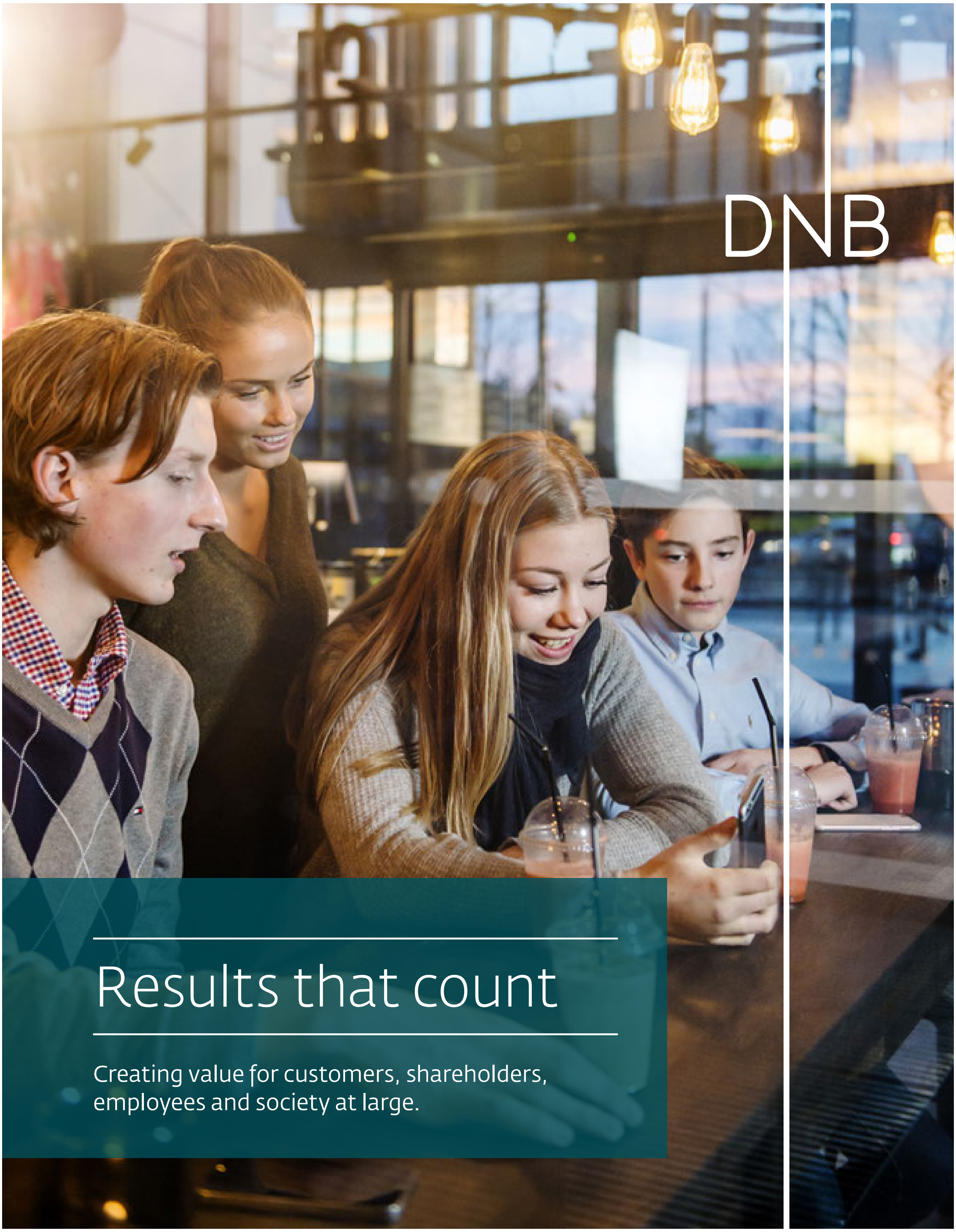
DNB GROUP ANNUAL REPORT

2015



Results that count

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

Results that count

In DNB, we have a vision to create value for our customers, shareholders, employees and society at large. This means focusing on our stakeholders and creating value together, both in the short and long term.

