 738 | 1 509 078 | 1 542 285 |
| Commercial paper and bonds at fair value | 13, 14 | 274 258 | 296 642 | 300 706 |
| Shareholdings | 13 | 26 794 | 22 512 | 25 626 |
| Financial assets, customers bearing the risk | 13 | 67 680 | 60 220 | 52 893 |
| Financial derivatives | 13 | 139 643 | 157 940 | 198 953 |
| Commercial paper and bonds, held to maturity | 12, 14 | 88 191 | 94 008 | 99 489 |
| Investment properties | 15 | 16 139 | 15 912 | 16 419 |
| Investments accounted for by the equity method | | 7 936 | 7 768 | 7 869 |
| Intangible assets | | 5 854 | 5 814 | 5 903 |
| Deferred tax assets | | 1 391 | 1 404 | 1 061 |
| Fixed assets | | 8 317 | 7 949 | 8 565 |
| Assets held for sale | 16 | 55 950 | 52 541 | 180 |
| Other assets | | 52 616 | 36 709 | 35 867 |
| **Total assets** | | **2 722 809** | **2 653 201** | **2 665 157** |
| **Liabilities and equity** | | | | |
| Due to credit institutions | 12, 13 | 215 633 | 212 882 | 189 824 |
| Deposits from customers | 12, 13 | 1 008 878 | 934 897 | 961 138 |
| Financial derivatives | 13 | 111 659 | 130 161 | 156 121 |
| Debt securities issued | 12, 13, 17 | 758 402 | 765 869 | 811 523 |
| Insurance liabilities, customers bearing the risk | | 67 680 | 60 220 | 52 893 |
| Liabilities to life insurance policyholders in DNB Livsforsikring | | 209 230 | 208 160 | 210 027 |
| Insurance liabilities, DNB Forsikring | | 2 206 | 1 892 | 2 108 |
| Payable taxes | | 1 900 | 8 874 | 5 080 |
| Deferred taxes | | 3 915 | 3 816 | 7 950 |
| Other liabilities | | 58 603 | 44 568 | 43 174 |
| Liabilities held for sale | 16 | 43 106 | 41 243 | 59 |
| Provisions | | 2 129 | 2 094 | 1 725 |
| Pension commitments | | 2 974 | 2 756 | 2 757 |
| Subordinated loan capital | 12, 13, 17 | 29 426 | 29 347 | 29 498 |
| **Total liabilities** | | **2 515 741** | **2 446 779** | **2 473 878** |
| Share capital | | 16 288 | 16 286 | 16 282 |
| Share premium | | 22 609 | 22 609 | 22 609 |
| Additional Tier 1 capital | | 15 787 | 15 952 | 9 559 |
| Other equity | | 152 385 | 151 576 | 142 829 |
| **Total equity** | | **207 069** | **206 423** | **191 279** |
| **Total liabilities and equity** | | **2 722 809** | **2 653 201** | **2 665 157** |

# 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 | | | 230 | | | | 9 561 | 9 791 |
| Other comprehensive income (net of tax) | | | | (39) | (5 760) | 3 811 | (889) | (2 875) |
| Comprehensive income for the period | | | 230 | (39) | (5 760) | 3 811 | 8 673 | 6 915 |
| Additional Tier 1 capital issued | | | 1 400 | | | | | 1 400 |
| Interest payments additional Tier 1 capital | | | (412) | | | | | (412) |
| Currency movements taken to income | | | (11) | | | | 11 | |
| Dividends paid for 2015 (NOK 4.50 per share) | | | | | | | (7 330) | (7 330) |
| Net purchase of treasury shares | 25 | | | | | | 256 | 281 |
| **Balance sheet as at 30 June 2016** | **16 282** | **22 609** | **9 559** | **(564)** | **12 557** | **(8 037)** | **138 873** | **191 279** |
| | | | | | | | | |
| **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 | | | 478 | | | | 9 304 | 9 781 |
| Other comprehensive income (net of tax) | | | | | 1 426 | (768) | 100 | 757 |
| Comprehensive income for the period | | | 478 | | 1 426 | (768) | 9 403 | 10 538 |
| Interest payments additional Tier 1 capital | | | (636) | | | | | (636) |
| Currency movements taken to income | | | (7) | | | | 7 | |
| Dividends paid for 2016 (NOK 5.70 per share) | | | | | | | (9 284) | (9 284) |
| Net purchase of treasury shares | 2 | | | | | | 26 | 28 |
| **Balance sheet as at 30 June 2017** | **16 288** | **22 609** | **15 787** | **(692)** | **13 224** | **(8 270)** | **148 122** | **207 069** |

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

| | Share capital | Share premium | Additional Tier 1 capital | Actuarial gains and losses | Currency translation reserve | Net investment hedge reserve | Other equity | Total equity |
|---|---|---|---|---|---|---|---|---|
| *Balance sheet as at 31 December 2016* | *(2)* | | | | | | *(26)* | *(28)* |
| *Net purchase of treasury shares* | *2* | | | | | | *26* | *28* |
| *Reversal of fair value adjustments through the income statement* | | | | | | | | |
| *Balance sheet as at 30 June 2017* | *0* | | | | | | *0* | *0* |

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

| | Share capital | Share premium | Additional Tier 1 capital | Actuarial gains and losses | Currency translation reserve | Net investment hedge reserve | Other equity | Total equity |
|---|---|---|---|---|---|---|---|---|
| *Balance sheet as at 31 December 2016* | | | | | *1 015* | *(712)* | | *304* |
| *Other comprehensive income* | | | | | *454* | *(266)* | | *188* |
| *Balance sheet as at 30 June 2017* | | | | | *1 469* | *(978)* | | *491* |

*Currency translation reserve and net investment hedge reserve related to the Baltics totaled NOK 491 million as at 30 June 2017, of which NOK 369 million represented accumulated tax on the hedging instruments.*

# Cash flow statement

| Amounts in NOK million | 2017 | January-June 2016 | DNB Group Full year 2016 |
|---|---|---|---|
| **Operating activities** | | | |
| Net payments on loans to customers | (39 785) | (23 955) | (41 244) |
| Interest received from customers | 23 699 | 23 608 | 46 858 |
| Net receipts on deposits from customers | 69 332 | 29 727 | 42 821 |
| Interest paid to customers | (828) | (153) | (3 656) |
| Net receipts on loans to credit institutions | 29 027 | 107 216 | 166 440 |
| Interest received from credit institutions | 1 100 | 635 | 1 258 |
| Interest paid to credit institutions | (1 099) | (589) | (1 661) |
| Net receipts/payments on the sale of financial assets for investment or trading | 41 959 | (2 651) | 20 955 |
| Interest received on bonds and commercial paper | 3 070 | 2 294 | 4 488 |
| Net receipts on commissions and fees | 4 323 | 3 947 | 8 303 |
| Payments to operations | (10 183) | (8 467) | (20 032) |
| Taxes paid | (9 611) | (1 073) | (2 918) |
| Receipts on premiums | 7 422 | 8 350 | 15 599 |
| Net receipts/payments on premium reserve transfers | 1 501 | 423 | (1 512) |
| Payments of insurance settlements | (7 808) | (7 497) | (14 745) |
| Other payments | (9 364) | (2 992) | (5 583) |
| **Net cash flow from operating activities** | **102 752** | **128 823** | **215 372** |
| **Investing activities** | | | |
| Net payments on the acquisition of fixed assets | (1 359) | (742) | (1 540) |
| Net receipts/payments, investment properties | 188 | 301 | (1 512) |
| Receipts on the sale of long-term investments in shares | 89 | 860 | 861 |
| Dividends received on long-term investments in shares | 7 | 39 | 66 |
| **Net cash flow from investment activities** | **(1 074)** | **459** | **(2 124)** |
| **Financing activities** | | | |
| Receipts on issued bonds and commercial paper | 931 863 | 7 962 761 | 8 995 908 |
| Payments on redeemed bonds and commercial paper | (950 470) | (7 935 165) | (9 000 786) |
| Interest payments on issued bonds and commercial paper | (9 256) | (10 484) | (16 016) |
| Receipts on the raising of subordinated loan capital | 10 106 | | 738 |
| Redemptions of subordinated loan capital | (10 544) | (3) | (3) |
| Interest payments on subordinated loan capital | (470) | (425) | (923) |
| Receipts on issued additional Tier 1 capital | | 1 400 | 7 520 |
| Interest payments on additional Tier 1 capital | (636) | (412) | (516) |
| Dividend payments | (9 284) | (7 330) | (7 330) |
| **Net cash flow from funding activities** | **(38 692)** | **10 342** | **(21 408)** |
| **Effects of exchange rate changes on cash and cash equivalents** | **(2 639)** | **(4 403)** | **(272)** |
| **Net cash flow** | **60 348** | **135 220** | **191 567** |
| Cash as at 1 January | 214 807 | 23 239 | 23 239 |
| Net receipts/payments of cash | 60 348 | 135 220 | 191 567 |
| Cash at end of period *) | 275 155 | 158 460 | 214 807 |

