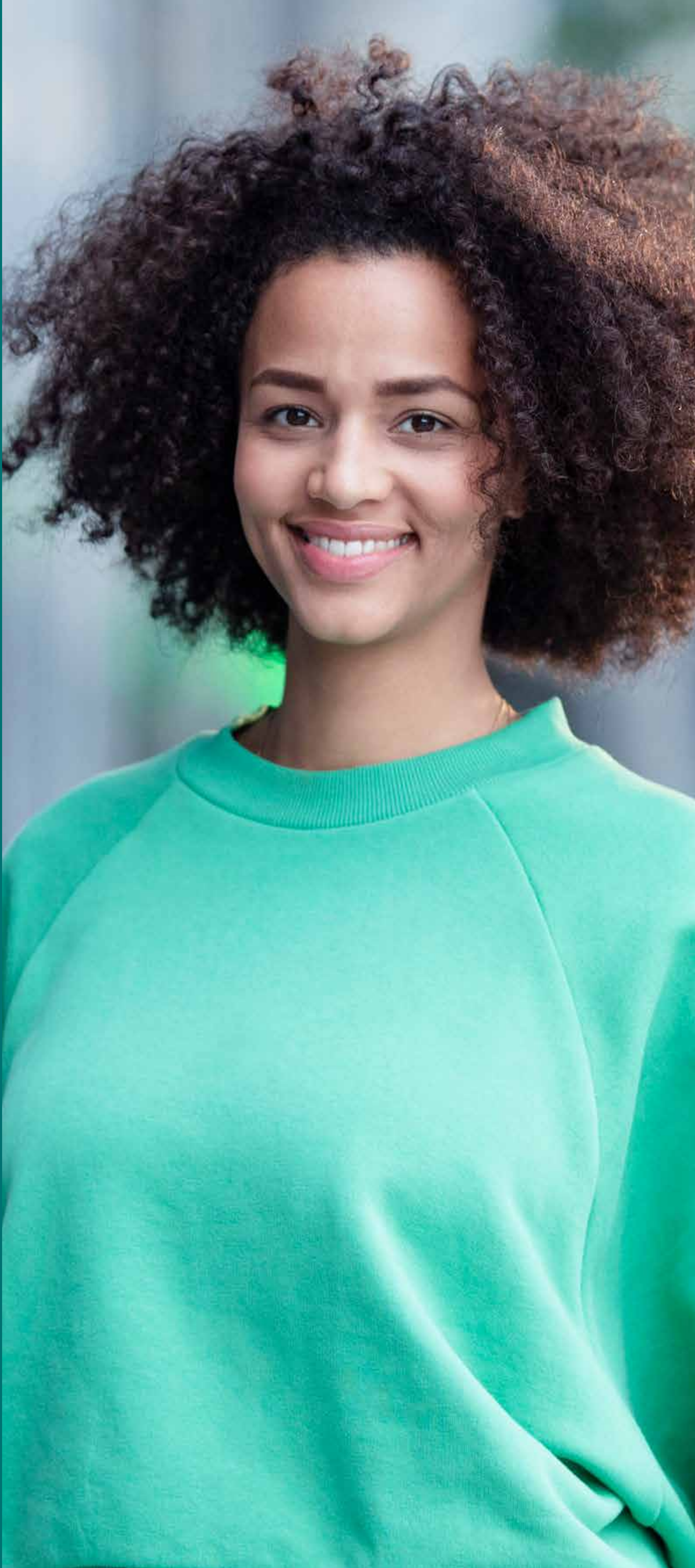
DNB Group

Q1

First quarter report
2018 (Unaudited)

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

DNB



Financial highlights

DNB Group

Income statement *Amounts in NOK million*	1st quarter 2018	1st quarter 2017	Full year 2017
Net interest income	9 007	8 521	35 422
Net commissions and fees	*2 116*	*2 073*	*8 448*
Net gains on financial instruments at fair value	*162*	*808*	*4 548*
Net financial and risk result, DNB Livsforsikring	*205*	*240*	*1 295*
Net insurance result, DNB Forsikring	*154*	*155*	*683*
Other operating income	*230*	*123*	*744*
Net other operating income	2 867	3 399	15 718
Total income	11 874	11 920	51 140
Operating expenses	(5 131)	(5 243)	(21 429)
Restructuring costs and non-recurring effects	(24)	(197)	(1 165)
Pre-tax operating profit before impairment	6 719	6 479	28 547
Net gains on fixed and intangible assets	18	6	738
Impairment of financial instruments	330	(562)	(2 428)
Pre-tax operating profit	7 066	5 923	26 858
Tax expense	(1 413)	(1 362)	(5 054)
Profit from operations held for sale, after taxes		(17)	(1)
Profit for the period	5 653	4 544	21 803

Balance sheet *Amounts in NOK million*	31 March 2018	31 Dec. 2017	31 March 2017
Total assets	2 673 026	2 698 268	2 870 447
Loans to customers	1 532 395	1 545 415	1 531 096
Deposits from customers	954 826	971 137	1 016 896
Total equity	218 138	216 897	210 707
Average total assets	2 835 314	2 856 988	2 866 476
Total combined assets	2 991 329	3 026 065	3 163 373

Key figures and alternative performance measures	1st quarter 2018	1st quarter 2017	Full year 2017
Return on equity, annualised (per cent) [1)]	11.0	9.1	10.8
Earnings per share (NOK)	3.36	2.64	12.84
Combined weighted total average spread for lending and deposits (per cent) [1)]	1.30	1.29	1.30
Average spread for ordinary lending to customers (per cent) [1)]	2.01	2.03	2.07
Average spread for deposits from customers (per cent) [1)]	0.20	0.20	0.17
Cost/income ratio (per cent) [1)]	43.4	45.6	44.2
Ratio of customer deposits to net loans to customers at end of period [1)]	62.3	66.4	62.8
Net loans and financial commitments in stage 2, per cent of net loans [1)]	6.61		
Net loans and financial commitments in stage 3, per cent of net loans [1)]	1.49	1.51	1.12
Impairment relative to average net loans to customers, annualised (per cent) [1)]	0.09	(0.15)	(0.15)
Common equity Tier 1 capital ratio, transitional rules, at end of period (per cent) [2)]	16.6	15.8	16.4
Leverage ratio, Basel III (per cent)	7.2	6.7	7.2
Share price at end of period (NOK)	152.15	136.10	152.10
Book value per share	125.60	119.83	124.06
Price/book value [1)]	1.21	1.14	1.23
Dividend per share (NOK)			7.10
Score from RepTrak's reputation survey in Norway (points)	70.6	63.6	66.9
Customer satisfaction index, CSI, personal customers in Norway (score)	74.8	68.4	69.5
SHE index [3)]	46.2	30.8	46.2

1) *Defined as alternative performance measure (APM). APMs are described on ir.dnb.no.*
2) *Including 50 per cent of profit for the period, except for the full year figures.*
3) *The SHE index measures the proportion of female managers in Norwegian companies. The key figure for DNB shows female representation in the group management team.*

For additional key figures and definitions, please see the Fact Book on ir.dnb.no.

First quarter report 2018

Accounts for the DNB Group

Accounts for DNB ASA

Additional information DNB Group

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

Implementation of IFRS 9

The new accounting rules for financial instruments (IFRS 9) are applicable as of 1 January 2018. The new standard introduces a business model-oriented approach for the classification of financial assets and an expected loss model for impairment which replaces the former incurred loss model. Explanatory comments to developments during the first quarter can be found below. Figures for previous periods have not been restated.

First quarter financial performance

DNB delivered a strong performance in the first quarter of 2018, benefiting from positive developments in the Norwegian economy. Profits were NOK 5 653 million, an increase of NOK 1 109 million from the first quarter of 2017, driven by an increase in net interest income, lower operating expenses and lower impairment losses. Compared with the previous quarter, profits were reduced by NOK 721 million. Profits in the first quarter of 2018 were negatively affected by basis swaps and exchange rate effects from additional Tier 1 capital of NOK 899 million.

Earnings per share were NOK 3.36, compared with NOK 2.64 in the year-earlier period and 3.79 in the fourth quarter of 2017.

The common equity Tier 1 capital ratio was 16.6 per cent at end-March 2018, an increase from 15.8 per cent a year earlier, and up from 16.4 per cent at end-December 2017. The implementation of IFRS 9 had a negative impact of around 28 basis points as at 1 January 2018.

The leverage ratio for the Group was 7.2 per cent, up from 6.7 per cent a year earlier and unchanged from end-December 2017.

Return on equity was 11.0 per cent, compared with 9.1 per cent in the year-earlier period and 12.3 per cent in the fourth quarter of 2017.

Net interest income was up NOK 486 million from the first quarter of 2017, reflecting higher lending volumes, excluding the Baltics, lower funding costs and reclassification effects related to the implementation of IFRS 9. There were rising lending volumes to personal customers and small and medium-sized enterprises and reduced volumes in the large corporates and international customers segment. Compared with the fourth quarter of 2017, net interest income increased by NOK 144 million. Two interest days less contributed negatively, while reclassification effects related to the implementation of IFRS 9 contributed positively.

Net other operating income was NOK 2 867 million, down NOK 532 million from the first quarter of 2017 and down NOK 1 548 million compared with the fourth quarter. The reductions mainly reflect negative exchange rate effects from additional Tier 1 capital and basis swaps.

Operating expenses were NOK 285 million lower than in the first quarter of 2017. The decrease was mainly due to lower restructuring costs and to the fact that operations in the Baltics were part of the Group in the first quarter of 2017. Compared with the fourth quarter, operating expenses were down NOK 863 million, mainly due to impairment of goodwill in the fourth quarter of 2017.

Reversals of impairment of financial instruments totalled NOK 330 million in the first quarter. The reversals primarily related to the large corporates and international customers segment, and the main drivers were continued restructuring of selected large exposures in the quarter and a reduction in volumes. The reversals were somewhat curtailed by an increase in impairment in the small and medium-sized enterprises and personal customers segments. Overall, the most significant macroeconomic drivers and the credit quality of the portfolio were stable compared with the start of the year.