As Norway's largest financial services group, we believe that creating lasting value and managing this in an optimal manner are part of our corporate social responsibility. In addition, our goal is to use our expertise in various ways, from sharing our knowledge of personal finance with school children and young people to identifying money laundering and terrorist financing.

The most important corporate social responsibility topics, which were previously described in a separate report, are now covered in this report. Supplementary information and key figures on corporate social responsibility are published on dnb.no/en/about-us.

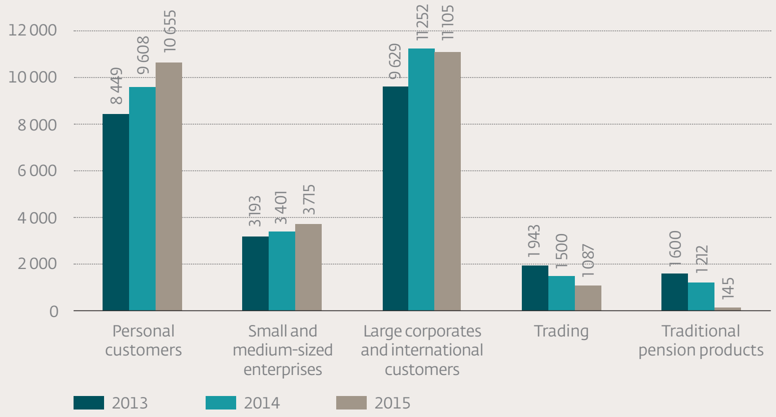
This year's annual report contains the most important financial and non-financial key performance indicators for DNB. The aim is to give the best possible overview of our current operations and show how we are preparing for the years ahead. You can also read selected stories about how we create results together with our customers.

The annual report shows results that count.
After all, this is what it all comes down to, whether you are a customer, shareholder or employee.

CONTENTS

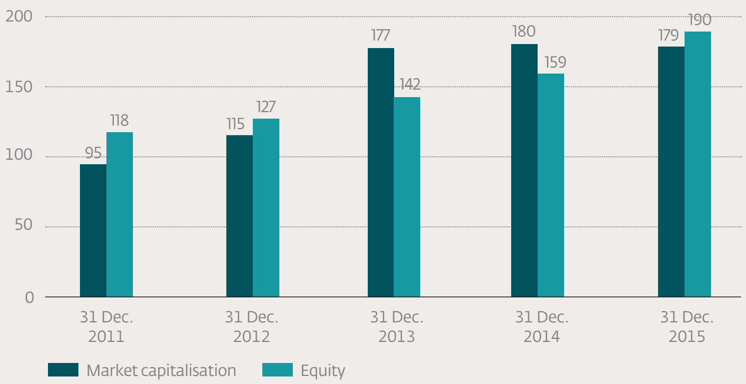
Segments – pre-tax operating profit

NOK million



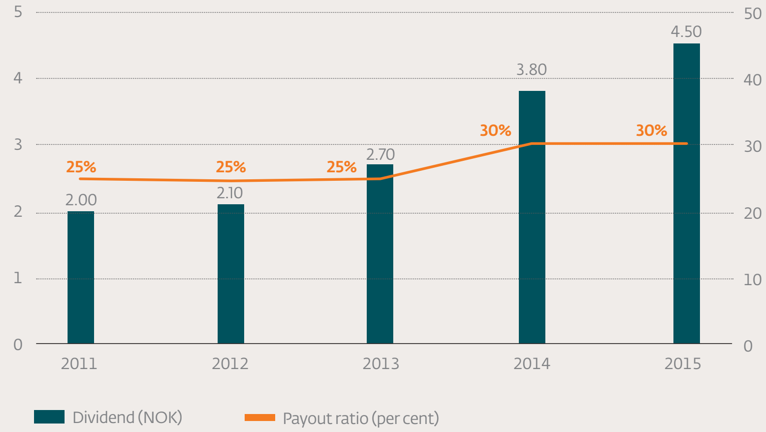
The DNB Group's market capitalisation and equity

NOK billion



Share dividend and payout ratio

Dividend in NOK *Payout ratio in per cent*



14.5

(13.8)

Return on equity in per cent

4.50

(3.80)

Dividend per share in NOK [1]

14.4

(12.7)

Common equity Tier 1 capital ratio

70.1

(67.8)

Reputation score [2]

(The figures in parentheses refer to 2014)