| | 2017 | January-June 2016 | Full year 2016 |
|---|---|---|---|
| **) Of which: Cash and deposits with central banks* | *269 880* | *154 438* | *211 908* |
| *Deposits with credit institutions with no agreed period of notice 1)* | *5 275* | *4 021* | *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 were redefined in first quarter 2017. 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 DNB Group's resources. Special product areas are responsible for production and development for parts of the product range and for ensuring that the DNB Group meets the needs of the various customer segments. Reported figures for the different segments will reflect the DNB Group's total sales of products and services to the relevant customer segments. Following the reorganisation announced in September 2016, the DNB Group has changed its distribution of the profit from DNB Finans' operations between the three customer segments. As of 1 January 2017, profit from DNB Finans' operations in Sweden are divided between the personal customer segment, the small and medium-sized enterprises segment and the large corporates and international customers segment. Profit from DNB Finans' operations in Denmark are divided between the small and medium-sized enterprises segment and the large corporates and international customers segment. Previously, profits from these operations were included in the large corporates and international customers segment. The distribution of profit from DNB Finans' operations in Norway on the various segments has also been changed. Figures for 2016 have been adjusted correspondingly.

| | | |
|---|---|---|
| Personal customers | - | includes the DNB 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 DNB 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 DNB 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 DNB Group's adaptation to Basel III with capital requirement related to credit risk, market risk and operational risk. The allocation of capital for credit risk is based on the DNB 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, second 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 | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2nd quarter | | 2nd quarter | | 2nd quarter | | 2nd quarter | | 2nd quarter | | 2nd quarter | | 2nd quarter | |
| *Amounts in NOK million* | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| Net interest income | 3 306 | 3 221 | 2 121 | 1 933 | 3 330 | 3 231 | 5 | 3 | | | 269 | 157 | 9 031 | 8 544 |
| Net other operating income | 1 392 | 1 387 | 515 | 521 | 1 524 | 1 611 | 448 | 688 | 536 | 315 | (433) | 432 | 3 982 | 4 952 |
| Total income | 4 698 | 4 607 | 2 636 | 2 454 | 4 854 | 4 841 | 454 | 690 | 536 | 315 | (164) | 588 | 13 014 | 13 496 |
| Operating expenses | (2 111) | (2 081) | (1 053) | (1 025) | (2 027) | (1 803) | (135) | (131) | (89) | (118) | (199) | (227) | (5 615) | (5 385) |
| Pre-tax operating profit before impairment | 2 587 | 2 526 | 1 582 | 1 429 | 2 827 | 3 038 | 319 | 560 | 447 | 197 | (363) | 361 | 7 399 | 8 111 |
| Net gains on fixed and intangible assets | (0) | | (0) | (1) | 18 | 5 | | | | | (0) | (24) | 17 | (20) |
| Impairment of loans and guarantees [3] | (100) | (89) | (127) | (209) | (362) | (2 028) | | (0) | | | (7) | 4 | (597) | (2 321) |
| Profit from repossessed operations | | | (17) | (12) | (4) | (5) | | | | | 21 | 16 | | |
| Pre-tax operating profit | 2 486 | 2 437 | 1 438 | 1 208 | 2 479 | 1 011 | 319 | 560 | 447 | 197 | (350) | 358 | 6 819 | 5 770 |
| Tax expense | (622) | (609) | (359) | (302) | (694) | (273) | (73) | (140) | (14) | (31) | 195 | 164 | (1 568) | (1 190) |
| Profit from operations held for sale, after taxes | | (0) | | | (0) | (0) | | | | | (14) | (10) | (14) | (10) |
| Profit for the period | 1 865 | 1 828 | 1 078 | 906 | 1 785 | 738 | 246 | 420 | 432 | 166 | (169) | 512 | 5 237 | 4 569 |

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 | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2nd quarter | | 2nd quarter | | 2nd quarter | | 2nd quarter | | 2nd quarter | | 2nd quarter | | 2nd quarter | |
| *Amounts in NOK billion* | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| Loans to customers [1,2] | 719.1 | 681.7 | 274.3 | 256.1 | 508.4 | 534.3 | 33.1 | 25.3 | 38.1 | 27.9 | (31.7) | 6.3 | 1 541.4 | 1 531.6 |
| Deposits from customers [1,2] | 399.1 | 398.8 | 205.2 | 173.5 | 391.9 | 378.5 | 91.8 | 132.7 | | | (48.3) | (6.8) | 1 039.6 | 1 076.8 |
| Assets under management | 82.4 | 74.9 | 86.3 | 69.4 | 202.9 | 180.6 | | | 203.1 | 203.6 | 24.9 | 18.8 | 599.7 | 547.2 |
| Allocated capital [3] | 39.4 | 40.2 | 26.1 | 26.7 | 86.1 | 83.1 | 7.2 | 7.4 | 20.7 | 19.4 | | | | |

### 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 | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2nd quarter | | 2nd quarter | | 2nd quarter | | 2nd quarter | | 2nd quarter | | 2nd quarter | | 2nd quarter | |
| *Per cent* | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| Cost/income ratio [4] | 44.9 | 45.2 | 40.0 | 41.8 | 41.8 | 37.2 | 29.7 | 18.9 | 16.6 | 37.5 | | | 43.1 | 39.9 |
| Ratio of deposits to loans [2,5] | 55.5 | 58.5 | 74.8 | 67.8 | 77.1 | 70.8 | | | | | | | 67.4 | 70.3 |
| Return on allocated capital, annualised [3] | 19.0 | 18.3 | 16.6 | 13.7 | 8.3 | 3.6 | 13.8 | 22.8 | 8.4 | 3.4 | | | 10.4 | 9.9 |

1) *Loans to and deposits from customers in the Baltics are included under Large corporates and international customers in spite of being reclassified as assets and liabilities held for sale in August 2016. The reclassification is reflected under Other operations/eliminations. Reclassified loans amounted to NOK 46.8 billion and deposits to NOK 37.9 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/Solvency II) 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)

## Income statement, January - June

**DNB Group**

| | Personal customers | | Small and medium-sized enterprises | | Large corporates and international customers | | Trading | | Traditional pension products [1] | | Other operations/ eliminations | | DNB Group | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Jan.-June | | Jan.-June | | Jan.-June | | Jan.-June | | Jan.-June | | Jan.-June | | Jan.-June | |
| *Amounts in NOK million* | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| Net interest income | 6 420 | 6 511 | 4 156 | 3 870 | 6 431 | 6 613 | 26 | 8 | | | 520 | 254 | 17 552 | 17 257 |
| Net other operating income | 2 583 | 2 541 | 1 073 | 991 | 2 973 | 2 886 | 1 178 | 1 025 | 891 | 654 | (1 316) | 1 797 | 7 382 | 9 894 |
| Total income | 9 003 | 9 053 | 5 229 | 4 861 | 9 404 | 9 499 | 1 203 | 1 033 | 891 | 654 | (796) | 2 051 | 24 934 | 27 151 |
| Operating expenses | (4 214) | (4 575) | (2 217) | (2 039) | (3 934) | (3 672) | (263) | (262) | (185) | (247) | (242) | (301) | (11 055) | (11 096) |
| Pre-tax operating profit before impairment | 4 789 | 4 478 | 3 011 | 2 823 | 5 470 | 5 827 | 940 | 771 | 706 | 407 | (1 038) | 1 750 | 13 878 | 16 056 |
| Net gains on fixed and intangible assets | (0) | 0 | (0) | 2 | 24 | 9 | | | | | (0) | (36) | 23 | (26) |
| Impairment of loans and guarantees | 10 | 351 | (117) | (467) | (1 059) | (3 386) | | | | | 7 | 7 | (1 159) | (3 495) |
| Profit from repossessed operations | | | (27) | (28) | (4) | (3) | | | | | 31 | 31 | | |
| Pre-tax operating profit | 4 799 | 4 829 | 2 867 | 2 328 | 4 430 | 2 447 | 940 | 771 | 706 | 407 | (1 000) | 1 752 | 12 743 | 12 534 |
| Tax expense | (1 200) | (1 207) | (717) | (582) | (1 240) | (661) | (216) | (193) | (44) | (38) | 487 | (40) | (2 931) | (2 720) |
| Profit from operations held for sale, after taxes | | (1) | | | (0) | 3 | | | | | (31) | (25) | (31) | (23) |
| Profit for the period | 3 599 | 3 620 | 2 150 | 1 746 | 3 190 | 1 789 | 724 | 578 | 662 | 369 | (544) | 1 687 | 9 781 | 9 791 |