Important events in the first quarter

In accordance with the authorisation given at the Annual General Meeting in April 2017, DNB completed its share buy-back programme of 1.5 per cent of outstanding shares during the quarter.

DNB is continuing its work to automate and digitise products and services to meet customer needs and expectations.

At the beginning of January, DNB and StartupLab, Norway's leading start-up community, entered into a cooperation agreement that will enable the bank to explore commercial partnerships in several areas of operation. In March, DNB and StartupLab invited, for the second time, start-up companies to DNB NXT Accelerator, a three-month accelerator programme under the auspices of StartupLab.

The app 'Enkel Bilhandel' (simple car purchase) was launched in mid-February. The app is for second-hand car purchases and handles the purchase contract, payment, any loan financing, insurance and re-registration.

For the second year in a row, DNB arranged Digital Challenge in March, where students competed to develop the best digital solution for DNB.

In mid-March, DNB's savings advisers were ranked "best in test" by the Norwegian Consumer Council.

DNB Markets was ranked best brokerage house in the Norwegian bond market by Prospera during the first quarter. In addition, Morningstar named DNB best fixed-income fund house in

Norway for the fourth consecutive year, while one of its funds was ranked best fixed-income fund.

In early March, DNB launched its own media house. The Group's communication platform is called DNB Nyheter (DNB News). Through its own and social media channels, DNB provides news without using journalists as intermediaries, thus aiming to increase people's knowledge of financial and business matters. There has been a reduction in editorial articles about these topics in Norway, and customers no longer visit bank branches, but do their banking in digital channels. In consequence of this, DNB no longer issues press releases other than those it is required by law to issue to the stock exchange.

On 12 January, the Oslo District Court found in favour of DNB in the group action the Norwegian Consumer Council brought against DNB Asset Management for the management of the DNB Norge funds. The Norwegian Consumer Council appealed the judgment.

In early January, DNB launched the project 'Ringvirkninger' (ripple effects) to illustrate how individual companies in Norway contribute to value creation throughout the country.

DNB's reputation score increased from 66.3 points in the fourth quarter of 2017, to 70.6 in the first quarter. In the same period, DNB's customer satisfaction index increased from 70.4 to 74.8 points.

At the end of March, S&P upgraded its credit rating of DNB Bank from A+ stable to A+ positive.

Also in March, the Ministry of Finance decided that the counter-cyclical buffer requirement for banks will be kept unchanged at 2 per cent.

In January, MiFID II, a set of regulations designed to ensure better customer protection, was introduced in the EU and in Norway. The regulations will mainly affect DNB Markets.

On 13 January, the new EU payment services directive PSD2 was introduced in the EU and is thus also effective for the bank's international offices. The directive will be implemented in Norwegian law during the course of 2018. DNB is preparing and positioning itself for this implementation in Norway.

At the Annual General Meeting in April 2018, Olaug Svarva took over as chair of DNB's Board of Directors, succeeding Anne Carine Tanum, who held this position for ten years.

First quarter income statement – main items

Net interest income

Amounts in NOK million	1Q18	4Q17	1Q17
Lending spreads, customer segments	7 066	7 539	7 029
Deposit spreads, customer segments	462	320	492
Amortisation effects and fees	782	732	678
Operational leasing	374	403	381
Baltics			268
Other net interest income	322	(132)	(327)
Net interest income	9 007	8 863	8 521

Net interest income increased by NOK 486 million from the first quarter of 2017 and NOK 144 million from the fourth quarter. Compared with the fourth quarter of 2017, two interest days less contributed negatively, while reclassification of financial instruments in the banking book from fair value to amortised cost related to the implementation of IFRS 9 contributed positively. Reported interest spreads were negatively affected by the transfer of NOK 149 million representing instalment fees and operational leasing from spreads to other interest income in the first quarter of 2018.

In the customer segments, higher underlying volumes had a positive effect on net interest income in the first quarter of 2018 compared with the first quarter of 2017 when excluding the Baltic portfolio.

Average lending and deposit spreads contracted by 1 basis point compared with the first quarter of 2017, excluding the Baltic portfolio. Volume-weighted spreads for the customer segments widened by 1 basis point compared with the same period in 2017 and contracted by 1 basis point compared with the fourth quarter of 2017.

There was an average increase of NOK 16.7 billion or 1.2 per cent in the healthy loan portfolio compared with the first quarter of 2017. Adjusted for exchange rate effects, the increase was 1.5 per cent. During the same period, deposits were down NOK 27.5 billion or 2.9 per cent. Adjusted for exchange rate effects, the decrease was 2.0 per cent. Compared with the fourth quarter of 2017, there was an average reduction of NOK 12.2 billion or 0.8 per cent in the healthy loan portfolio, and deposits were down NOK 23.9 billion or 2.5 per cent.

Net other operating income

Amounts in NOK million	1Q18	4Q17	1Q17
Net commissions and fees	2 116	2 064	2 073
Basis swaps	(372)	62	(620)
Exchange rate effects additional Tier 1 capital	(527)	330	(25)
Net gains on financial instruments at fair value, other	1 061	1 302	1 454
Net financial and risk result, DNB Livsforsikring	205	266	240
Net insurance result from DNB Forsikring	154	164	155
Other operating income	230	228	123
Net other operating income	2 867	4 415	3 399

Net other operating income was down NOK 532 million from the first quarter of 2017 and by NOK 1 548 million from the fourth quarter of 2017. The reduction in income was largely due to exchange rate effects from additional Tier 1 capital. Compared with the fourth quarter of 2017, there was also a negative effect from basis swaps. Income from the Baltic operation amounted to NOK 141 million in the first quarter of 2017.

In connection with the implementation of IFRS 9 in the first quarter of 2018, guarantee commissions of NOK 222 million were reclassified from net gains on financial instruments at fair value to net commissions and fees. Adjusted for this, there was a slight underlying decrease in commissions and fees stemming from seasonal effects, mainly related to investment banking services. Fees from money transfers contributed positively. Other operating income was up NOK 107 million from the year-earlier period, partly because the first quarter of 2017 was negatively affected by losses from the sale of loan portfolios.

Operating expenses

Amounts in NOK million	1Q18	4Q17	1Q17
Salaries and other personnel expenses	(2 900)	(3 023)	(3 056)
Other expenses	(1 768)	(1 977)	(1 874)
Depreciation and impairment of fixed and intangible assets	(488)	(1 018)	(510)
Total operating expenses	(5 155)	(6 018)	(5 441)

Operating expenses decreased by NOK 285 million compared with the first quarter of 2017 and by NOK 863 million compared with the fourth quarter of 2017. The reduction from the first quarter of 2017 was mainly due to a lower level of restructuring expenses and to the fact that operating expenses of NOK 228 million relating to the Baltics were included in the accounts for the first quarter of 2017. The reduction from the fourth quarter of 2017 was mainly due to seasonally lower IT expenses, lower restructuring expenses and internal training and travelling cost. The level of expenses was also affected by impairment of goodwill relating to Cresco of NOK 502 million in the fourth quarter of 2017.

The cost/income ratio was 43.4 per cent in the first quarter of 2018.

Impairment of financial instruments

Amounts in NOK million	1Q18
Personal customers	(61)
Commercial real estate	11
Shipping	48
Oil, gas and offshore	620
Other industry segments	(288)
Total impairment of financial instruments	330

Reversals of impairment of financial instruments totalled NOK 330 million in the first quarter.

The reversal of impairment of NOK 620 million for oil, gas and offshore primarily reflects continued restructuring of certain credit-impaired loans, as well as a reduction in volumes. The macroeconomic outlook for the segment is stable compared with year-end 2017. However, there are some positive developments indicating that oil-related industries could be moving in a positive direction.

The macroeconomic forecasts for the shipping industry were fairly stable compared with year-end 2017. However, a reduction in volumes and positive migration in credit risk led to a reversal of impairment of NOK 48 million in the first quarter.

The personal customer segment experienced only small changes in impairment in the quarter, primarily caused by an increase in volumes.

Due to stable macroeconomic forecasts, volumes and credit quality for commercial real estate in the quarter, there was a minor reversal of impairment.

Impairment losses of NOK 288 million in other industry segments primarily reflected negative credit risk migration for specific customers. Overall, the credit quality of and macro-economic forecasts for most of DNB's portfolios were stable in the first quarter.

Net loans and financial commitments in stage 3 amounted to NOK 22.8 billion at end-March 2018, down from NOK 23.1 billion a year earlier.

Taxes

The DNB Group's tax expense for the first quarter of 2018 is estimated at NOK 1 413 million, or 20 per cent of pre-tax operating profits.

Financial performance, segments

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

Personal customers

Income statement in NOK million	1Q18	4Q17	1Q17
Net interest income	3 402	3 518	3 114
Net other operating income	1 198	1 154	1 192
Total income	4 600	4 672	4 305
Operating expenses	(1 993)	(1 978)	(2 103)
Pre-tax operating profit before impairment	2 606	2 693	2 203
Impairment of financial instruments	(53)	(137)	110
Pre-tax operating profit	2 553	2 557	2 313
Tax expense	(638)	(639)	(578)
Profit for the period	1 915	1 917	1 735
Average balance sheet items in NOK billion			
Net loans to customers	749.2	743.6	708.3
Deposits from customers	401.3	404.0	398.7
Key figures in per cent			
Lending spread [1)]	1.76	1.87	1.73
Deposit spread [1)]	0.19	0.13	0.34
Return on allocated capital	16.5	19.1	17.3
Cost/income ratio	43.3	42.3	48.8
Ratio of deposits to loans	53.6	54.3	56.3

1) *Calculated relative to the 3-month money market rate. See ir.dnb.no for additional information about alternative performance measures (APMs).*

Profit for the period was on a level with the fourth quarter of 2017 and increased by 10.4 per cent from the first quarter of 2017.

There was a moderate increase in average loans of NOK 5.6 billion or 0.8 per cent from the fourth quarter of 2017, while there was a healthy level of growth of 5.8 per cent from the first quarter of 2017. The home mortgage portfolio increased by 5.8 per cent during the same period. Deposits from customers were stable compared with the previous year.