1) *The dividend proposal for 2015 corresponds to a payout ratio of 30 per cent.*
2) *According to RepTrak's reputation survey.*

KEY FIGURES

	2015	2014	2013	2012	2011
Profit for the year	24 762	20 617	17 511	13 792	12 979
Earnings per share (NOK)	14.98	12.67	10.75	8.48	7.98
Combined weighted total average spread for lending and deposits (per cent)	1.24	1.24	1.26	1.18	1.12
Net non-performing and net doubtful loans and guarantees as a percentage of net loans	0,76	0,96	1,38	1,50	1,50
Impairment relative to average net loans to customers	(0.15)	(0.12)	(0.17)	(0.24)	(0.28)
Share price at year-end (NOK)	109.80	110.70	108.50	70.40	58.55
Price/book value	0,98	1,14	1,25	0,90	0,81
Score from RepTrak's reputation survey in the fourth quarter (points)	70.1	67.8	71.0	69.6	68.3
Female representation at management levels 1-4 (%)	31.3	30.5	29.4	29.2	26.6
Meetings with companies undertaken by the responsible investment team to discuss CSR issues (number)	27	30	39	29	-
Customer satisfaction index, CSI (score)	73.9	71.1	72.5	74.2	74.6

See extended key figure tables:

- Key figures for responsible operations – page 60
- Employee-related key figures – page 71
- Share-related key figures – page 124
- Financial key figures – page 245

11 380

Number of full-time positions at year-end

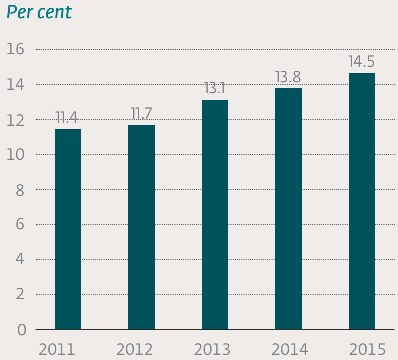
73.9

Customer satisfaction score

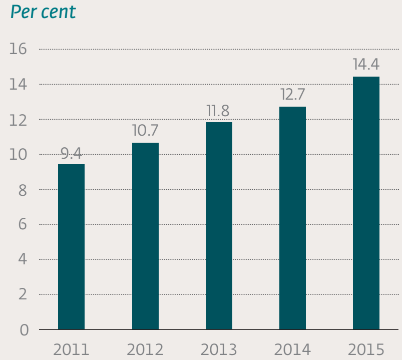
31.3%

Female representation at management levels 1-4

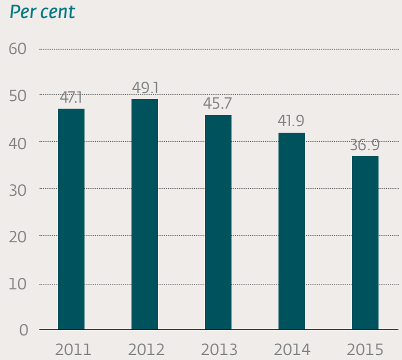
Return on equity



Common equity Tier 1 capital ratio, transitional rules



Cost/income ratio



1

DNB IN BRIEF

Group chief executive's statement

2015 was another good year for DNB. Capital adequacy was strengthened and within just five months, Vipps was downloaded by one million Norwegians.

"Customer satisfaction levels reached an all-time high in 2015."

GROUP CHIEF EXECUTIVE RUNE BJERKE

Three factors have characterised the banking industry in recent years. The first is stricter capital adequacy requirements. DNB stood firm throughout the financial crisis and has continued to set aside capital as instructed. Since year-end 2009, we have built up NOK 73 billion in common equity Tier 1 capital. During 2015, the Norwegian authorities increased the counter-cyclical capital buffer and gave us a specific Pillar 2 requirement. The minimum requirement is now 15 per cent common equity Tier 1 capital based on transitional rules. We are making good progress in meeting these requirements.