## 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 | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 30 June | | 30 June | | 30 June | | 30 June | | 30 June | | 30 June | | 30 June | |
| *Amounts in NOK billion* | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| Loans to customers | 727.6 | 690.9 | 276.6 | 256.6 | 507.4 | 541.7 | 32.2 | 20.5 | 38.6 | 27.7 | (30.7) | 4.8 | 1 551.7 | 1 542.3 |
| Deposits from customers | 411.2 | 412.3 | 206.3 | 177.3 | 386.0 | 363.5 | 51.9 | 5.1 | | | (46.5) | 3.0 | 1 008.9 | 961.1 |

## Traditional pension products

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

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

**DNB Group**

| *Amounts in NOK million* | 2nd quarter 2017 | 2nd quarter 2016 | January-June 2017 | January-June 2016 | Full year 2016 |
|---|---|---|---|---|---|
| Recorded interest result | 581 | 659 | 1 061 | 665 | 1 185 |
| Risk result | 34 | 142 | 111 | 203 | 448 |
| Administration result | 77 | 83 | 159 | 189 | 327 |
| Upfront pricing of risk and guaranteed rate of return | 34 | 81 | 72 | 164 | 288 |
| Provisions for higher life expentancy, group pension [1] | (242) | (544) | (270) | (616) | (1 452) |
| Allocations to policyholders, products with guaranteed rates of return | (386) | (370) | (893) | (424) | (455) |
| Return on corporate portfolio | 349 | 145 | 467 | 227 | 439 |
| Pre-tax operating profit - Traditional pension products | 447 | 197 | 706 | 407 | 779 |

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

| *Amounts in NOK million* | *Accumulated balance 30 June 2017* |
|---|---|
| *Paid-up policies* | *9 504* |
| *Defined benefit* | *1 505* |
| *Total group pension [*)]* | *11 009* |

**) The total required increase in reserves for the portfolio as at 30 June 2017 was approximately NOK 11.3 billion.*

## Note 2 Segments (continued)

### Other operations/eliminations

Other operations/eliminations include IT and Operations, HR (Human Resources), Group Finance including Group Treasury, Risk Management, Corporate Communications, Vipps and Payments, the partially owned company Eksportfinans and 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* | 2nd quarter 2017 | 2nd quarter 2016 |
| Unallocated interest income | 26 | 64 |
| Income from equity investments | 48 | 8 |
| Gains on fixed and intangible assets | (0) | (24) |
| Mark-to-market adjustments on financial instruments | (228) | (243) |
| Basis swaps | (60) | (388) |
| Profit from associated companies | 23 | 1 148 |
| Net gains on investment properties | 5 | 2 |
| Profit from repossessed operations | 21 | 16 |
| Ownership-related expenses (costs relating to shareholders, investor relations, strategic planning etc.) | (90) | (119) |
| Unallocated personnel expenses | (90) | (113) |
| Unallocated IT and Operations expenses | 62 | (34) |
| Other | (68) | 40 |
| Pre-tax operating profit | (350) | 358 |

## Note 3 Capital adequacy

Capital adequacy is calculated and reported in accordance with the EU capital requirements regulations for banks and investment firms (CRD IV/CRR). The regulatory consolidation deviates from consolidation in the accounts and comprises the parent company, subsidiaries and associated companies within the financial sector, excluding insurance companies. DNB Livsforsikring and DNB Forsikring are thus not included in the calculations. Associated companies are consolidated pro rata. The figures as at 30 June 2017 are partially based on estimates.

| Primary capital | DNB Bank ASA | | DNB Bank Group | | DNB Group | |
|---|---|---|---|---|---|---|
| *Amounts in NOK million* | 30 June 2017 | 31 Dec. 2016 | 30 June 2017 | 31 Dec. 2016 | 30 June 2017 | 31 Dec. 2016 |
| Total equity excluding profit for the period | 167 972 | 168 104 | 185 588 | 190 078 | 197 765 | 206 423 |
| Effect from regulatory consolidation | | | (181) | (181) | (4 705) | (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 | (160) | (284) | (160) | (284) | (160) | (284) |
| Common equity Tier 1 capital instruments | 152 238 | 152 246 | 169 673 | 174 039 | 177 326 | 184 770 |
| Deductions | | | | | | |
| Pension funds above pension commitments | (6) | | (6) | | (6) | |
| Goodwill | (2 910) | (2 900) | (2 966) | (2 951) | (4 671) | (4 656) |
| Deferred tax assets that are not due to temporary differences | (224) | (224) | (599) | (482) | (599) | (482) |
| Other intangible assets | (721) | (699) | (1 034) | (946) | (1 034) | (946) |
| Dividends payable etc. | | | | (5 084) | (1 161) | (9 284) |
| Significant investments in financial sector entities [1] | | | | | (702) | |
| Expected losses exceeding actual losses, IRB portfolios | (394) | (6) | (525) | (153) | (525) | (153) |
| Value adjustments due to the requirements for prudent valuation (AVA) | (457) | (479) | (810) | (786) | (810) | (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) | (521) | (580) | (123) | (159) | (123) | (159) |
| Common equity Tier 1 capital | 147 112 | 147 467 | 163 520 | 163 389 | 167 606 | 168 214 |
| Common equity Tier 1 capital incl. 50 per cent of profit for the period | 150 592 | | 167 641 | | 172 031 | |
| 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] | | | | | (69) | (176) |
| Tier 1 capital | 162 686 | 164 938 | 179 094 | 180 860 | 183 110 | 185 509 |
| Tier 1 capital incl. 50 per cent of profit for the period | 166 165 | | 183 215 | | 187 536 | |
| Perpetual subordinated loan capital | 5 492 | 5 602 | 5 492 | 5 602 | 5 492 | 5 602 |
| Term subordinated loan capital | 23 573 | 21 249 | 23 573 | 21 249 | 23 573 | 21 249 |
| Deduction of holdings of Tier 2 instruments in DNB Livsforsikring and DNB Forsikring [3] | | | | | (5 750) | (5 750) |
| Non-eligible Tier 2 capital, DNB Group [2] | | | | | (1 707) | (1 440) |
| Tier 2 capital | 29 065 | 26 851 | 29 065 | 26 851 | 21 608 | 19 661 |
| Total eligible capital | 191 751 | 191 789 | 208 159 | 207 711 | 204 719 | 205 170 |
| Total eligible capital incl. 50 per cent of profit for the period | 195 230 | | 212 279 | | 209 144 | |
| Risk-weighted volume, transitional rules [4] | 839 637 | 773 244 | 1 060 913 | 1 040 888 | 1 087 122 | 1 051 498 |
| Minimum capital requirement, transitional rules | 67 171 | 61 860 | 84 873 | 83 271 | 86 970 | 84 120 |
| Common equity Tier 1 capital ratio, transitional rules (%) | 17.9 | 19.1 | 15.8 | 15.7 | 15.8 | 16.0 |
| Tier 1 capital ratio, transitional rules (%) | 19.8 | 21.3 | 17.3 | 17.4 | 17.3 | 17.6 |
| Capital ratio, transitional rules (%) | 23.3 | 24.8 | 20.0 | 20.0 | 19.2 | 19.5 |
| Common equity Tier 1 capital ratio, transitional rules, excluding 50 per cent of profit for the period (%) | 17.5 | | 15.4 | | 15.4 | |
| Tier 1 capital ratio, transitional rules, excluding 50 per cent of profit for the period (%) | 19.4 | | 16.9 | | 16.8 | |
| Capital ratio, transitional rules, excluding 50 per cent of profit for the period (%) | 22.8 | | 19.6 | | 18.8 | |

*1) Deductions are 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.*

*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) Investments in Tier 2 instruments issued by DNB Livsforsikring and DNB Forsikring are deducted from the Group's Tier 2 capital.*