As a result of a 4 basis point reduction in volume-weighted spreads, reflecting an increase in the 3-month money market rate, and combined with fewer interest days, there was a 3.3 per cent decline in net interest income from the fourth quarter of 2017. Volume weighted spreads were on a level with the first quarter of 2017, while net interest income was up 9.2 per cent.

The positive development in net other operating income from the fourth quarter of 2017 was primarily due to seasonal variations within real estate broking. There was a stable level of income compared with the first quarter of 2017. A rise in income from payment transfers was offset by lower income from the sale of insurance products and real estate broking during the quarter.

A higher level of activity from the fourth quarter of 2017 within real estate broking, reflecting normal seasonal variations, contributed to a moderate increase in costs. Strict cost control ensured a positive development from the first quarter of 2017, with a 5.2 per cent reduction in costs.

Close to 95 per cent of loans to personal customers represent well-secured home mortgages entailing low risk. The macro-economic forecasts affecting personal customers were stable during the first quarter of 2018, and there was a continued low level of impairment losses on loans and financial commitments. Impair-ment losses in the first quarter of 2017 reflected reversals related to a portfolio of non-performing consumer loans which was sold during the quarter. Impairment losses are expected to remain stable at a low level.

The market share of credit to households stood at 24.7 per cent at year-end 2017, while the market share of home mortgages was 27.8 per cent. The market share of total household savings was 30.9 per cent. DNB Eiendom had an average market share of 19.9 per cent in the first quarter of 2018.

DNB is continuing its work to automate and digitalise products and services to meet customer needs and expectations. During the first quarter of 2018, the bank launched digital pre-qualification letters on mobiles, which is a further step on the way to a fully automated home mortgage process. In addition, DNB introduced ‘Enkel Bilhandel’ (simple car purchase), an app that helps the customer with the whole process related to the purchase and sale of second-hand cars. Enkel Bilhandel handles the purchase contract, payment, financing and insurance. Identification with BankID and re-registration of the car with the Norwegian Public Roads Administration directly in the app makes the car purchase process both simple and secure for customers.

DNB aspires to achieve continued profitable growth in the personal customer segment.

Small and medium-sized enterprises

Income statement in NOK million	1Q18	4Q17	1Q17
Net interest income	2 306	2 281	2 035
Net other operating income	545	501	557
Total income	2 851	2 782	2 593
Operating expenses	(1 063)	(1 109)	(1 164)
Pre-tax operating profit before impairment	1 788	1 673	1 429
Net gains on fixed and intangible assets	0	(1)	(0)
Impairment of financial instruments	(215)	(150)	10
Profit from repossessed operations	5	11	(10)
Pre-tax operating profit	1 578	1 534	1 429
Tax expense	(395)	(383)	(357)
Profit for the period	1 184	1 150	1 072
Average balance sheet items in NOK billion			
Net loans to customers	293.4	286.4	268.5
Deposits from customers	207.0	210.5	197.9
Key figures in per cent			
Lending spread [1)]	2.50	2.58	2.57
Deposit spread [1)]	0.41	0.30	0.42
Return on allocated capital	17.2	17.4	16.4
Cost/income ratio	37.3	39.9	44.9
Ratio of deposits to loans	70.5	73.5	73.7

1) *Calculated relative to the 3-month money market rate. See ir.dnb.no for additional information about alternative performance measures (APMs).*

Higher net interest income and a reduction in operating expenses contributed to a solid increase in profits compared with both the first and the fourth quarter of 2017.

There was a rise in average loans of 9.3 per cent from the first quarter of 2017, while average deposit volumes were up 4.6 per cent during the same period. The solid rise in both loan and deposit volumes in combination with relatively stable combined spreads ensured an increase in net interest income of 13.3 per cent compared with the first quarter of 2017.

The reduction in other operating income from the first quarter of 2017 was mainly due to decreased demand for interest rate hedging instruments. There was a positive underlying trend in activity levels for all other product areas.

The reduction in operating expenses from the first quarter of 2017 reflected lower restructuring costs.

Overall, relevant macroeconomic forecasts and the quality of the portfolio remained stable in the first quarter. The net impairment losses of NOK 215 million mainly related to a few individually assessed customers. Net non-performing loans and commitments ("stage 3") amounted to NOK 4.6 billion at end-March 2018, up from NOK 3.4 billion a year earlier. Annualised impairment losses on loans and commitments represented 0.30 per cent of average loans in the first quarter of 2018, compared with 0.21 per cent in the fourth quarter of 2017 and reversals of 0.02 per cent in the year-earlier period.

Developments in portfolio quality are closely monitored, and preventive measures are continually considered and implemented to retain the strong portfolio quality.

DNB expects continued profitable lending growth to small and medium-sized corporate customers.

Large corporates and international customers

Income statement in NOK million	1Q18	4Q17	1Q17
Net interest income	2 851	3 041	3 100
Net other operating income	1 289	1 226	1 449
Total income	4 140	4 267	4 550
Operating expenses	(1 702)	(1 741)	(1 907)
Pre-tax operating profit before impairment	2 438	2 526	2 642
Net gains on fixed and intangible assets	0	0	6
Impairment of financial instruments	598	(99)	(697)
Profit from repossessed operations	2	(13)	(0)
Pre-tax operating profit	3 039	2 414	1 951
Tax expense	(699)	(676)	(546)
Profit for the period	2 340	1 738	1 405
Average balance sheet items in NOK billion			
Net loans to customers	402.6	422.7	497.0
Deposits from customers	317.9	337.8	393.2
Key figures in per cent			
Lending spread [1)]	2.11	2.11	2.18
Deposit spread [1)]	0.08	0.04	(0.04)
Return on allocated capital	13.6	9.4	6.9
Cost/income ratio	41.1	40.8	41.9
Ratio of deposits to loans	79.0	79.9	79.1

1) *Calculated relative to the 3-month money market rate. See ir.dnb.no for additional information about alternative performance measures (APMs).*

Reversals of impairment losses on loans contributed to the increase in pre-tax operating profits compared with both the first and the fourth quarter of 2017. The positive development reflected improved market conditions and continued restructuring of selected large exposures.

Average loan volumes were down 4.8 per cent compared with the fourth quarter of 2017. Adjusted for exchange rate effects, the reduction was 2.8 per cent. A dedicated unit, the Portfolio Rebalancing and Restructuring Division, established at the end of 2017 ensured a further reduction in selected shipping and oil-related exposures. This process will continue, thus giving room for expanding business with profitable customers. Customer deposits were down 5.9 per cent compared with the fourth quarter of 2017. Adjusted for exchange rate effects, the reduction was 4.5 per cent.

There were stable lending spreads and increased deposit spreads in the first quarter of 2018, but the positive effect of widening combined spreads was more than offset by lower volumes. Net interest income was reduced by 6.3 per cent from the fourth quarter of 2017. Adjusted for the deconsolidation of the Baltic operation, net interest income was stable from the first quarter of 2017, despite a reduction in both loans and deposits of 11.0 per cent.

Other operating income was up 5.2 per cent from the fourth quarter of 2017. Reduced costs related to the sale of loans compensated for the seasonally lower level of activity within investment banking. Other operating income was on a level with the first quarter of 2017 when adjusting for the Baltic operation.

Operating expenses were down 2.2 per cent from the fourth quarter of 2017, while there was an increase of 2.6 per cent from the first quarter of 2017 after adjusting for expenses in the Baltic operation. Strong focus on the work on compliance and anti-money laundering and several ongoing digitalisation initiatives contributed to the increase. The number of full-time positions was reduced by 1 817 from end-March 2017, of which the deconsolidation of the Baltic operation accounted for 1 769. The remaining reduction of 48 positions related to both Norwegian and international operations.

The reversals on impairment losses of NOK 598 million in the first quarter of 2018 were a consequence of a combination of factors, including reduced volumes and a continued rebalancing of the portfolio. In addition, the reduction in impairment reflected further restructuring of selected large exposures. Overall, the macroeconomic forecasts affecting the customers in the segment were stable throughout the quarter compared with the beginning of the year, though there were some indications that oil-related industries could be moving in a positive direction. Net non-performing loans and commitments (stage 3) amounted to NOK 15.3 billion at end-March 2018, down from NOK 17.5 billion a year earlier. On an annualised basis, there were net reversals on previous impairment losses of 0.60 per cent of average loans in the first quarter of 2018, compared with net impairment losses of 0.09 per cent in the fourth quarter of 2017 and 0.57 per cent in the year-earlier period.

Due to stricter capital requirements over the past few years, more efficient use of capital is necessary. Redirecting exposure from capital-intensive and cyclical industries to less capital-intensive industries with a higher portfolio turnover, reducing final hold and making more active use of portfolio management tools will contribute to increased profitability.

Other operations

With effect from the first quarter of 2018, DNB has changed the reporting segments, as risk management, previously reported as trading, and the traditional pension products segments have been combined with Other operations.

Income statement in NOK million	1Q18	4Q17	1Q17
Net interest income	449	22	271
Net other operating income	692	2 489	864
Total income	1 141	2 512	1 135
Operating expenses	(1 254)	(2 144)	(930)
Pre-tax operating profit before impairment	(113)	367	205
Net gains on fixed and intangible assets	17	(35)	0
Impairment of financial instruments	0	(16)	15
Profit from repossessed operations	(7)	2	10
Pre-tax operating profit	(103)	319	230
Tax expense	318	1 252	120
Profit from operations held for sale, after taxes		(3)	(17)
Profit for the period	215	1 568	332
Average balance sheet items in NOK billion			
Net loans to customers	108.9	116.8	64.2
Deposits from customers	81.6	112.8	45.7

Pre-tax profits within risk management totalled NOK 640 million in the first quarter of 2018, up from NOK 621 million in the year-earlier period. There was a high level of income from bonds and other interest rate instruments during the quarter. In addition, CVA/DVA/FVA provisions on derivatives were reduced as a result of lower counterparty risk exposure.