The second factor is macroeconomic volatility. In spite of falling interest rates and a slower economy, primarily caused by the strong fall in the price of oil, we have managed to build up capital. At the start of 2015, the price of North Sea oil was just below 60 US dollars per barrel, whereas during the last few weeks of the year, it fluctuated between 36 and 38 US dollars. The oil price has continued to drop in 2016 and it is not surprising that this has consequences for the Norwegian economy. GDP growth in Mainland Norway ended at 1.0 per cent in 2015, lower than the global growth figure of around 3 per cent. This is also lower than the average for industrialised countries, which was about 1.8 per cent. The main reason for the more sluggish growth in Norway was a downturn in the petroleum sector and related industries.

The Norwegian business community is facing a complete transformation. The petroleum sector will still be a large and important industry, but the Norwegian economy will be more diversified in the years ahead. The value of the Norwegian krone has depreciated in step with the price of oil and a weaker krone is beneficial for traditional export industries. For example, Norway's seafood industry had a record year in 2015. The export of salmon has never been higher, and several other sectors increased exports during the year. The weakening of the krone in 2015 reversed the ten years Norway had higher wage inflation than its trading partners.

Norway has a good starting point to meet macroeconomic challenges. In fiscal and monetary policy, it has more scope of action than comparable countries. However, for some customers, 2016 will be demanding. We are working closely with the companies which will be affected by the changes in the macroeconomic scenario. We are also going a long way for those customers we consider to have exciting growth opportunities.

The third factor is about changes in customer behaviour. The pace of change is accelerating, and customers are changing faster than before. This requires stable and robust IT systems and that we develop digital solutions faster and better. We initiated measures early on, and in 2015, we completed one of Norway's most extensive IT projects ever. Through MoveIT, we have gone from seven data processing centres to one. The project, finalised in the autumn, was completed sooner and at a lower cost than planned and budgeted. Even though the moving period required considerable IT resources, we have continued to develop new products.

Vipps is probably the word which best describes 2015. The app has revolutionised person-to-person payments in Norway. As all that is needed is the telephone number of the payment recipient, account numbers are not necessary. Vipps was developed during the spring of 2015 and launched at the end of May. In early November, one million Norwegians had downloaded the app. This trend continued during the remainder of the year. Within six months, the Vipps brand became as well known in Norway as Tine, the leading supplier of dairy products, and Apple. Vipps has been a complete success, but we are still in the initial phase, and new functions and solutions will be added during 2016.

While Vipps has made person-to-person payments easy and simple, our mobile bank has experienced exponential growth. From some 800 000 logins per month in mid-2013, there has been an increase to an average of more than 13 million per month. In December 2015, we had more than 15 million logins. This is partly due to the fact that Norwegians use their mobiles for an increasing range of purposes, including banking services. At the same time, we are seeing that FingerID, which we launched in August, increases the use of our mobile bank. FingerID scans the user's fingerprint, and customers do not need a code to log in.

Stable IT systems and innovations such as Vipps and FingerID have contributed to lifting our reputation and customer satisfaction scores. Customer satisfaction levels reached an all-time high in 2015. We have continued to be there for our customers, every day, when it matters the most. Sustained strong growth in home mortgages and more than 400 000 customer meetings show that our customer value proposition is more than just words; it is something we live by.

We have not only been innovative and launched new services for our personal customers. A business sector in a state of restructuring needs new companies with new solutions. Our startup pilots initiative, aimed at helping entrepreneurs, was launched in 2014. Through our startup pilots, we offer expertise and advisory services to those who wish to start up their own company. In 2015, we helped 2 771 companies in the early stages of their life cycle. The response received from customers has been very positive, and hopefully some of these companies will become important contributors in their local communities and regions across Norway in the years to come.

2015 was another good year for DNB. All employees have made a tremendous effort to meet the new banking reality. We have initiated measures to adjust to higher capital adequacy requirements, macroeconomic volatility and changes in customer behaviour. Consequently, at the start of 2016, we have built up a sound platform from which we will continue to implement our vision: creating value through the art of serving the customer.

Rune Bjerke

Rune Bjerke
Group chief executive

Norway's leading financial services group

DNB represents more than 190 years of financial history, from the establishment of Christiania Sparebank in 1822 to the position as Norway's largest financial services group, with total combined assets of NOK 2 901 billion as at 31 December 2015.

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

DNB is among the world's leading banks within its international priority areas, especially the energy, shipping and seafood sectors. The bank offers 24/7 customer service and telephone and online banking, and has a physical presence in 19 countries and throughout Norway through its branch offices, post offices and in-store postal and banking outlets.