*4) 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 30 June 2017 | EAD [1] 30 June 2017 | Average risk weights in per cent 30 June 2017 | Risk-weighted volume 30 June 2017 | Capital requirement 30 June 2017 | Capital requirement 31 Dec. 2016 |
|---|---|---|---|---|---|---|
| IRB approach | | | | | | |
| Corporate | 1 032 894 | 836 307 | 59.3 | 495 742 | 39 659 | 32 619 |
| Specialised lending (SL) | 13 426 | 12 687 | 49.0 | 6 212 | 497 | 356 |
| Retail - mortgages | 717 347 | 717 347 | 22.0 | 157 873 | 12 630 | 12 465 |
| Retail - other exposures | 111 579 | 91 481 | 25.5 | 23 321 | 1 866 | 1 901 |
| Securitisation | 10 518 | 10 518 | 97.2 | 10 226 | 818 | 937 |
| Total credit risk, IRB approach | 1 885 763 | 1 668 338 | 41.6 | 693 373 | 55 470 | 48 279 |
| Standardised approach | | | | | | |
| Central government | 59 506 | 71 019 | 0.1 | 65 | 5 | 7 |
| Institutions | 162 795 | 107 178 | 28.2 | 30 233 | 2 419 | 1 989 |
| Corporate | 175 622 | 140 281 | 87.1 | 122 122 | 9 770 | 8 767 |
| Retail - mortgages | 54 505 | 51 918 | 44.8 | 23 284 | 1 863 | 1 805 |
| Retail - other exposures | 149 675 | 64 458 | 71.1 | 45 805 | 3 664 | 2 939 |
| Equity positions | 19 997 | 19 996 | 230.4 | 46 062 | 3 685 | 3 623 |
| Securitisation | 1 134 | 534 | 55.8 | 298 | 24 | 41 |
| Other assets | 14 501 | 14 501 | 69.2 | 10 034 | 803 | 848 |
| Total credit risk, standardised approach | 637 736 | 469 886 | 59.1 | 277 903 | 22 232 | 20 018 |
| Total credit risk | 2 523 499 | 2 138 224 | 45.4 | 971 276 | 77 702 | 68 297 |
| Market risk | | | | | | |
| Position risk, debt instruments | | | | 11 233 | 899 | 1 169 |
| Position risk, equity instruments | | | | 243 | 19 | 25 |
| Currency risk | | | | | | |
| Commodity risk | | | | 26 | 2 | 6 |
| Credit value adjustment risk (CVA) | | | | 6 009 | 481 | 490 |
| Total market risk | | | | 17 511 | 1 401 | 1 690 |
| Operational risk | | | | 83 370 | 6 670 | 6 670 |
| Net insurance, after eliminations | | | | | | |
| Total risk-weighted volume and capital requirements before transitional rules | | | | 1 072 158 | 85 773 | 76 657 |
| Additional capital requirements according to transitional rules [2] | | | | 14 964 | 1 197 | 7 463 |
| Total risk-weighted volume and capital requirements | | | | 1 087 122 | 86 970 | 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 66.2 per cent at end-June 2017, up from 62.9 per cent a year earlier. The ratio of deposits to net loans in DNB Bank ASA was 137.3 per cent at end-June 2017.

The short-term funding markets were sound in the second quarter of 2017. The European market has been characterised by limited interest in short maturities, while the rising yield curve in the US has rekindled interest in longer maturities. In line with expectations, more banks are able to use the US commercial paper market, which has resulted in a certain rise in prices for DNB and the bank's Scandinavian peers. DNB had ample access to short-term funding throughout the quarter.

The level of activity in the long-term funding markets was somewhat lower in the second quarter than in the first quarter, but picked up towards the end of the quarter. Issue activity in the euro market for covered bonds was lower in the first half of 2017 than in the corresponding period in 2016. This was largely due to the final round of the ECB's targeted longer-term refinancing operations, TLTRO, which somewhat 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. This has also resulted in a higher level of activity in the market for subordinated loans (Tier 2), as such loans have become more interesting to investors than subordinated senior bonds. Prices of both senior bonds and covered bonds remain roughly at the same low level as in the first quarter.

The short-term liquidity requirement, Liquidity Coverage Ratio (LCR), remained stable at above 100 per cent throughout the quarter. At end-June, the total LCR was 123 per cent, with an LCR of 591 per cent for EUR, 147 per cent for USD and 76 per cent for NOK.

The average remaining term to maturity for the portfolio of senior bond debt and covered bonds was 4.1 years at end-June 2017, up from 4.0 years 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* | 2nd quarter 2017 | 2nd quarter 2016 | 2017 | January-June 2016 | Full year 2016 |
| Interest on amounts due from credit institutions | 632 | 159 | 1 179 | 606 | 1 340 |
| Interest on loans to customers | 11 285 | 11 005 | 22 322 | 22 167 | 44 229 |
| Interest on impaired loans and guarantees | 291 | 204 | 558 | 349 | 911 |
| Interest on commercial paper and bonds | 1 117 | 1 119 | 2 300 | 2 246 | 4 626 |
| Front-end fees etc. | 84 | 71 | 158 | 144 | 294 |
| Other interest income | 299 | 322 | 416 | 663 | 1 024 |
| **Total interest income** | **13 709** | **12 880** | **26 931** | **26 175** | **52 424** |
| | | | | | |
| Interest on amounts due to credit institutions | (625) | (303) | (1 099) | (617) | (1 705) |
| Interest on deposits from customers | (1 872) | (1 631) | (3 659) | (3 307) | (6 645) |
| Interest on debt securities issued | (2 821) | (3 147) | (5 644) | (6 397) | (12 385) |
| Interest on subordinated loan capital | (105) | (132) | (240) | (269) | (532) |
| Guarantee fund levy [1)] | (176) | (187) | (351) | (380) | (768) |
| Other interest expenses [2)] | 922 | 1 065 | 1 614 | 2 053 | 3 720 |
| **Total interest expenses** | **(4 677)** | **(4 336)** | **(9 379)** | **(8 918)** | **(18 314)** |
| **Net interest income** | **9 031** | **8 544** | **17 552** | **17 257** | **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 | 2nd quarter 2017 | 2nd quarter 2016 | January-June 2017 | January-June 2016 | Full year 2016 |
|---|---|---|---|---|---|
| | | | | | **DNB Group** |
| Money transfers | 990 | 926 | 1 950 | 1 866 | 3 725 |
| Asset management services | 342 | 356 | 649 | 693 | 1 267 |
| Custodial services | 99 | 86 | 185 | 161 | 315 |
| Securities broking | 163 | 143 | 375 | 279 | 616 |
| Corporate finance | 203 | 195 | 408 | 305 | 767 |
| Interbank fees | 5 | 6 | 9 | 12 | 23 |
| Credit broking | 113 | 149 | 249 | 275 | 491 |
| Sale of insurance products | 559 | 627 | 1 131 | 1 280 | 2 418 |
| Real estate broking | 354 | 343 | 623 | 589 | 1 121 |
| Other commissions and fees | 199 | 161 | 393 | 327 | 708 |
| **Total commission and fee income** | **3 026** | **2 992** | **5 971** | **5 786** | **11 452** |
| Money transfers | (521) | (450) | (1 029) | (876) | (1 795) |
| Asset management services | (32) | (64) | (63) | (129) | (104) |
| Custodial services | (42) | (28) | (95) | (63) | (172) |
| Securities broking | (30) | (66) | (73) | (119) | (177) |
| Corporate finance | (42) | (24) | (77) | (41) | (73) |
| Interbank fees | (13) | (16) | (24) | (28) | (57) |
| Credit broking | (2) | (6) | (7) | (15) | (26) |
| Sale of insurance products | (46) | (64) | (97) | (111) | (202) |
| Other commissions and fees | (138) | (138) | (271) | (276) | (567) |
| **Total commission and fee expenses** | **(866)** | **(856)** | **(1 737)** | **(1 659)** | **(3 172)** |
| **Net commission and fee income** | **2 161** | **2 136** | **4 234** | **4 127** | **8 280** |

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

| Amounts in NOK million | 2nd quarter 2017 | 2nd quarter 2016 | January-June 2017 | January-June 2016 | Full year 2016 |
|---|---|---|---|---|---|
| | | | | | **DNB Group** |
| Dividends | 77 | 82 | 70 | 92 | 140 |
| Net gains on commercial paper and bonds | (63) | 206 | 67 | 1 053 | (1 810) |
| Net gains on shareholdings and equity-related derivatives | 19 | 79 | 53 | (30) | 356 |
| Net unrealised gains on basis swaps | (60) | (388) | (680) | 615 | (542) |
| Net gains on other financial instruments | 1 009 | 1 051 | 2 281 | 1 683 | 8 368 |
| **Net gains on financial instruments at fair value** | **982** | **1 029** | **1 790** | **3 413** | **6 513** |