There was a strong level of profits for pension products with a guaranteed rate of return during the first quarter of 2018. Pre-tax operating profit totalled NOK 219 million, down by NOK 40 million from the year-earlier period, caused by a decline in profits in the corporate portfolio from an extraordinarily high level in the first quarter of 2017. DNB Livsforsikring had a solvency margin of 185 per cent according to the transitional rules, while the margin calculated without the transitional rules was 160 per cent as at 31 March 2018. At end-December 2017, the solvency margins were 190 per cent and 146 per cent, respectively.

The profit in the unit is affected by several group items not allocated to the segments. Net other operating income in the first quarter of 2018 was affected negatively by mark-to-market effects related to changes in basis swaps spreads and the exchange rate effects from additional Tier 1 capital. These items vary highly from quarter to quarter. There was a negative effect on income of NOK 899 million in the first quarter of 2018, compared with a negative effect of NOK 646 million in the first quarter of 2017 and a positive effect of NOK 392 million in the fourth quarter of 2017.

Funding, liquidity and balance sheet

There were some adjustments in the short-term funding markets during the first quarter, along with some unrest caused by various factors. This was partly due to market adjustments in the wake of the previously implemented US money market reform. Parallel to this, tax changes affected investment patterns. In addition, LIBOR has risen faster than other short-term interest rates due to expectations of more frequent interest rate increases implemented by the Federal Reserve, FED. Nevertheless, DNB still has ample access to short-term funding.

There was a high level of activity in the long-term funding markets in the first quarter. This reflected, among other things, the fear of rising prices during the first half of the year, whereby a large number of issuers chose to secure what they perceived to be favourable funding terms during the first quarter. The covered bonds market was still dominated by the asset purchase programme of the European Central Bank, ECB, in the first part of the quarter, but towards the end of the quarter, there was a significant reduction in such purchases. This gave slightly higher funding costs for this type of bonds, though funding costs have generally remained favourable. DNB had good access to long-term funding throughout the quarter.

The nominal value of long-term debt securities issued by the Group was NOK 568 billion at end-March 2018, compared with NOK 598 billion a year earlier. The average remaining term to maturity for these debt securities was 4.3 years at end-March, 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 quarter and was 110 per cent at end-March.

Total combined assets in the DNB Group were NOK 2 991 billion at end-March, down from NOK 3 163 billion a year earlier. Total assets in the Group’s balance sheet were NOK 2 673 billion end-March 2018 and NOK 2 870 billion a year earlier. Of this, total assets in DNB Livsforsikring amounted to NOK 316 billion and NOK 306 billion, respectively.

For the banking group, the ratio of customer deposits to net loans to customers was 63.0 per cent at end-March 2018, down from 67.8 per cent a year earlier. The Group’s ambition is to have a ratio of customer deposits to net loans, for the banking group, of minimum 60 per cent.

Risk and capital adequacy

The DNB Group quantifies risk by measuring economic capital. During the first quarter there was a positive development in the risk situation. Economic capital was down NOK 0.8 billion from year-end 2017, to NOK 55.5 billion at end-March 2018.

Economic capital for the DNB Group

Amounts in NOK billion	31 March 2018	31 Dec. 2017	30 Sept. 2017	31 March 2017
Credit risk	38.6	40.2	42.4	44.0
Market risk	7.6	7.8	5.1	5.1
Market risk in life insurance	5.2	3.5	4.5	4.7
Insurance risk	1.4	1.4	1.4	1.4
Operational risk	8.9	8.5	8.8	8.8
Business risk	6.8	6.1	6.3	6.3
Gross economic capital	68.4	67.5	68.4	70.3
Diversification effect [1)]	(12.9)	(11.2)	(11.7)	(11.7)
Net economic capital	55.5	56.3	56.8	58.5
Diversification effect in per cent of gross economic capital [1)]	18.8	16.6	17.0	16.7

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 declined by NOK 1.7 billion during the quarter, reflecting a number of factors. The portfolio of Large Corporates and International was further reduced by NOK 23 billion in terms of EAD during the quarter. More than half of this reduction was due to the strengthening of the Norwegian krone. Parallel to this, there are signs of a positive development in the industries that have been hit the hardest by the effects of low oil prices and reduced activity in the North Sea. DNB's high-risk portfolio has thus been reduced. There was healthy growth in home mortgages and loans to small and medium-sized businesses in Norway during the quarter, with low default and loss figures.

There was a relatively low level of risk in DNB Livsforsikring following a prolonged period where the company focused on building up capital and adjusting to the solvency requirements and to new premium rates for higher life expectancy. Towards the end of 2017, the proportion of equities in the portfolios was reduced after a healthy level of return through the year. There was an increase in equity investments during the January through March period. In addition, there was a reduction in buffers during the first months of the year, whereby economic capital for market risk in DNB Livsforsikring increased by NOK 1.7 billion.

Economic capital for operational and business risk is updated annually, and the increase from 2017 reflects a higher level of income. There is strong focus on operational risk within the Group. There is a high pace of change, and increasing digitalisation places particularly stringent demands on both IT systems and the processes to ensure high quality at all levels. The risks related to potential computer fraud and cyber threats are closely monitored. There were no severe incidents and low operational losses during the quarter.

Compliance risk also receives high attention. Processes and systems for anti-money laundering are now well integrated in the organisation.

Calculated according to transitional rules, risk-weighted assets were NOK 1 040 billion, down from NOK 1 078 billion at end-March 2017, mainly due to a reduction in capital-intensive exposures as a result of the planned rebalancing of the portfolio. The common equity Tier 1 capital ratio was 16.6 per cent, while the capital adequacy ratio was 20.7 per cent.

New regulatory framework

Home mortgage lending regulation under consideration

After several years of strong growth in housing prices and household debt, the Norwegian Ministry of Finance adopted a temporary home mortgage lending regulation in the summer of 2015. The regulation was aimed at contributing to a more sustainable development in the home mortgage market, and was tightened and continued on 1 January 2017.

The current regulation will remain in force until 30 June 2018. At the request of the Ministry of Finance, Finanstilsynet has considered the effects of the regulation and whether it should be continued or discontinued.

Finanstilsynet proposes to continue the regulation of banks' lending practices, but recommends, among other things, that the special requirements for Oslo are removed, and that the limit for granting loans that do not meet all the requirements in the regulation, is set to 8 per cent of total approved loans all over Norway. Finanstilsynet proposes that the regulation should remain in force indefinitely.

The Ministry of Finance will make its conclusion after a short consultation round.

New Act on deposit guarantees and crisis management for banks

On 16 March 2018, the Norwegian government approved the Act on deposit guarantees and crisis management for banks. The Act will enter into force on 1 January 2019. The Act will implement the EU's Bank Recovery and Resolution Directive, BRRD. Among other things, new rules will be introduced on emergency preparedness and crisis plans, the possibility of writing down or converting loan capital into equity ("bail-in"), and the establishment of a new, national resolution fund in addition to the deposit guarantee fund. The Ministry of Finance has asked Finanstilsynet to work out a proposal for supplementary provisions.

Report on crisis management in the insurance and pension sector

On 29 January 2018, the Banking Law Commission handed over a report on crisis management in the insurance and pension sector to the Ministry of Finance. The report includes proposed statutory provisions for handling insufficient capital adequacy and solvency ratios in non-life insurance, life insurance and pension companies, including rules on public administration. The Ministry of Finance has circulated the report for comment, with a deadline on 2 May 2018.

The EU has so far not prepared any directive on crisis management for insurance or pension companies, nor set more specific requirements with respect to national legislation. New EU regulations in this area are not expected for some time. Norway is therefore more flexible when it comes to formulating the regulations in national legislation.

New rules on insurance distribution

European regulations set an increasing number of requirements for consumer protection and training of advisers within banking and insurance. The Insurance Distribution Directive (IDD) provides supplementary rules on the distribution and sale of insurance policies independent of sales channel. The directive will ensure the same level of protection for consumers irrespective of differences between distributors.

On 6 March 2018, the Ministry of Finance and the Ministry of Justice and Public Security circulated for public comment legislative amendments to the Act on Insurance Mediation and the Act relating to Insurance Contracts. The main purpose is to implement IDD in Norwegian law. In addition, a number of new provisions have been proposed in the Insurance Contracts Act.

IDD entered into force in the EU on 23 February 2018. The European Commission has proposed to postpone the application date to 1 October 2018, though the deadline for Member States for implementing the directive remains unchanged. The Insurance Distribution Directive is considered to be EEA relevant, but has not yet been included in the EEA Agreement. Consequently, no application date has been set.

Implementation of the EU's General Data Protection Regulation in Norway delayed

The EU's General Data Protection Regulation (GDPR) will have direct applicability in the 28 EU Member States as of 25 May 2018. The purpose of the GDPR is to strengthen and harmonise privacy protection when processing personal data. In addition, the free flow of digital services in the European market will be facilitated, and information processing will generally be more transparent and predictable for consumers. The new Act implies major changes for almost everyone engaged in business operations. DNB is well prepared, as the bank has long experience in safeguarding large amounts of information about its customers.

Before the GDPR can be implemented in Norwegian law, it must be incorporated in the EEA Agreement and implemented by a national legislative enactment. The Ministry of Justice and Public Security has stated that it aims to present a proposition about a new Personal Data Act in April 2018. However, the Act cannot enter into force before the GDPR is formally incorporated in the EEA Agreement. There are indications that this will take place around 1 July 2018, which will thus be the earliest date that the Act can enter into force.

Macroeconomic developments

Global GDP growth rose to 3.5 per cent in 2017, reflecting higher growth in both industrialised countries and emerging economies. Persistent strong growth in demand from China and widespread optimism have contributed to a synchronous boost in growth across countries and sectors. Global growth is expected to increase to 3.7 per cent in 2018, primarily due to a higher level of growth in emerging economies.

US GDP growth is estimated to rise from 2.3 per cent in 2017 to 2.5 per cent in 2018. An expansionary fiscal policy in the form of tax cuts and increased public spending is expected to help boost growth this year and next year. There has been a prolonged recovery in the US, and unemployment has declined to a low level. The Federal Reserve has raised its benchmark rate by a total of 1.5 percentage points from its lowest level. The most recent rate hike was in March this year, and the Federal Reserve is expected to further raise its interest rate three times in 2018 and four times in 2019, although price pressures remain modest.