The company's largest shareholder is the Norwegian government, represented by the Ministry of Trade, Industry and Fisheries, which owns 34 per cent of the shares. The second largest shareholder is the DNB Savings Bank Foundation, which has a 9.4 per cent shareholding.

VISION AND VALUES

DNB's vision, values and customer value proposition are about putting the customers in focus. By having satisfied customers whose needs for financial services are well met, DNB aims to be the leading bank throughout Norway and a leading international player within selected customer segments, products and geographic areas.

DNB's vision: Creating value through the art of serving the customer
DNB will create value for customers, owners, employees and society in general.

DNB's values: Helpful, professional and show initiative
The values reflect what should characterise DNB. Employees who are helpful, professional and show initiative will ensure that customers always have a good experience when they contact DNB.

DNB's customer value proposition: Here for you. Every day. When it matters the most.
It is all about when, where and how DNB is there for its customers. Being there is about identifying customer needs in order to be able to offer the best solutions.

STRATEGY AND TARGETS

DNB's strategic platform consists of the Group's vision, values and a shared customer value proposition

The platform shows what should characterise the Group and sets a common direction in the form of:

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

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

Areas in which DNB must succeed during the strategy period:

CAPITAL

DNB shall

- Meet the capital adequacy requirement of minimum 15 per cent at year-end 2016 and reach the target of approximately 15.5 per cent in 2017
- Deliver a return on equity above 12 per cent
- Remain among the most cost-effective banks and have a cost/income ratio below 40 per cent towards 2018
- Ensure efficient use of scarce resources

CUSTOMERS

DNB shall

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

CULTURE

DNB shall

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

FINANCIAL AMBITIONS 2016-2018

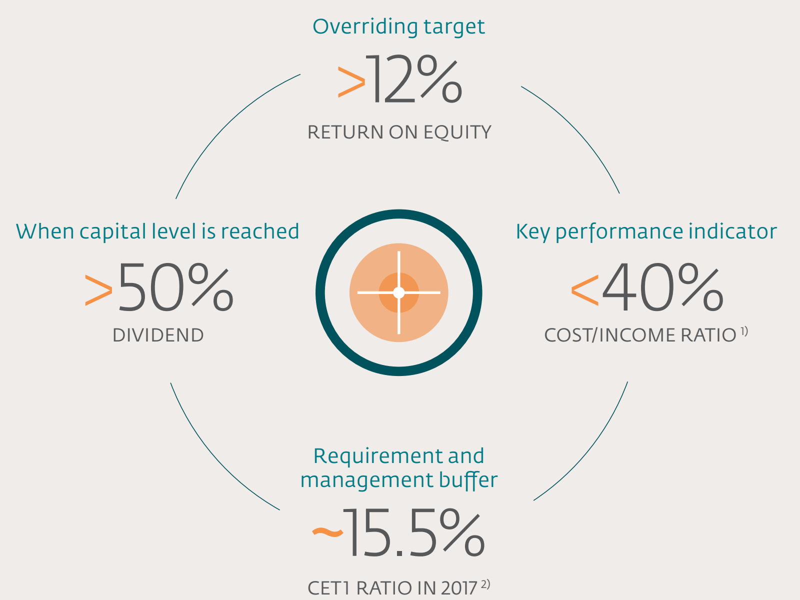
DNB's financial ambition for the 2016-2018 period is to achieve:

a return on equity above 12 per cent

Cost-effective operations are a prerequisite for reaching the return on equity target, and DNB aims to have **a cost/income ratio below 40 per cent** at the end of this period.

This is conditional on adequate capitalisation, and DNB's ambition is to have: **a common equity Tier 1 capital ratio of approximately 15.5 per cent** in 2017, including a 0.5 per cent management buffer. In 2016, the common equity Tier 1 capital ratio shall be minimum 15 per cent, which is in accordance with statutory requirements.

The Group's long-term dividend policy is to have: **a payout ratio of more than 50 per cent of annual profits.** Until the Group has achieved its capital adequacy targets, the need to strengthen capital adequacy will determine the dividend payout ratio.