## Note 8 Operating expenses

| | | | | | DNB Group |
|---|---|---|---|---|---|
| *Amounts in NOK million* | 2nd quarter 2017 | 2nd quarter 2016 | 2017 | January-June 2016 | Full year 2016 |
| Salaries | (2 101) | (2 031) | (4 122) | (4 113) | (8 190) |
| Employer's national insurance contributions | (367) | (297) | (768) | (619) | (1 301) |
| Pension expenses | (328) | (314) | (642) | (634) | (1 035) |
| Restructuring expenses | (89) | (101) | (247) | (495) | (720) |
| Other personnel expenses | (164) | (168) | (326) | (327) | (658) |
| **Total salaries and other personnel expenses** | **(3 049)** | **(2 911)** | **(6 105)** | **(6 188)** | **(11 904)** |
| Fees [1)] | (557) | (407) | (971) | (721) | (1 631) |
| IT expenses [1)] | (544) | (577) | (1 111) | (1 138) | (2 107) |
| Postage and telecommunications | (54) | (61) | (110) | (124) | (238) |
| Office supplies | (18) | (19) | (35) | (38) | (76) |
| Marketing and public relations | (278) | (245) | (457) | (426) | (815) |
| Travel expenses | (67) | (59) | (118) | (107) | (237) |
| Reimbursement to Norway Post for transactions executed | (49) | (51) | (98) | (102) | (198) |
| Training expenses | (17) | (12) | (35) | (30) | (62) |
| Operating expenses on properties and premises | (289) | (300) | (597) | (609) | (1 191) |
| Operating expenses on machinery, vehicles and office equipment | (23) | (30) | (41) | (52) | (93) |
| Other operating expenses | (193) | (205) | (389) | (385) | (604) |
| **Total other expenses** | **(2 088)** | **(1 965)** | **(3 962)** | **(3 730)** | **(7 251)** |
| Depreciation and impairment of fixed and intangible assets | (478) | (510) | (988) | (1 178) | (2 177) |
| **Total depreciation and impairment of fixed and intangible assets** | **(478)** | **(510)** | **(988)** | **(1 178)** | **(2 177)** |
| **Total operating expenses** | **(5 615)** | **(5 385)** | **(11 055)** | **(11 096)** | **(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* | 2nd quarter 2017 | 2nd quarter 2016 | 2017 | January-June 2016 | Full year 2016 |
|---|---|---|---|---|---|
| | | | | | **DNB Group** |
| Write-offs | (248) | (638) | (368) | (801) | (1 359) |
| New/increased individual impairment | (1 019) | (1 335) | (2 405) | (2 728) | (5 910) |
| Total new/increased individual impairment | (1 267) | (1 973) | (2 773) | (3 528) | (7 269) |
| Reassessed individual impairment previous years | 615 | 319 | 1 607 | 700 | 990 |
| Recoveries on loans and guarantees previously written off | 98 | 62 | 149 | 708 | 999 |
| Net individual impairment | (553) | (1 592) | (1 017) | (2 120) | (5 280) |
| Change in collective impairment of loans | (44) | (729) | (142) | (1 375) | (2 144) |
| **Impairment of loans and guarantees 1)** | **(597)** | **(2 321)** | **(1 159)** | **(3 495)** | **(7 424)** |
| Write-offs covered by individual impairment made in previous years | 1 003 | 855 | 1 606 | 1 489 | 2 803 |
| *1) Of which individual impairment of guarantees* | *(226)* | *(90)* | *(17)* | *(92)* | *(344)* |

## Note 10 Loans to customers

| *Amounts in NOK million* | 30 June 2017 | 31 Dec. 2016 | 30 June 2016 |
|---|---|---|---|
| | | | **DNB Group** |
| **Loans at amortised cost** | | | |
| Loans to customers, nominal amount | 1 430 820 | 1 384 022 | 1 426 386 |
| Individual impairment | (8 026) | (8 566) | (8 599) |
| Loans to customers, after individual impairment | 1 422 793 | 1 375 456 | 1 417 787 |
| Accrued interest and amortisation | 1 675 | 1 877 | 2 115 |
| Individual impairment of accrued interest and amortisation | (499) | (494) | (680) |
| Collective impairment | (4 601) | (4 488) | (3 816) |
| Loans to customers, at amortised cost | 1 419 368 | 1 372 351 | 1 415 406 |
| **Loans at fair value** | | | |
| Loans to customers, nominal amount | 130 867 | 135 370 | 124 418 |
| Accrued interest | 153 | 193 | 182 |
| Adjustment to fair value | 1 350 | 1 164 | 2 279 |
| Loans to customers, at fair value | 132 370 | 136 727 | 126 879 |
| **Loans to customers *) 1)** | **1 551 738** | **1 509 078** | **1 542 285** |
| **) Of which repo trading volumes* | *31 926* | *29 466* | *20 119* |

*1) Loans to customers in the Baltics were reclassified as assets held for sale in August 2016 and amounted to NOK 47 933 million at end-June 2017.*

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

| | DNB Group | | |
|---|---|---|---|
| *Amounts in NOK million* | 30 June 2017 | 31 Dec. 2016 | 30 June 2016 |
| Private individuals | 2 402 | 2 290 | 2 546 |
| Transportation by sea and pipelines and vessel construction | 4 117 | 2 748 | 2 075 |
| Real estate | 1 641 | 1 826 | 1 900 |
| Manufacturing | 2 406 | 3 986 | 3 713 |
| Services | 532 | 797 | 771 |
| Trade | 421 | 790 | 477 |
| Oil and gas | 2 735 | 3 625 | 3 617 |
| Transportation and communication | 2 440 | 3 905 | 1 638 |
| Building and construction | 688 | 749 | 618 |
| Power and water supply | 1 190 | 386 | 14 |
| Seafood | 50 | 44 | 12 |
| Hotels and restaurants | 57 | 61 | 85 |
| Agriculture and forestry | 81 | 107 | 66 |
| Central and local government | 0 | 0 | 5 |
| Other sectors | 18 | 19 | 24 |
| Total customers | 18 778 | 21 331 | 17 561 |
| Credit institutions | | | |
| Total net impaired loans and guarantees | 18 778 | 21 331 | 17 561 |
| Non-performing loans and guarantees not subject to impairment | 4 789 | 4 322 | 3 125 |
| Total net non-performing and doubtful loans and guarantees | 23 567 | 25 654 | 20 685 |

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 1 916 million at end-June 2017.

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

| | DNB Group | | | |
|---|---|---|---|---|
| | 30 June 2017 | | 30 June 2016 | |
| *Amounts in NOK million* | Carrying amount | Fair value | Carrying amount | Fair value |
| Cash and deposits with central banks | 2 370 | 2 370 | 5 634 | 5 634 |
| Due from credit institutions | 23 188 | 23 188 | 24 065 | 24 065 |
| Loans to customers | 1 419 368 | 1 422 434 | 1 415 406 | 1 417 228 |
| Commercial paper and bonds, held to maturity | 88 191 | 96 470 | 99 489 | 110 543 |
| Total financial assets | 1 533 118 | 1 544 462 | 1 544 594 | 1 557 471 |
| Due to credit institutions | 39 454 | 39 454 | 30 308 | 30 308 |
| Deposits from customers | 945 831 | 945 831 | 921 028 | 921 028 |
| Securities issued [1)] | 515 195 | 523 489 | 549 764 | 554 447 |
| Subordinated loan capital [1)] | 26 556 | 26 265 | 28 264 | 28 274 |
| Total financial liabilities | 1 527 035 | 1 535 038 | 1 529 364 | 1 534 057 |

*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 30 June 2017** | | | | |
| Deposits with central banks | | 263 182 | | 263 182 |
| Due from credit institutions | | 137 561 | | 137 561 |
| Loans to customers | | 47 887 | 84 483 | 132 370 |
| Commercial paper and bonds at fair value | 48 994 | 224 965 | 298 | 274 258 |
| Shareholdings | 6 126 | 15 854 | 4 814 | 26 794 |
| Financial assets, customers bearing the risk | | 67 680 | | 67 680 |
| Financial derivatives | | 138 408 | 1 235 | 139 643 |
| **Liabilities as at 30 June 2017** | | | | |
| Due to credit institutions | | 176 179 | | 176 179 |
| Deposits from customers | | 63 047 | | 63 047 |
| Debt securities issued | | 243 207 | | 243 207 |
| Subordinated loan capital | | 2 870 | | 2 870 |
| Financial derivatives | | 110 717 | 942 | 111 659 |
| Other financial liabilities [1] | 4 141 | 9 | | 4 150 |

| 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 30 June 2016** | | | | |
| Deposits with central banks | | 148 804 | | 148 804 |
| Due from credit institutions | | 190 836 | | 190 836 |
| Loans to customers | | 28 155 | 98 724 | 126 879 |
| Commercial paper and bonds at fair value | 54 143 | 246 057 | 505 | 300 706 |
| Shareholdings | 4 854 | 15 383 | 5 389 | 25 626 |
| Financial assets, customers bearing the risk | | 52 893 | | 52 893 |
| Financial derivatives | 0 | 197 497 | 1 456 | 198 953 |
| **Liabilities as at 30 June 2016** | | | | |
| Due to credit institutions | | 159 516 | | 159 516 |
| Deposits from customers | | 40 110 | | 40 110 |
| Debt securities issued | | 261 759 | | 261 759 |
| Subordinated loan capital | | 1 234 | | 1 234 |
| Financial derivatives | 0 | 154 990 | 1 131 | 156 121 |
| Other financial liabilities [1] | 829 | | | 829 |