GDP growth in the euro area is estimated at 2.4 per cent in 2018, which is well above the normal level for this area. The recovery is broad-based across countries and sectors, with strong growth in large member countries such as Germany and Spain. The high growth is expected to result in lower unemployment, and price inflation is also assumed to increase somewhat in step with less slack in the economy. In consequence of this, the European Central Bank will begin to gradually depart from its expansionary policy by finalising its asset purchases in September and gradually increasing interest rates from the second quarter of 2019.

The British ‘No’ to further EU membership had fewer negative consequences than expected in the short term. Growth stood at 1.8 per cent in 2017, but is expected to decline in consequence of lower consumption and investment due to the uncertainty surrounding Brexit. The Bank of England is nevertheless expected to raise its benchmark rate in May this year as a result of temporarily high inflation, reflecting the weakening of the pound in 2016. Uncertainty regarding the process around Brexit and the results thereof makes future prospects more unpredictable than normal.

The growth in the Norwegian mainland economy picked up last year as a result of higher growth in consumption and exports, a sharp rise in housing investment and a less negative effect from oil investments. Growth ended at 1.8 per cent, close to what is considered normal for the Norwegian economy. Housing investment peaked last year and is expected to slow down in the coming years. Oil investment, on the other hand, has bottomed out and will, along with corporate investment, once again make a positively contribution to growth in the 2018-2020 period. There will be continued brisk growth in consumption and exports, while public sector demand will have a neutral effect on the economy. Growth is estimated to total just over 2 per cent in 2018-2020.

Higher manufacturing growth has been reflected in lower unemployment and higher employment growth. The unemployment rate is expected to further decline somewhat and to reach a normal level towards the end of the year. Wage growth is expected to pick up, but moderate wage growth among trading partners will contribute to curbing wage growth in Norway. Wage growth is estimated at 2.7 per cent this year, rising to 3.2 per cent in 2020. Core inflation is expected to remain at approximately 1.5 per cent, slightly lower than Norges Bank’s new inflation target of 2.0 per cent. Norges Bank is nevertheless expected to increase its key policy rate in September, which it signalled through its most recent interest rate path, and to further raise the rate twice in both 2019 and 2020.

Housing prices in the secondary market have fallen (seasonally adjusted) from a peak in March 2017, following hefty price growth in 2016. In March 2018, annual growth rates were -2.2 per cent in Norway and -6.6 per cent in Oslo. During the last few months of this period housing prices showed signs of stabilising while sales increased and the number of unsold secondary market properties dropped significantly.

Future prospects

The Group’s overriding financial target is a return on equity above 12 per cent towards the end of 2019. Several factors will contribute to reaching the return on equity target, including strong growth in capital-light products, increasing lending volumes, greater cost efficiency through the automation of internal processes, and optimal use of capital.

Volume-weighted spreads are expected to be stable, while the annual increase in lending volumes is anticipated to be 3 to 4 per cent in 2018 and 2019. During this period, higher growth in lending volumes is expected for personal customers and small and medium-sized enterprises, while the Group will continue to actively reduce its lending volumes to large corporates and international customers in cyclical industries. DNB’s ambition is to have a cost/income ratio below 40 per cent towards 2019. DNB will no longer provide a guiding on loan losses. The tax rate is expected to be 20 per cent in 2018 and 2019.

The Group has set a target for its common equity Tier 1 capital ratio (CET 1) of 16.1 per cent, and the CET 1 ratio achieved at end-March 2018 was 16.6 per cent. DNB is well-positioned for new regulatory requirements, including Basel 4, which is expected to have minimal effects for DNB.

DNB’s dividend policy remains unchanged, with a payout ratio of more than 50 per cent and an increase in the nominal dividend per share each year. In addition to dividend payments, DNB will use repurchases of own shares as a flexible tool to allocate excess capital to its owners. The General Meeting has given the Board of Directors an authorisation to repurchase up to 3.5 per cent of the company's share capital as well as an authorisation to DNB Markets of 0.5 per cent for hedging purposes, valid up to the Annual General Meeting in 2019. Initially, DNB will apply to Finanstilsynet for approval of a 2 per cent repurchase limit, as well as 0.5 per cent for hedging purposes.

Oslo, 25 April 2018
The Board of Directors of DNB ASA

Olaug Svarva
(chair of the board)

Tore Olaf Rimmereid
(vice chair of the board)

Karl-Christian Agerup

Carl A. Løvvik

Vigdis Mathisen

Jaan Ivar Semlitsch

Berit Svendsen

Rune Bjerke
(group chief executive)

Income statement

Amounts in NOK million	1st quarter 2018	1st quarter 2017	Full year 2017
			DNB Group
Interest income, amortised cost	12 355	11 693	47 318
Other interest income	1 224	1 529	6 547
Interest expenses, amortised cost	(5 463)	(3 891)	(15 472)
Other interest expenses	892	(811)	(2 970)
Net interest income	**9 007**	**8 521**	**35 422**
Commission and fee income	3 049	2 944	12 279
Commission and fee expenses	(932)	(871)	(3 831)
Net gains on financial instruments at fair value	162	808	4 548
Net financial result, DNB Livsforsikring	63	117	804
Net risk result, DNB Livsforsikring	142	123	491
Net insurance result, DNB Forsikring	154	155	683
Profit from investments accounted for by the equity method	(37)	(45)	(112)
Net gains on investment properties	42	14	143
Other income	225	154	713
Net other operating income	**2 867**	**3 399**	**15 718**
Total income	**11 874**	**11 920**	**51 140**
Salaries and other personnel expenses	(2 900)	(3 056)	(12 184)
Other expenses	(1 768)	(1 874)	(7 878)
Depreciation and impairment of fixed and intangible assets	(488)	(510)	(2 531)
Total operating expenses	**(5 155)**	**(5 441)**	**(22 593)**
Pre-tax operating profit before impairment	**6 719**	**6 479**	**28 547**
Net gains on fixed and intangible assets	18	6	738
Impairment of financial instruments	330	(562)	(2 428)
Pre-tax operating profit	**7 066**	**5 923**	**26 858**
Tax expense	(1 413)	(1 362)	(5 054)
Profit from operations held for sale, after taxes		(17)	(1)
Profit for the period	**5 653**	**4 544**	**21 803**
Portion attributable to shareholders	5 432	4 304	20 865
Portion attributable to additional Tier 1 capital holders	221	240	938
Profit for the period	**5 653**	**4 544**	**21 803**
Earnings/diluted earnings per share (NOK)	3.36	2.64	12.84
Earnings per share excluding operations held for sale (NOK)	3.36	2.65	12.84

Comprehensive income statement

Amounts in NOK million	1st quarter 2018	1st quarter 2017	Full year 2017
			DNB Group
Profit for the period	**5 653**	**4 544**	**21 803**
Actuarial gains and losses			(93)
Property revaluation	(36)	22	(35)
Items allocated to customers (life insurance)	36	(22)	35
Financial liabilities designated at FVTPL, changes in credit risk	(128)		
Tax	32		(10)
Items that will not be reclassified to the income statement	(96)		(104)
Currency translation of foreign operations	(2 735)	531	1 190
Currency translation reserve reclassified to the income statement			(1 306)
Hedging of net investment	2 386	(336)	(687)
Hedging reserve reclassified to the income statement			1 224
Investments according to the equity method		87	160
Tax	(596)	84	172
Tax reclassified to the income statement			(338)
Items that may subsequently be reclassified to the income statement	(946)	366	414
Other comprehensive income for the period	**(1 042)**	**366**	**311**
Comprehensive income for the period	**4 611**	**4 910**	**22 113**

Balance sheet

Amounts in NOK million	Note	31 March 2018	31 Dec. 2017	31 March 2017
				DNB Group
Assets				
Cash and deposits with central banks		275 298	151 595	368 518
Due from credit institutions		181 002	239 328	200 848
Loans to customers	4, 5, 6, 7	1 532 395	1 545 415	1 531 096
Commercial paper and bonds	7	370 091	422 606	391 381
Shareholdings	7	32 617	28 220	28 535
Financial assets, customers bearing the risk		74 630	75 206	64 688
Financial derivatives	7	113 255	132 349	141 449
Investment properties		16 273	16 306	15 967
Investments accounted for by the equity method		15 202	15 609	7 926
Intangible assets		5 555	5 600	5 767
Deferred tax assets		1 160	769	1 406
Fixed assets		8 653	8 704	8 125
Assets held for sale				53 365
Other assets		46 894	56 559	51 375
Total assets		**2 673 026**	**2 698 268**	**2 870 447**
Liabilities and equity				
Due to credit institutions		251 533	224 107	273 010
Deposits from customers	7	954 826	971 137	1 016 896
Financial derivatives	7	96 194	110 262	111 697
Debt securities issued	7, 8	759 608	780 247	832 521
Insurance liabilities, customers bearing the risk		74 630	75 206	64 688
Liabilities to life insurance policyholders in DNB Livsforsikring		207 753	208 500	209 354
Insurance liabilities, DNB Forsikring		2 440	2 043	2 259
Payable taxes		5 585	4 599	9 222
Deferred taxes		2 591	2 574	3 891
Other liabilities		55 016	68 078	60 983
Liabilities held for sale				41 671
Provisions		3 129	1 812	1 885
Pension commitments		3 374	3 267	2 867
Subordinated loan capital	7, 8	38 208	29 538	28 795
Total liabilities		**2 454 888**	**2 481 371**	**2 659 740**
Share capital		16 127	16 180	16 283
Share premium		22 609	22 609	22 609
Additional Tier 1 capital		15 594	16 159	15 594
Other equity		163 809	161 948	156 221
Total equity		**218 138**	**216 897**	**210 707**
Total liabilities and equity		**2 673 026**	**2 698 268**	**2 870 447**