1) Towards 2018 2) Based on transitional rules

Presence in Norway

NORWAY'S LEADING FINANCIAL SERVICES GROUP

2.1

Norway's leading financial services group with 2.1 million personal customers and 233 000 corporate customers.

743 100

Norway's largest mobile bank with more than 743 100 users and 13 million visits per month in 2015.

24t

Available via telephone, email and chat 24/7, 365 days a year. Loan applications are processed between 8.00 a.m. and 10.00 p.m. every day.

Physical presence across Norway through branch offices, in-store banking outlets, in-store postal outlets and post offices.

1.5

Norway's largest Internet bank with 1.5 million users.

986 000

986 000 norwegians started using Vipps in 2015.

vipps By DNB

A prominent presence in social media. The largest Norwegian commercial brand on Facebook with 348 000 followers. Has established a separate content platform, DNB Feed, which has 75 000 followers per week.

480 000

Norway's largest asset management company with some 480 000 mutual fund customers in Norway and 107 institutional clients in Norway and Sweden.

1 000 000

Provider of life insurance and pension products to just over one million persons. Individual and group agreements with some 24 000 companies.

8 666

8 666 employees in Norway.

Norway's largest real estate broker.

216 000

Approximately 216 000 non-life insurance customers.

Norway's leading investment bank.

Market shares in Norway

Retail market as at 31 December 2015

- 25% Loans from financial institutions
- 31% Deposits
- 47% Policyholders' funds
- 34 % Mutual fund investments

Corporate market as at 31 December 2015

- 23% Loans from financial institutions
- 38% Deposits
- 20% Policyholders' funds 1)
- 24% Mutual fund investments

1) Includes the public sector.

DNB's market shares

Source: Statistics Norway and Finance Norway

International presence

NORWAY'S MOST INTERNATIONAL FINANCIAL SERVICES GROUP

19

19 countries in addition to Norway.

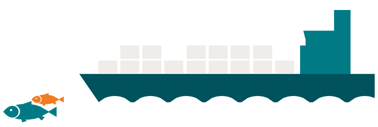
70

More than 70 branches in the Baltics.

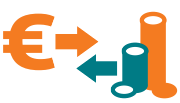
3 174

3 174 employees outside Norway.

A significant international player within financing of the energy and healthcare sectors.

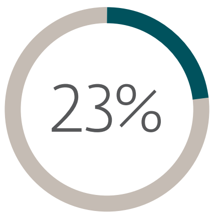


One of the world's leading shipping and seafood banks.

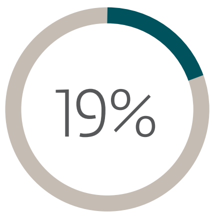


A leading foreign exchange bank.

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



Share of income in DNB's international units in 2015



Share of lending in DNB's international units in 2015

DNB in society

As Norway's largest bank, DNB plays an important role in many people's lives. This role is best filled by putting money to work.

DNB raises capital from three main sources

1) Shareholders

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

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

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

DNB Markets is Norway's leading investment firm with a product offering that includes trading in and structuring of financial instruments. Read more on page 42.

A Valuable Lesson has been developed by DNB in cooperation with the Norwegian Red Cross and is a free digital learning program for school children. Read more on page 102.

Not many people would be able to finance the dream of owning their own home without a bank to support them. DNB's Home Journey helps home buyers in the buying and/or selling process. **DNB Eiendom** is Norway's largest real estate broker. Read more on page 27.