*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**

| | Financial assets | | | | Financial liabilities |
|---|---|---|---|---|---|
| *Amounts in NOK million* | Loans to customers | Commercial paper and bonds | Share-holdings | Financial derivatives | Financial derivatives |
| **Carrying amount as at 31 December 2016** | **93 753** | **375** | **5 122** | **1 319** | **1 062** |
| Net gains recognised in the income statement | 153 | (30) | 475 | (38) | (94) |
| Additions/purchases | 3 578 | 64 | 64 | 252 | 250 |
| Sales | | (180) | (767) | | |
| Settled | (13 002) | 0 | | (297) | (286) |
| Transferred from level 1 or level 2 | | 81 | | | |
| Transferred to level 1 or level 2 | | (19) | (80) | | |
| Other | 2 | 7 | | (2) | 10 |
| **Carrying amount as at 30 June 2017** | **84 483** | **298** | **4 814** | **1 235** | **942** |

### Breakdown of fair value, level 3

**DNB Group**

| | 30 June 2017 | | |
|---|---|---|---|
| *Amounts in NOK million* | Loans to customers | Commercial paper and bonds | Share-holdings |
| Principal amount/purchase price | 82 992 | 326 | 3 844 |
| Fair value adjustment [1)] | 1 346 | (28) | 970 |
| Accrued interest | 145 | | |
| Carrying amount | 84 483 | 298 | 4 814 |

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 30 June 2017 | 374 | 931 | 755 | 2 728 | 26 | 4 814 |

### Sensitivity analysis, level 3

**DNB Group**

| *Amounts in NOK million* | Carrying amount 30 June 2017 | Effect of reasonably possible alternative assumptions |
|---|---|---|
| Loans to customers | 84 483 | (188) |
| Commercial paper and bonds | 298 | (1) |
| Shareholdings | 4 814 | |
| Financial derivatives, net | 293 | |

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 4 174 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

| | | | DNB Group |
|---|---:|---:|---:|
| *Amounts in NOK million* | 30 June 2017 | 31 Dec. 2016 | 30 June 2016 |
| International bond portfolio | 10 518 | 12 760 | 15 479 |
| DNB Livsforsikring AS | 79 116 | 82 664 | 85 413 |
| Other units [1)] | (1 443) | (1 416) | (1 403) |
| **Commercial paper and bonds, held to maturity** | **88 191** | **94 008** | **99 489** |

*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 30 June 2017 was NOK 0.2 billion higher than if the previous valuation principle had been retained. On the reclassification date, the carrying amount of the portfolio was NOK 88.0 billion, compared with NOK 8.8 billion at end-June 2017. The average term to maturity of the portfolio was 5.1 years, and the change in value resulting from a credit spread adjustment of one basis point was NOK 4.6 million at end-June 2017.

### Effects on profits of the reclassification

| | | | | | DNB Group |
|---|---:|---:|---:|---:|---:|
| | 2nd quarter | 2nd quarter | | January-June | Full year |
| *Amounts in NOK million* | 2017 | 2016 | 2017 | 2016 | 2016 |
| Recorded amortisation effect | 34 | 18 | 67 | 34 | 84 |
| Net gain, if valued at fair value | 136 | 55 | 217 | 64 | 448 |
| Effects of reclassification on profits | (102) | (36) | (150) | (30) | (364) |

### Effects on the balance sheet of the reclassification

| | | | DNB Group |
|---|---:|---:|---:|
| *Amounts in NOK million* | 30 June 2017 | 31 Dec. 2016 | 30 June 2016 |
| Recorded unrealised losses | 251 | 318 | 368 |
| Unrealised losses, if valued at fair value | 448 | 665 | 1 049 |
| Effects of reclassification on the balance sheet | 197 | 347 | 681 |

### Development in the portfolio after the reclassification

| | | | DNB Group |
|---|---:|---:|---:|
| *Amounts in NOK million* | 30 June 2017 | 31 Dec. 2016 | 30 June 2016 |
| Reclassified portfolio, carrying amount | 8 768 | 10 414 | 12 625 |
| Reclassified portfolio, if valued at fair value | 8 571 | 10 067 | 11 943 |
| Effects of reclassification on the balance sheet | 197 | 347 | 681 |

## Note 15 Investment properties

| Amounts in NOK million | 30 June 2017 | 31 Dec. 2016 | 30 June 2016 |
|---|---|---|---|
| | | | **DNB Group** |
| DNB Livsforsikring | 15 923 | 15 565 | 15 196 |
| Properties for own use | (828) | (827) | (793) |
| Other investment properties [1)] | 1 044 | 1 175 | 2 016 |
| **Total investment properties** | **16 139** | **15 912** | **16 419** |

*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 second quarter of 2017, external appraisals were obtained for a total of eight properties, representing 32 per cent of portfolio value. The purpose of the external appraisals is to benchmark the internal valuations against independent references. Internal calculations and the values recorded in the balance sheet are 2.4 per cent lower than average external appraisals. The Swedish properties in the portfolio and partially owned properties are valued based on external appraisals.

### Internal valuation model

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

### Value development and sensitivity

The value of investment properties in DNB Livsforsikring was adjusted upwards by NOK 220 million during the second 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 4.7 per cent or NOK 606 million. Correspondingly, a 5 per cent change in future market rents will change the value of the property portfolio by 1.3 per cent or NOK 164 million.

### Changes in the value of investment properties

| Amounts in NOK million | DNB Group<br>Investment property |
|---|---|
| **Carrying amount as at 31 December 2015** | **16 734** |
| Additions, purchases of new properties | 22 |
| Additions, capitalised investments | 87 |
| Additions, acquired companies | 1 156 |
| Net gains | 89 |
| Disposals | (1 435) |
| Exchange rate movements | (234) |
| **Recorded value as at 30 June 2016** | **16 419** |
| | |
| **Carrying amount as at 31 December 2016** | **15 912** |
| Additions, purchases of new properties | |
| Additions, capitalised investments | 33 |
| Additions, acquired companies | |
| Net gains [1)] | 495 |
| Disposals | (468) |
| Exchange rate movements | 160 |
| **Carrying amount as at 30 June 2017** | **16 132** |

*1) Of which NOK 4 million represented a net loss 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-June 2017 all assets and liabilities related to DNB's Baltic operations were presented as held for sale, while there were no changes in the presentation in the income statement. The capital adequacy reporting was not affected. No impairment loss has been recognised in the income statement following the reclassification. The subsidiaries are part of DNB's Large corporates and international customers segment. Following the completion of the transaction, DNB's ownership will be consolidated on one line in the financial statement according to the equity method.

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

| *Amounts in NOK million* | **DNB Baltics**<br>30 June 2017 |
|---|---|
| **Assets** | |
| Cash and deposits with central banks | 4 328 |
| Due from credit institutions | 198 |
| Loans to customers | 47 933 |
| Commercial paper and bonds at fair value | 1 718 |
| Shareholdings | 51 |
| Financial derivatives | 78 |
| Investment properties | 590 |
| Intangible assets | 69 |
| Deferred tax assets | 117 |
| Fixed assets | 400 |
| Other assets | 309 |
| **Total assets** | **55 791** |
| **Liabilities** | |
| Due to credit institutions | 4 031 |
| Deposits from customers | 38 330 |
| Financial derivatives | 265 |
| Payable taxes | 21 |
| Other liabilities | 409 |
| Provisions | 4 |
| **Total liabilities** | **43 061** |

## 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 30 June 2017 | Issued 2017 | Matured/ redeemed 2017 | Exchange rate movements 2017 | Other adjustments 2017 | Balance sheet 31 Dec. 2016 |
|---|---|---|---|---|---|---|
| Commercial paper issued, nominal amount | 156 641 | 889 185 | (883 904) | (2 055) | | 153 415 |
| Bond debt, nominal amount [1] | 575 815 | 42 678 | (66 566) | 20 081 | | 579 622 |
| Adjustments | 25 946 | | | | (6 885) | 32 832 |
| **Total debt securities issued** | **758 402** | **931 863** | **(950 470)** | **18 026** | **(6 885)** | **765 869** |