Statement of changes in equity

DNB Group

Amounts in NOK million	Share capital	Share premium	Additional Tier 1 capital	Net translation reserve	Liability credit reserve	Other equity	Total equity
Balance sheet as at 31 Dec. 2016	**16 286**	**22 609**	**15 952**	**4 297**		**147 279**	**206 423**
Profit for the period			240			4 304	4 544
Currency translation of foreign operations				531			531
Hedging of net investment				(336)			(336)
Investments according to the equity method						87	87
Tax on other comprehensive income				84			84
Comprehensive income for the period			240	279		4 391	4 910
Interest payments additional Tier 1 capital			(591)				(591)
Currency movements taken to income			(7)			7	
Net purchase of treasury shares	(3)					(31)	(34)
Balance sheet as at 31 March 2017	**16 283**	**22 609**	**15 594**	**4 575**		**151 646**	**210 707**
Balance sheet as at 31 Dec. 2017	**16 180**	**22 609**	**16 159**	**4 550**		**157 398**	**216 897**
Implementation of IFRS 9					(342)	(1 437)	(1 779)
Balance sheet as at 1 Jan. 2018	**16 180**	**22 609**	**16 159**	**4 550**	**(342)**	**155 961**	**215 118**
Profit for the period			221			5 432	5 653
Financial liabilities designated at FVTPL, changes in credit risk					(128)		(128)
Currency translation of foreign operations				(2 735)			(2 735)
Hedging of net investment				2 386			2 386
Tax on other comprehensive income				(596)	32		(565)
Comprehensive income for the period			221	(946)	(96)	5 432	4 611
Interest payments additional Tier 1 capital			(754)				(754)
Currency movements taken to income			(32)			32	
Repurchased under share buy-back programme	(54)					(783)	(837)
Balance sheet as at 31 March 2018	**16 127**	**22 609**	**15 594**	**3 605**	**(438)**	**160 642**	**218 138**

Cash flow statement

Amounts in NOK million	January-March 2018	January-March 2017	Full year 2017
			DNB Group
Operating activities			
Net payments on loans to customers	(8 242)	(20 705)	(33 528)
Interest received from customers	13 023	11 494	47 196
Net receipts/payments on deposits from customers	(7 821)	85 490	36 283
Interest paid to customers	(1 320)	(525)	(4 382)
Net receipts/payments on loans to credit institutions	94 938	38 874	(39 774)
Interest received from credit institutions	1 011	516	2 450
Interest paid to credit institutions	(759)	(471)	(2 430)
Net receipts/payments on the sale of financial assets for investment or trading	47 576	(123)	(19 697)
Interest received on bonds and commercial paper	697	494	4 449
Net receipts on commissions and fees	2 100	1 761	8 627
Payments to operations	(5 277)	(4 648)	(20 023)
Taxes paid	(756)	(848)	(10 771)
Receipts on premiums	4 129	4 465	14 875
Net receipts/payments on premium reserve transfers	(829)	1 352	1 666
Payments of insurance settlements	(4 071)	(3 886)	(15 183)
Other net receipts/payments	(476)	(3 749)	5 586
Net cash flow from operating activities	**133 923**	**109 489**	**(24 657)**
Investing activities			
Net payments on the acquisition of fixed assets	(401)	(643)	(2 305)
Net receipts from investment properties	104	71	382
Receipts on the sale of long-term investments in shares			238
Acquisition of long-term investments in shares			(324)
Dividends received on long-term investments in shares		0	7
Net cash flow from investment activities	**(297)**	**(572)**	**(2 001)**
Financing activities			
Receipts on issued bonds and commercial paper	445 588	2 026 703	1 849 030
Payments on redeemed bonds and commercial paper	(447 293)	(1 963 162)	(1 856 373)
Interest payments on issued bonds and commercial paper	(4 858)	(4 964)	(13 853)
Receipts on the raising of subordinated loan capital	9 419	10 106	10 106
Redemptions of subordinated loan capital		(10 544)	(10 544)
Interest payments on subordinated loan capital	(169)	(418)	(784)
Interest payments on additional Tier 1 capital	(754)	(591)	(724)
Repurchased shares	(837)		(1 659)
Dividend payments			(9 284)
Net cash flow from funding activities	**1 096**	**57 129**	**(34 085)**
Effects of exchange rate changes on cash and cash equivalents	**(599)**	**(4 000)**	**3 827**
Net cash flow	**134 122**	**162 047**	**(56 916)**
Cash as at 1 January	154 122	214 807	211 039
Net receipts/payments of cash	134 122	162 047	(56 916)
Cash at end of period *)	288 245	376 854	154 122

*) Of which:	*Cash and deposits with central banks*	*275 298*	*372 509*	*151 595*
	Deposits with credit institutions with no agreed period of notice 1)	*12 946*	*4 345*	*2 527*

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, can be found in note 1 Accounting principles and 52 Transition to IFRS 9 in the annual report for 2017.

With effect from the first quarter of 2018, DNB has changed the composition of reportable segments, as the Risk management, previously reported as Trading, and the Traditional pension products segments have been combined with Other operations. In addition, eliminations have been separated from Other operations/eliminations and are presented in a separate column. For further information, see note 2 Segments.

New accounting standards that entered into force during the first quarter of 2018 are described below. The Group applied the standards as of 1 January 2018.

IFRS 9 Financial Instruments

IFRS 9 is the new standard for financial instruments that replaces IAS 39. Comparative information has not been restated. For additional information on IFRS 9 adoption, see note 52 Transition to IFRS 9 in the annual report for 2017. Disclosures related to the line item Loans to customers in the balance sheet and the line item Impairment of loans and guarantees in the income statement for the first quarter of 2017 can be found in note 9 Impairment of loans and guarantees, note 10 Loans to customers and note 11 Net impaired loans and guarantees for principal customer groups in the report for the first quarter of 2017.

IFRS 15 Revenue from contracts with customers

IFRS 15 establishes a five-step model that applies to revenue arising from contracts with customers. The new rules have no material impact on the Group's financial statements.

Note 2 Segments

According to DNB's management model, the operating segments are independent profit centres that are fully responsible for their profit after tax and for achieving the targeted returns on allocated capital. DNB has the following operating segments: Personal customers, Small and medium-sized enterprises, Large corporates and international customers, Risk management, previously reported as Trading and Traditional pension products. With effect from the first quarter of 2018, DNB has changed the composition of reportable segments, as the Risk management and the Traditional pension products segments have been combined with Other operations. In addition, eliminations have been separated from Other operations/eliminations and are presented in a separate column. Figures for 2017 have been adjusted correspondingly.

Income statement, first quarter

DNB Group

	Personal customers		Small and medium-sized enterprises		Large corporates and international customers		Other operations		Eliminations		DNB Group	
	1st quarter		1st quarter		1st quarter		1st quarter		1st quarter		1st quarter	
Amounts in NOK million	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Net interest income	3 402	3 114	2 306	2 035	2 851	3 100	449	271			9 007	8 521
Net other operating income	1 198	1 192	545	557	1 289	1 449	692	864	(858)	(663)	2 867	3 399
Total income	4 600	4 305	2 851	2 593	4 140	4 550	1 141	1 135	(858)	(663)	11 874	11 920
Operating expenses	(1 993)	(2 103)	(1 063)	(1 164)	(1 702)	(1 907)	(1 254)	(930)	858	663	(5 155)	(5 441)
Pre-tax operating profit before impairment	2 606	2 203	1 788	1 429	2 438	2 642	(113)	205			6 719	6 479
Net gains on fixed and intangible assets			0	(0)	0	6	17	0			18	6
Impairment of financial instruments	(53)	110	(215)	10	598	(697)	0	15			330	(562)
Profit from repossessed operations			5	(10)	2	(0)	(7)	10				
Pre-tax operating profit	2 553	2 313	1 578	1 429	3 039	1 951	(103)	230			7 066	5 923
Tax expense	(638)	(578)	(395)	(357)	(699)	(546)	318	120			(1 413)	(1 362)
Profit from operations held for sale, after taxes						(0)		(17)				(17)
Profit for the period	1 915	1 735	1 184	1 072	2 340	1 405	215	332			5 653	4 544

For further details about the reportable segments, quarterly results and explanatory comments, see the directors' report.

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.

Primary capital	**DNB Bank ASA**		**DNB Bank Group**		**DNB Group**	
Amounts in NOK million	31 March 2018	31 Dec. 2017	31 March 2018	31 Dec. 2017	31 March 2018	31 Dec. 2017
Total equity excluding profit for the period	168 122	169 720	200 336	203 685	212 707	216 897
Effect from regulatory consolidation			15	183	(6 496)	(6 328)
Additional Tier 1 capital instruments included in total equity	(15 574)	(15 574)	(15 574)	(15 574)	(15 574)	(15 574)
Net accrued interest on additional Tier 1 capital instruments	(15)	(439)	(15)	(439)	(15)	(439)
Common equity Tier 1 capital instruments	152 533	153 708	184 762	187 856	190 622	194 557
Deductions						
Pension funds above pension commitments	(3)		(3)		(3)	
Goodwill	(2 375)	(2 404)	(2 527)	(2 559)	(4 232)	(4 264)
Deferred tax assets that are not due to temporary differences	(574)	(584)	(441)	(454)	(441)	(454)
Other intangible assets	(1 074)	(1 110)	(1 878)	(1 984)	(1 878)	(1 984)
Dividends payable etc.			(15 804)	(15 804)	(12 693)	(13 529)
Significant investments in financial sector entities [1]					(531)	(363)
Expected losses exceeding actual losses, IRB portfolios	(512)	(951)	(889)	(1 915)	(889)	(1 915)
Value adjustments due to the requirements for prudent valuation (AVA)	(416)	(449)	(775)	(720)	(775)	(720)
Adjustments for unrealised losses/(gains) on debt recorded at fair value	131	123	438	123	438	123
Adjustments for unrealised losses/(gains) arising from the institution's own credit risk related to derivative liabilities (DVA)	(535)	(481)	(126)	(113)	(126)	(113)
Common equity Tier 1 capital	147 175	147 851	162 755	164 431	169 492	171 339
Common equity Tier 1 capital incl. 50 per cent of profit for the period	148 991		165 354		172 281	
Additional Tier 1 capital instruments	15 574	15 574	15 574	15 574	15 574	15 574
Non-eligible Tier 1 capital, DNB Group [2]					(154)	(56)
Tier 1 capital	162 749	163 425	178 329	180 005	184 911	186 856
Tier 1 capital incl. 50 per cent of profit for the period	164 565		180 928		187 701	
Perpetual subordinated loan capital	5 172	5 361	5 172	5 361	5 172	5 361
Term subordinated loan capital	32 808	23 897	32 808	23 897	32 808	23 897
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]					(4 233)	(1 813)
Tier 2 capital	37 981	29 258	37 981	29 258	27 998	21 696
Total eligible capital	200 730	192 683	216 310	209 263	212 909	208 552
Total eligible capital incl. 50 per cent of profit for the period	202 546		218 909		215 699	
Risk-weighted volume, transitional rules [4]	837 481	835 986	1 012 706	1 014 683	1 040 066	1 042 601
Minimum capital requirement, transitional rules	66 998	66 879	81 016	81 175	83 205	83 408
Common equity Tier 1 capital ratio, transitional rules (%)	17.8	17.7	16.3	16.2	16.6	16.4
Tier 1 capital ratio, transitional rules (%)	19.6	19.5	17.9	17.7	18.0	17.9
Capital ratio, transitional rules (%)	24.2	23.0	21.6	20.6	20.7	20.0
Common equity Tier 1 capital ratio, transitional rules, excluding 50 per cent of profit for the period (%)	17.6		16.1		16.3	
Tier 1 capital ratio, transitional rules, excluding 50 per cent of profit for the period (%)	19.4		17.6		17.8	
Capital ratio, transitional rules, excluding 50 per cent of profit for the period (%)	24.0		21.4		20.5	