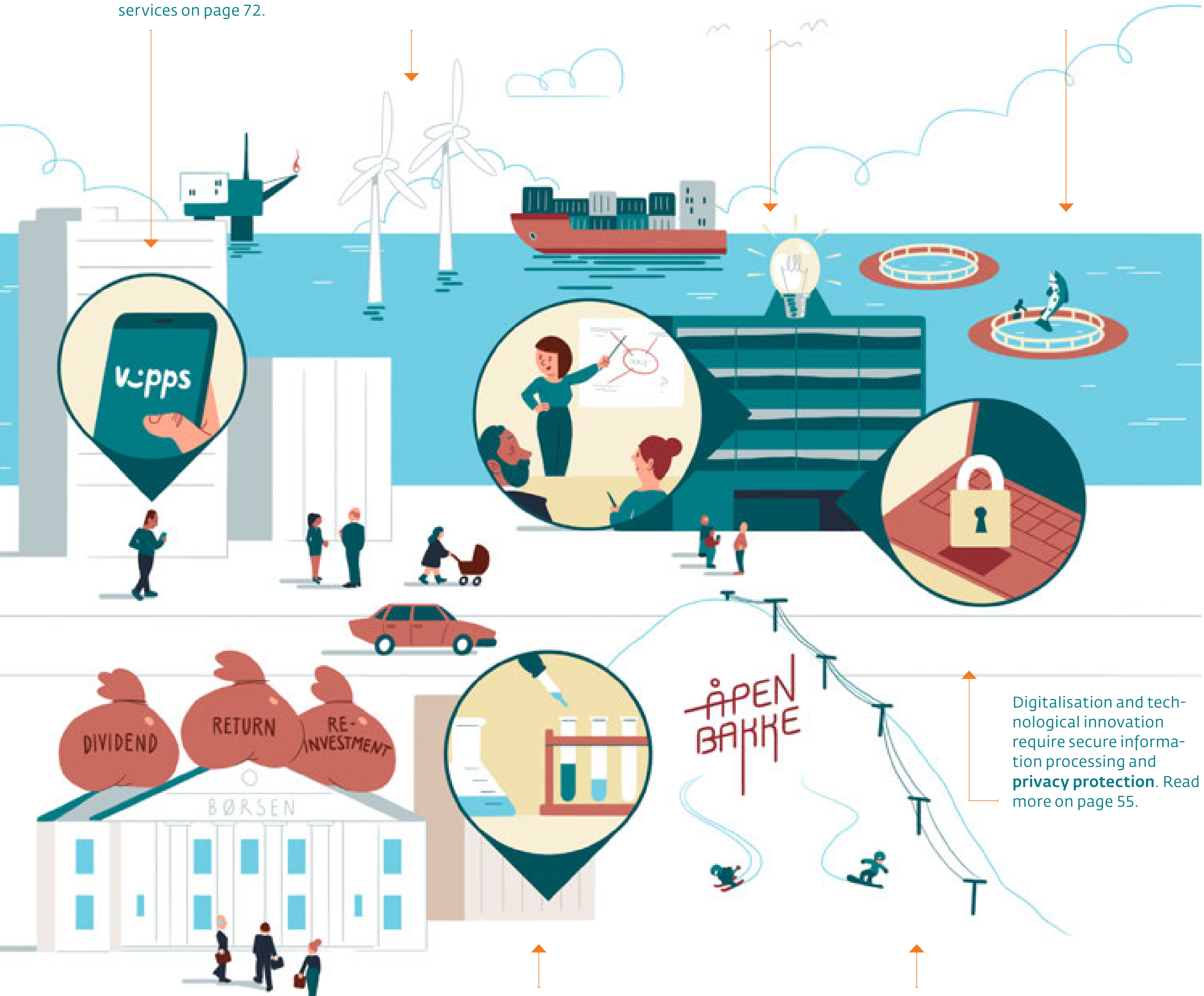
Through products and services, DNB meets the needs of its customers while respecting fundamental rights. Capital is raised in the form of funding from investors and depositors and is lent to, among others, companies which realise new ideas and create jobs. As a key player in society, DNB wishes to help even more people make their dreams come true and thereby contribute to value creation, innovation and employment. The relations between investors and borrowers are crucial for banking operations, and for DNB, the trust of both groups is essential for the value chain. As an employer, the Group seeks to create the best possible working conditions for its employees.

Vipps was launched in May 2015, and by the end of February 2016, the app had been downloaded more than 1.5 million times. Read more about Vipps and DNB's development of new digital services on page 72.

Energy, shipping, offshore and logistics are priority areas in DNB's international strategy. The Group has a global presence through a number of international offices and offers a full range of corporate and investment services.

DNB's start-up pilots help small companies and entrepreneurs who dare to start their own company to create more jobs than their own. Read more on page 46.

DNB is the world's leading seafood bank and offers financing services to leading producers in an industry in strong growth. Read more on page 116.