### Debt securities issued

**DNB Group**

| *Amounts in NOK million* | Balance sheet 30 June 2016 | Issued 2016 | Matured/ redeemed 2016 | Exchange rate movements 2016 | Other adjustments 2016 | Balance sheet 31 Dec. 2015 |
|---|---|---|---|---|---|---|
| Commercial paper issued, nominal amount | 167 722 | 7 897 015 | (7 881 375) | (7 906) | | 159 988 |
| Bond debt, nominal amount [1] | 602 783 | 65 746 | (53 791) | (15 351) | | 606 179 |
| Adjustments | 41 019 | | | | 2 257 | 38 761 |
| **Total debt securities issued** | **811 523** | **7 962 761** | **(7 935 165)** | **(23 258)** | **2 257** | **804 928** |

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

**DNB Group**

| *Amounts in NOK million* | Balance sheet 30 June 2017 | Issued 2017 | Matured/ redeemed 2017 | Exchange rate movements 2017 | Other adjustments 2017 | Balance sheet 31 Dec. 2016 |
|---|---|---|---|---|---|---|
| Term subordinated loan capital, nominal amount | 23 572 | 10 106 | (6 812) | 864 | | 19 415 |
| Perpetual subordinated loan capital, nominal amount | 5 492 | | | (110) | | 5 602 |
| Perpetual subordinated loan capital securities, nominal amount | | | (3 732) | | | 3 732 |
| Adjustments | 362 | | | | (237) | 599 |
| **Total subordinated loan capital and perpetual subordinated loan capital securities** | **29 426** | **10 106** | **(10 544)** | **754** | **(237)** | **29 347** |

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

**DNB Group**

| *Amounts in NOK million* | Balance sheet 30 June 2016 | Issued 2016 | Matured/ redeemed 2016 | Exchange rate movements 2016 | Other adjustments 2016 | Balance sheet 31 Dec. 2015 |
|---|---|---|---|---|---|---|
| Term subordinated loan capital, nominal amount | 19 159 | | (3) | (676) | | 19 838 |
| Perpetual subordinated loan capital, nominal amount | 5 546 | | | (155) | | 5 702 |
| Perpetual subordinated loan capital securities, nominal amount | 3 938 | | | (623) | | 4 561 |
| Adjustments | 854 | | | | 2 | 853 |
| **Total subordinated loan capital and perpetual subordinated loan capital securities** | **29 498** | | **(3)** | **(1 454)** | **2** | **30 953** |

1) *Minus own bonds. The total nominal amount of outstanding covered bonds in DNB Boligkreditt was NOK 435.9 billion as at 30 June 2017. The market value of the cover pool represented NOK 614.1 billion.*

## Note 18 Off-balance sheet transactions and contingencies

### Off-balance sheet transactions and additional information

| *Amounts in NOK million* | 30 June 2017 | 31 Dec. 2016 | 30 June 2016 |
|---|---|---|---|
| | | | **DNB Group** |
| Performance guarantees | 27 679 | 30 824 | 32 163 |
| Payment guarantees | 31 865 | 34 411 | 32 352 |
| Loan guarantees | 19 904 | 17 898 | 17 139 |
| Guarantees for taxes etc. | 5 937 | 6 557 | 6 708 |
| Other guarantee commitments | 2 871 | 2 713 | 2 829 |
| Total guarantee commitments | 88 256 | 92 403 | 91 191 |
| Support agreements | 5 801 | 6 106 | 11 294 |
| Total guarantee commitments etc. *) | 94 057 | 98 509 | 102 485 |
| Unutilised credit lines and loan offers | 630 261 | 606 055 | 596 900 |
| Documentary credit commitments | 4 137 | 3 948 | 4 395 |
| Other commitments | 2 522 | 1 397 | 971 |
| Total commitments | 636 920 | 611 399 | 602 267 |
| Total guarantee and off-balance commitments | 730 977 | 709 908 | 704 752 |
| Pledged securities | | | |
| **) Of which counter-guaranteed by financial institutions* | *305* | *326* | *258* |

### Contingencies

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

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

On 21 June 2016, the Norwegian Consumer Council instituted legal proceedings before the Oslo District Court against DNB Asset Management AS, a wholly-owned subsidiary of DNB ASA offering asset management services. The Norwegian Consumer Council has instituted a class action to pursue compensation of up to NOK 690 million on behalf of current and former investors in a fund managed by DNB Asset Management AS, as well as two funds merged into that fund. The lawsuit alleges that the funds were charging high fees for active management, but were actually tracking an index. On 2 June 2017, the Borgarting Court of Appeal decided to allow the Norwegian Consumer Council to bring a class action against DNB Asset Management AS. The decision to allow the class action is not yet final and the deadline for an appeal is mid-August. DNB Asset Management AS rejects the allegations, and no provisions have been made in the accounts.

# DNB ASA

## Income statement

DNB ASA

| *Amounts in NOK million* | 2nd quarter 2017 | 2nd quarter 2016 | 2017 | January-June 2016 | Full year 2016 |
|---|---|---|---|---|---|
| Total interest income | 8 | 10 | 18 | 20 | 43 |
| Total interest expenses | (89) | (58) | (184) | (120) | (312) |
| **Net interest income** | **(81)** | **(48)** | **(165)** | **(101)** | **(268)** |
| Commissions and fees payable | (1) | (2) | (3) | (4) | (7) |
| Other income [1)] | | | | | 11 213 |
| **Net other operating income** | **(1)** | **(2)** | **(3)** | **(4)** | **11 205** |
| **Total income** | **(82)** | **(50)** | **(169)** | **(105)** | **10 937** |
| Salaries and other personnel expenses | (1) | (1) | (2) | (2) | (4) |
| Other expenses | (89) | (118) | (176) | (231) | (461) |
| **Total operating expenses** | **(90)** | **(119)** | **(178)** | **(233)** | **(465)** |
| **Pre-tax operating profit** | **(172)** | **(169)** | **(347)** | **(338)** | **10 472** |
| Tax expense | 43 | 42 | 87 | 85 | 0 |
| **Profit for the period** | **(129)** | **(126)** | **(260)** | **(254)** | **10 472** |
| Earnings/diluted earnings per share (NOK) | (0.08) | (0.08) | (0.16) | (0.16) | 6.43 |
| Earnings per share excluding operations held for sale (NOK) | (0.08) | (0.08) | (0.16) | (0.16) | 6.43 |

## Balance sheet

DNB ASA

| *Amounts in NOK million* | 30 June 2017 | 31 Dec. 2016 | 30 June 2016 |
|---|---|---|---|
| **Assets** | | | |
| Due from DNB Bank ASA | 7 297 | 6 824 | 10 071 |
| Investments in group companies | 74 270 | 74 270 | 68 980 |
| Receivables due from group companies [1)] | | 11 013 | |
| Other assets | 79 | | |
| **Total assets** | **81 646** | **92 107** | **79 052** |
| **Liabilities and equity** | | | |
| Short-term amounts due to DNB Bank ASA | 10 | 8 | 5 |
| Due to other group companies | | 5 290 | |
| Other liabilities and provisions | | 9 285 | 1 326 |
| Long-term amounts due to DNB Bank ASA | 20 715 | 16 342 | 17 980 |
| **Total liabilities** | **20 725** | **30 925** | **19 312** |
| Share capital | 16 288 | 16 288 | 16 288 |
| Share premium | 22 556 | 22 556 | 22 556 |
| Other equity | 22 077 | 22 337 | 20 896 |
| **Total equity** | **60 922** | **61 181** | **59 740** |
| **Total liabilities and equity** | **81 646** | **92 107** | **79 052** |

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

DNB ASA

| *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 | | | (254) | (254) |
| **Balance sheet as at 30 June 2016** | **16 288** | **22 556** | **20 896** | **59 740** |
| **Balance sheet as at 31 December 2016** | **16 288** | **22 556** | **22 337** | **61 181** |
| Profit for the period | | | (260) | (260) |
| **Balance sheet as at 30 June 2017** | **16 288** | **22 556** | **22 077** | **60 922** |

### 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.

# Statement

## pursuant to Section 5-6 of the Securities Trading Act

We hereby confirm that the half-yearly financial statements for the Group and the company for the period 1 January through 30 June 2017 to the best of our knowledge have been prepared in accordance with IAS 34 Interim Financial Reporting, as endorsed by the EU, and give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group and the company taken as a whole.

To the best of our knowledge, the half-yearly report gives a true and fair:

- overview of important events that occurred during the accounting period and their impact on the half-yearly financial statements
- description of the principal risks and uncertainties facing the Group over the next accounting period
- description of major transactions with related parties.