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) *The amount of Tier 1 and Tier 2 capital in DNB Bank ASA that are 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.*

Note 3 Capital adequacy (continued)

Basel III

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

Specification of risk-weighted volume and capital requirements

DNB Group

Amounts in NOK million	Nominal exposure 31 March 2018	EAD [1] 31 March 2018	Average risk weights in per cent 31 March 2018	Risk-weighted volume 31 March 2018	Capital requirement 31 March 2018	Capital requirement 31 Dec. 2017
IRB approach						
Corporate	926 633	759 387	54.3	412 303	32 984	35 197
Specialised lending (SL)	11 549	10 772	51.2	5 511	441	454
Retail - mortgages	755 320	755 320	22.2	167 682	13 415	13 220
Retail - other exposures	103 003	87 939	25.5	22 383	1 791	1 745
Securitisation	1 663	1 663	105.4	1 752	140	626
Total credit risk, IRB approach	1 798 168	1 615 081	37.7	609 631	48 770	51 241
Standardised approach						
Central government	381 112	339 288	0.0	102	8	6
Institutions	317 590	147 689	28.5	42 095	3 368	2 989
Corporate	199 455	140 154	86.1	120 614	9 649	9 796
Retail - mortgages	59 547	56 529	48.7	27 507	2 201	2 207
Retail - other exposures	122 079	47 354	76.8	36 358	2 909	2 941
Equity positions	20 754	20 752	223.9	46 455	3 716	3 742
Other assets	12 164	12 164	49.1	5 975	478	568
Total credit risk, standardised approach	1 112 700	763 929	36.5	279 106	22 328	22 249
Total credit risk	2 910 869	2 379 010	37.4	888 737	71 099	73 490
Market risk						
Position risk, debt instruments				10 957	877	1 120
Position risk, equity instruments				267	21	21
Currency risk						
Commodity risk				17	1	2
Credit value adjustment risk (CVA)				5 782	463	468
Total market risk				17 023	1 362	1 611
Operational risk				88 463	7 077	7 077
Net insurance, after eliminations						
Total risk-weighted volume and capital requirements before transitional rules				994 223	79 538	82 178
Additional capital requirements according to transitional rules [2]				45 842	3 667	1 230
Total risk-weighted volume and capital requirements				1 040 066	83 205	83 408

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 Development in accumulated impairment of financial instruments

The following tables reconcile the opening and closing balances for accumulated impairment of loans to customers at amortised cost and financial commitments. Reconciling items includes the following:

- Transfers between stages due to significant changes in credit risk. The transfers are presumed to occur before the subsequent remeasurement of the allowance
- Changes due to transfers between 12-month expected credit loss in stage 1 and lifetime expected credit loss in stages 2 and 3
- Increases and decreases in expected credit loss resulting from changes in input parameters and assumptions, including macro forecasts, as well as the effect of partial repayments on existing facilities and the unwinding of the time value of discounts due to the passage of time
- Changes in allowance due to the origination of new financial instruments during the period
- Changes in allowance due to the derecognition of financial instruments during the period
- Write-offs, exchange rate movements and other changes affecting the expected credit loss

Loans to customers at amortised cost

DNB Group

Amounts in NOK million	Stage 1	Stage 2	Stage 3	Total
Accumulated impairment as at 1 January 2018	**(382)**	**(3 082)**	**(8 710)**	**(12 174)**
Transfer to stage 1	(198)	185	13	
Transfer to stage 2	5	(19)	14	
Transfer to stage 3	0	670	(670)	
Assets originated or purchased during the period	(193)	(17)	(6)	(216)
Increased expected credit loss	(52)	(235)	(1 342)	(1 628)
Decreased (reversed) expected credit loss	445	242	218	904
Write-offs	0	0	506	506
Derecognition	3	1	507	510
Other	6	198	56	259
Exchange rate movements	5	32	105	142
Accumulated impairment as at 31 March 2018	**(362)**	**(2 027)**	**(9 308)**	**(11 697)**

Financial commitments

DNB Group

Amounts in NOK million	Stage 1	Stage 2	Stage 3	Total
Accumulated impairment as at 1 January 2018	**(171)**	**(2 128)**	**(511)**	**(2 810)**
Transfer to stage 1	(45)	45		
Transfer to stage 2	5	(5)	0	
Transfer to stage 3	0	147	(147)	0
Originated or purchased during the period	(31)	(5)	(12)	(47)
Increased expected credit loss	(3)	(318)	(4)	(325)
Decreased (reversed) expected credit loss	100	205	273	578
Derecognition	0	0	9	10
Other	0	277	35	312
Exchange rate movements	1	41	1	44
Accumulated impairment as at 31 March 2018	**(143)**	**(1 741)**	**(355)**	**(2 239)**

Note 5 Development in gross carrying amount and maximum exposure

The following tables reconcile the opening and closing balances for gross carrying amount and the maximum exposure for loans to customers at amortised cost and financial commitments. Reconciling items include the following:

- Transfers between stages due to significant changes in credit risk
- Changes due to the derecognition of loans and financial commitments during the period
- Changes due to the origination of new financial instruments during the period
- Exchange rate movements and other changes affecting the gross carrying amount and maximum exposure

Loans to customers at amortised cost

DNB Group

Amounts in NOK million	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 1 January 2018	**1 376 314**	**90 102**	**25 843**	**1 492 259**
Transfer to stage 1	17 967	(17 803)	(164)	
Transfer to stage 2	(14 973)	15 304	(331)	
Transfer to stage 3	(711)	(4 111)	4 822	0
Assets originated or purchased during the period	122 690	1 681	137	124 508
Derecognition	(120 764)	(2 831)	(1 496)	(125 091)
Other	(87)	(2 864)	(503)	(3 455)
Exchange rate movements	(6 677)	(539)	(201)	(7 417)
Gross carrying amount as at 31 March 2018	**1 373 760**	**78 938**	**28 107**	**1 480 805**

Financial commitments

DNB Group

Amounts in NOK million	Stage 1	Stage 2	Stage 3	Total
Maximum exposure as at 1 January 2018	**651 248**	**28 358**	**3 208**	**682 814**
Transfer to stage 1	5 179	(5 157)	(22)	
Transfer to stage 2	(5 749)	5 775	(27)	
Transfer to stage 3	(1 104)	(147)	1 252	
Originated or purchased during the period	49 106	1 281	405	50 792
Derecognition	(43 131)	(1 718)	(260)	(45 109)
Other	330	(3 666)	(242)	(3 578)
Exchange rate movements	(5 789)	(702)	(28)	(6 519)
Maximum exposure as at 31 March 2018	**650 090**	**24 023**	**4 286**	**678 400**

Note 6 Loans to customers and financial commitments by industry segment

Loans to customers		Accumulated impairment				**DNB Group**
Amounts in NOK million	Gross carrying amount	Stage 1	Stage 2	Stage 3	Loans at fair value	Total
Bank, insurance and portfolio management	17 368	(4)	(2)	(67)	47	17 342
Commercial real estate	169 343	(12)	(65)	(386)	157	169 038
Power and renewables	23 537	(5)	(9)	(492)		23 031
Fishing, fish farming and farming	31 543	(4)	(9)	(79)	140	31 591
Healthcare	20 994	(7)	(4)	(0)		20 982
Manufacturing	49 900	(18)	(8)	(589)	4	49 289
Oil, gas and offshore	62 442	(30)	(1 314)	(4 189)		56 908
Public, state and municipality	26 784	(3)	(2)	(219)	32	26 591
Residential property	80 778	(4)	(8)	(214)	418	80 970
Services	49 669	(9)	(10)	(376)	188	49 462
Shipping	63 386	(119)	(276)	(621)		62 370
Technology, media and telecom	24 204	(26)	(17)	(82)	14	24 093
Trade	44 507	(16)	(29)	(821)	80	43 721
Personal customers	735 658	(87)	(246)	(733)	62 105	796 696
Other	80 694	(16)	(30)	(439)	102	80 311
Total as at 31 March 2018	**1 480 805**	**(362)**	**(2 027)**	**(9 308)**	**63 287**	**1 532 395**

Financial commitments		Accumulated impairment			**DNB Group**
Amounts in NOK million	Maximum exposure	Stage 1	Stage 2	Stage 3	Total
Bank, insurance and portfolio management	81 946	(10)	(0)	(0)	81 937
Commercial real estate	21 219	(2)	(1)	(5)	21 211
Power and renewables	23 816	(3)	(28)	0	23 785
Fishing, fish farming and farming	10 137	(2)	(1)		10 134
Healthcare	16 195	(5)	(10)		16 180
Manufacturing	49 179	(13)	(4)	(83)	49 080
Oil, gas and offshore	68 086	(54)	(1 499)	(82)	66 452
Public, state and municipality	12 963	(1)	(0)	(1)	12 961
Residential property	31 703	(2)	(1)	(4)	31 695
Services	20 681	(5)	(5)	(15)	20 656
Shipping	11 445	(14)	(47)	(5)	11 379
Technology, media and telecom	30 437	(8)	(4)	(2)	30 422
Trade	28 054	(4)	(78)	(38)	27 934
Personal customers	238 531	(14)	(54)	(0)	238 464
Other	34 005	(6)	(10)	(118)	33 872
Total as at 31 March 2018	**678 400**	**(143)**	**(1 741)**	**(355)**	**676 161**

Note 7 Financial instruments at fair value

Amounts in NOK million	Valuation based on quoted prices in an active market Level 1	Valuation based on observable market data Level 2	Valuation based on other than observable market data Level 3	DNB Group Total
Assets as at 31 March 2018				
Loans to customers			63 287	63 287
Commercial paper and bonds	49 364	233 924	143	283 431
Shareholdings	6 241	22 080	4 296	32 617
Financial assets, customers bearing the risk		74 630		74 630
Financial derivatives	228	111 121	1 906	113 255
Liabilities as at 31 March 2018				
Deposits from customers		14 624		14 624
Debt securities issued		79 176		79 176
Subordinated loan capital		3 690		3 690
Financial derivatives	174	94 397	1 624	96 194
Other financial liabilities [1]	3 012	1		3 013

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

1) Short positions, trading activities.

For a further description of the instruments and valuation techniques, see the annual report for 2017.

Note 7 Financial instruments at fair value (continued)

Financial instruments at fair value, level 3

Amounts in NOK million	Financial assets: Loans to customers	Financial assets: Commercial paper and bonds	Financial assets: Share-holdings	Financial assets: Financial derivatives	Financial liabilities: Financial derivatives
					DNB Group
Carrying amount as at 31 December 2017	**75 101**	**328**	**4 498**	**2 069**	**1 749**
Implementation impact from IFRS 9 at 1 January 2018	(10 113)				
Net gains recognised in the income statement	(319)	(206)	97	(154)	(114)
Additions/purchases	4 284	46	102	52	49
Sales		(5)	(402)		
Settled	(5 526)			(61)	(60)
Transferred from level 1 or level 2		2			
Transferred to level 1 or level 2		(14)			
Other	(141)	(8)		(0)	(0)
Carrying amount as at 31 March 2018	**63 287**	**143**	**4 296**	**1 906**	**1 624**

Sensitivity analysis, level 3

An increase in the discount rate on fixed-rate loans by 10 basis points will decrease the fair value by NOK 168 million. The effects on other Level 3 financial instruments are insignificant.

Note 8 Debt securities issued and subordinated loan capital

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

Debt securities issued

DNB Group

Amounts in NOK million	Balance sheet 31 March 2018	Issued 2018	Matured/ redeemed 2018	Exchange rate movements 2018	Other changes 2018	Balance sheet 31 Dec. 2017
Commercial paper issued, nominal amount	170 486	423 941	(405 728)	(6 402)		158 675
Bond debt, nominal amount [1)]	567 924	21 647	(41 565)	(8 536)		596 377
Value adjustments	21 198				(3 997)	25 195
Total debt securities issued	**759 608**	**445 588**	**(447 293)**	**(14 938)**	**(3 997)**	**780 247**

Debt securities issued

DNB Group

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

Subordinated loan capital and perpetual subordinated loan capital securities

DNB Group

Amounts in NOK million	Balance sheet 31 March 2018	Issued 2018	Matured/ redeemed 2018	Exchange rate movements 2018	Other changes 2018	Balance sheet 31 Dec. 2017
Term subordinated loan capital, nominal amount	32 808	9 419		(508)		23 897
Perpetual subordinated loan capital, nominal amount	5 172			(188)		5 361
Perpetual subordinated loan capital securities, nominal amount						
Value adjustments	227				(53)	280
Total subordinated loan capital and perpetual subordinated loan capital securities	**38 208**	**9 419**		**(696)**	**(53)**	**29 538**

Subordinated loan capital and perpetual subordinated loan capital securities

DNB Group

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

1) *Minus own bonds. The total nominal amount of outstanding covered bonds in DNB Boligkreditt was NOK 426.6 billion as at 31 March 2018. The market value of the cover pool represented NOK 615.8 billion.*

Note 9 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. The Oslo District Court passed its judgment on 12 January 2018, whereby the claim was rejected and DNB Asset Management was acquitted. On 12 February 2018, the Norwegian Consumer Council appealed to Borgarting Court of Appeal and reduced the compensation claim to NOK 450 million.

DNB ASA

Income statement

Amounts in NOK million	1st quarter 2018	1st quarter 2017	Full year 2017
Interest income, amortised cost	5	10	38
Interest expenses, amortised cost	(104)	(95)	(392)
Net interest income	**(99)**	**(84)**	**(353)**
Commissions and fees payable	(1)	(2)	(6)
Other income [1]			19 280
Net other operating income	**(1)**	**(2)**	**19 274**
Total income	**(100)**	**(87)**	**18 921**
Salaries and other personnel expenses	(1)	(1)	(4)
Other expenses	(82)	(87)	(348)
Total operating expenses	**(83)**	**(88)**	**(352)**
Pre-tax operating profit	**(183)**	**(174)**	**18 569**
Tax expense	46	44	(150)
Profit for the period	**(137)**	**(131)**	**18 419**
Earnings/diluted earnings per share (NOK)	(0.08)	(0.08)	11.38
Earnings per share excluding operations held for sale (NOK)	(0.08)	(0.08)	11.38

DNB ASA

Balance sheet

Amounts in NOK million	31 March 2018	31 Dec. 2017	31 March 2017
Assets			
Due from DNB Bank ASA	4 403	5 339	6 737
Investments in group companies	74 720	74 720	74 270
Receivables due from group companies [1]	18 580	18 580	11 013
Other assets			
Total assets	**97 704**	**98 639**	**92 019**
Liabilities and equity			
Short-term amounts due to DNB Bank ASA	13	10	9
Due to other group companies	1 099	600	5 290
Other liabilities and provisions	10 847	11 393	9 241
Long-term amounts due to DNB Bank ASA	20 169	20 086	16 429
Total liabilities	**32 128**	**32 090**	**30 968**
Share capital	16 127	16 180	16 288
Share premium	22 556	22 556	22 556
Other equity	26 892	27 813	22 206
Total equity	**65 576**	**66 550**	**61 051**
Total liabilities and equity	**97 704**	**98 639**	**92 019**

DNB ASA

1) Of which group contributions from DNB Bank ASA represented NOK 16 094 million in 2017. The group contribution from DNB Livsforsikring AS was NOK 1 950 million in 2017.The group contribution from DNB Forsikring AS represented NOK 150 million in 2017. The group contribution from DNB Asset Management Holding AS was NOK 386 million in 2017. The demerger of Vipps from DNB resulted in a gain of NOK 700 million.

Statement of changes in equity

Amounts in NOK million	Share capital	Share premium	Other equity	Total equity
Balance sheet as at 31 December 2016	**16 288**	**22 556**	**22 337**	**61 181**
Repurchase under share buy-back programme	(108)		(1 552)	(1 659)
Profit for the period			18 419	18 419
Dividends for 2017 (NOK 7.10 per share)			(11 392)	(11 392)
Balance sheet as at 31 December 2017	**16 180**	**22 556**	**27 813**	**66 550**
Balance sheet as at 31 December 2017	**16 180**	**22 556**	**27 813**	**66 550**
Repurchase under share buy-back programme	(54)		(783)	(837)
Profit for the period			(137)	(137)
Balance sheet as at 31 March 2018	**16 127**	**22 556**	**26 892**	**65 576**

DNB ASA

Basis for preparation

DNB ASA has prepared the financial statements according to the Norwegian Ministry of Finance's regulations on annual accounts, Section 1-6, on the use of IFRS. A description of the accounting principles applied by the company when preparing the financial statements appear in note 1 Accounting principles in the annual report for 2017.

Information about the DNB Group

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Board of Directors in DNB ASA

Olaug Svarva, chair of the board
Tore Olaf Rimmereid, vice chair of the board
Karl-Christian Agerup
Carl A. Løvvik
Vigdis Mathisen
Jaan Ivar Semlitsch
Berit Svendsen

Group management

Rune Bjerke	Group chief executive
Kjerstin Braathen	Group executive vice president Group Finance
Ingjerd Blekeli Spiten	Group executive vice president Personal Banking
Benedicte Schilbred Fasmer	Group executive vice president Corporate Banking
Harald Serck-Hanssen	Group executive vice president Large Corporates and International
Trond Bentestuen	Group executive vice president Wealth Management & Insurance
Ottar Ertzeid	Group executive vice president Markets
Rasmus Figenschou	Group executive vice president New Business
Ida Lerner	Group executive vice president Risk Management
Mirella Wassiluk	Group executive vice president Compliance
Solveig Hellebust	Group executive vice president People & Operations
Alf B. Otterstad	Group executive vice president IT
Thomas Midteide	Group executive vice president Media & Marketing

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Financial calendar

2018

as of 4 May	Distribution of dividends
12 July	Q2 2018
25 October	Q3 2018

2019

7 February	Q4 2018
7 March	Annual report 2018
30 April	Annual general meeting
1 May	Ex-dividend date
3 May	Q1 2019
as of 10 May	Distribution of dividends
11 July	Q2 2019
24 October	Q3 2019
20 November	Capital markets day

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 ir.dnb.no. Annual and quarterly reports can be ordered by sending an e-mail to Investor Relations.

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We are here.
So you can stay ahead.

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