Oslo, 11 July 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)

Kjerstin R. Braathen
(chief financial officer)

# Profit and balance sheet trends

## Income statement

DNB Group

| *Amounts in NOK million* | 2nd quarter 2017 | 1st quarter 2017 | 4th quarter 2016 | 3rd quarter 2016 | 2nd quarter 2016 |
|---|---|---|---|---|---|
| Total interest income | 13 709 | 13 223 | 13 273 | 12 976 | 12 880 |
| Total interest expenses | (4 677) | (4 702) | (4 901) | (4 495) | (4 336) |
| **Net interest income** | **9 031** | **8 521** | **8 372** | **8 481** | **8 544** |
| Commission and fee income | 3 026 | 2 944 | 2 814 | 2 851 | 2 992 |
| Commission and fee expenses | (866) | (871) | (678) | (835) | (856) |
| Net gains on financial instruments at fair value | 982 | 808 | 1 689 | 1 411 | 1 029 |
| Net financial result, DNB Livsforsikring | 372 | 117 | (57) | 45 | (68) |
| Net risk result, DNB Livsforsikring | 83 | 123 | 290 | 109 | 234 |
| Net insurance result, DNB Forsikring | 189 | 155 | 181 | 148 | 204 |
| Profit from investments accounted for by the equity method | 23 | (45) | (45) | (0) | 1 148 |
| Net gains on investment properties | (14) | 14 | (7) | (5) | (18) |
| Other income | 187 | 154 | 44 | 205 | 287 |
| **Net other operating income** | **3 982** | **3 399** | **4 230** | **3 929** | **4 952** |
| **Total income** | **13 014** | **11 920** | **12 602** | **12 409** | **13 496** |
| Salaries and other personnel expenses | (3 049) | (3 056) | (2 842) | (2 874) | (2 911) |
| Other expenses | (2 088) | (1 874) | (1 828) | (1 694) | (1 965) |
| Depreciation and impairment of fixed and intangible assets | (478) | (510) | (524) | (475) | (510) |
| **Total operating expenses** | **(5 615)** | **(5 441)** | **(5 194)** | **(5 043)** | **(5 385)** |
| **Pre-tax operating profit before impairment** | **7 399** | **6 479** | **7 409** | **7 366** | **8 111** |
| Net gains on fixed and intangible assets | 17 | 6 | (12) | 20 | (20) |
| Impairment of loans and guarantees | (597) | (562) | (1 753) | (2 176) | (2 321) |
| **Pre-tax operating profit** | **6 819** | **5 923** | **5 644** | **5 209** | **5 770** |
| Tax expense | (1 568) | (1 362) | (290) | (1 130) | (1 190) |
| Profit from operations held for sale, after taxes | (14) | (17) | 26 | 1 | (10) |
| **Profit for the period** | **5 237** | **4 544** | **5 380** | **4 080** | **4 569** |
| | | | | | |
| Portion attributable to shareholders | 5 000 | 4 304 | 5 143 | 3 952 | 4 454 |
| Portion attributable to additional Tier 1 capital holders | 238 | 240 | 238 | 128 | 115 |
| **Profit for the period** | **5 237** | **4 544** | **5 380** | **4 080** | **4 569** |
| | | | | | |
| Earnings/diluted earnings per share (NOK) | 3.07 | 2.64 | 3.16 | 2.43 | 2.74 |

## Comprehensive income statement

DNB Group

| *Amounts in NOK million* | 2nd quarter 2017 | 1st quarter 2017 | 4th quarter 2016 | 3rd quarter 2016 | 2nd quarter 2016 |
|---|---|---|---|---|---|
| **Profit for the period** | **5 237** | **4 544** | **5 380** | **4 080** | **4 569** |
| Actuarial gains and losses | | | (23) | (122) | |
| Property revaluation | (28) | 22 | 37 | 7 | 1 |
| Items allocated to customers (life insurance) | 28 | (22) | (37) | (7) | (1) |
| Items that will not be reclassified to the income statement | | | (23) | (122) | |
| Currency translation of foreign operations [1] | 895 | 531 | 3 562 | (4 321) | (1 340) |
| Currency translation reserve reclassified to the income statement | | | | | (43) |
| Hedging of net investment [2] | (516) | (252) | (2 415) | 2 950 | 843 |
| Investments according to the equity method [3] | 12 | 87 | 4 | 4 | |
| Investments according to the equity method, reclassified to the income statement [3] | | | | | (855) |
| Items that may subsequently be reclassified to the income statement | 391 | 366 | 1 151 | (1 367) | (1 395) |
| **Other comprehensive income for the period (net of tax)** | **391** | **366** | **1 128** | **(1 489)** | **(1 395)** |
| **Comprehensive income for the period** | **5 629** | **4 910** | **6 509** | **2 591** | **3 173** |

1) *Currency translation effects related to the Baltics represented a gain of NOK 574 million in the second quarter of 2017.*
2) *Hedging of net investments in the Baltics represented a loss of NOK 372 million in the second 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* | 30 June 2017 | 31 March 2017 | 31 Dec. 2016 | 30 Sept. 2016 | 30 June 2016 |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Cash and deposits with central banks | 265 552 | 368 518 | 208 263 | 175 212 | 154 438 |
| Due from credit institutions | 160 749 | 200 848 | 176 442 | 192 931 | 214 902 |
| Loans to customers | 1 551 738 | 1 531 096 | 1 509 078 | 1 484 756 | 1 542 285 |
| Commercial paper and bonds at fair value | 274 258 | 298 948 | 296 642 | 302 291 | 300 706 |
| Shareholdings | 26 794 | 28 535 | 22 512 | 21 205 | 25 626 |
| Financial assets, customers bearing the risk | 67 680 | 64 688 | 60 220 | 56 417 | 52 893 |
| Financial derivatives | 139 643 | 141 449 | 157 940 | 187 023 | 198 953 |
| Commercial paper and bonds, held to maturity | 88 191 | 92 433 | 94 008 | 95 963 | 99 489 |
| Investment properties | 16 139 | 15 967 | 15 912 | 15 493 | 16 419 |
| Investments accounted for by the equity method | 7 936 | 7 926 | 7 768 | 7 901 | 7 869 |
| Intangible assets | 5 854 | 5 767 | 5 814 | 5 759 | 5 903 |
| Deferred tax assets | 1 391 | 1 406 | 1 404 | 943 | 1 061 |
| Fixed assets | 8 317 | 8 125 | 7 949 | 7 898 | 8 565 |
| Assets held for sale | 55 950 | 53 365 | 52 541 | 52 482 | 180 |
| Other assets | 52 616 | 51 375 | 36 709 | 45 210 | 35 867 |
| **Total assets** | **2 722 809** | **2 870 447** | **2 653 201** | **2 651 484** | **2 665 157** |
| **Liabilities and equity** | | | | | |
| Due to credit institutions | 215 633 | 273 010 | 212 882 | 192 979 | 189 824 |
| Deposits from customers | 1 008 878 | 1 016 896 | 934 897 | 917 952 | 961 138 |
| Financial derivatives | 111 659 | 111 697 | 130 161 | 155 491 | 156 121 |
| Debt securities issued | 758 402 | 832 521 | 765 869 | 784 953 | 811 523 |
| Insurance liabilities, customers bearing the risk | 67 680 | 64 688 | 60 220 | 56 417 | 52 893 |
| Liabilities to life insurance policyholders in DNB Livsforsikring | 209 230 | 209 354 | 208 160 | 210 425 | 210 027 |
| Insurance liabilities, DNB Forsikring | 2 206 | 2 259 | 1 892 | 2 057 | 2 108 |
| Payable taxes | 1 900 | 9 222 | 8 874 | 7 093 | 5 080 |
| Deferred taxes | 3 915 | 3 891 | 3 816 | 7 860 | 7 950 |
| Other liabilities | 58 603 | 60 983 | 44 568 | 49 806 | 43 174 |
| Liabilities held for sale | 43 106 | 41 671 | 41 243 | 39 547 | 59 |
| Provisions | 2 129 | 1 885 | 2 094 | 1 762 | 1 725 |
| Pension commitments | 2 974 | 2 867 | 2 756 | 3 003 | 2 757 |
| Subordinated loan capital | 29 426 | 28 795 | 29 347 | 28 202 | 29 498 |
| **Total liabilities** | **2 515 741** | **2 659 740** | **2 446 779** | **2 457 549** | **2 473 878** |
| | | | | | |
| Share capital | 16 288 | 16 283 | 16 286 | 16 288 | 16 282 |
| Share premium | 22 609 | 22 609 | 22 609 | 22 609 | 22 609 |
| Additional Tier 1 capital | 15 787 | 15 594 | 15 952 | 9 641 | 9 559 |
| Other equity | 152 385 | 156 221 | 151 576 | 145 397 | 142 829 |
| **Total equity** | **207 069** | **210 707** | **206 423** | **193 935** | **191 279** |
| **Total liabilities and equity** | **2 722 809** | **2 870 447** | **2 653 201** | **2 651 484** | **2 665 157** |

# 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) 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 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 to and deposits from customers 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 |
| Bengt Olav Lund | 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

| | | |
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## Financial calendar

**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.

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

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