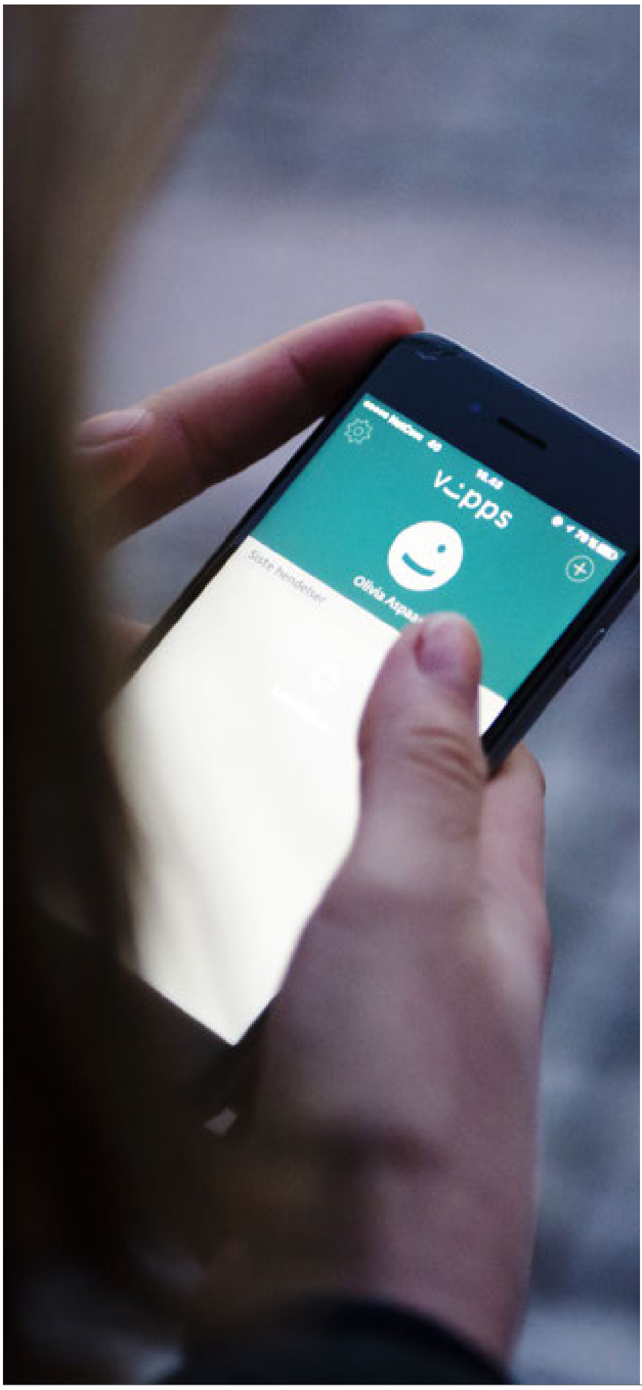
Digitalisation and technological innovation require secure information processing and **privacy protection**. Read more on page 55.

DNB wishes to help the **healthcare industry** gain a central position in Norway, with more companies becoming commercially viable. Read more about DNB's initiatives on page 59.

DNB supports sports, culture, charitable organisations and other non-profit causes with significant amounts each year. During the "Åpen Bakke" event, a day when downhill ski centres around Norway are opened to customers free of charge, the aim is to enable as many people as possible to experience snow and skiing, one of Norway's most important traditions.

The new banking reality

The overview below shows selected local and global trends which may influence the DNB Group's strategy, value creation and business model today and in the period ahead. The changes represent both risks and opportunities for the Group and require that DNB adapts its operations.



CHANGES IN CUSTOMER BEHAVIOUR

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

RISKS AND OPPORTUNITIES

- Digital customers make new demands, are impatient and less loyal.
- Current developments offer new opportunities to build trust through new types of customer relations, including experience sharing.
- Large and complex computer systems can make it difficult to adjust to the new reality.
- Many of the new large, global players are strong brands with sizeable customer bases and offer user-friendly solutions.
- New competitors disrupt parts of DNB's value chain and challenge profitability.
- Cost levels must be adapted to future income and spreads.
- New technology entails risk relating to the use of personal data.
- DNB has a strong position and a wide range of products and services and can capitalise on the Group's market power.

DNB'S RESPONSE

- DNB will, through its customer value proposition, be "here for you, every day, when it matters the most".
- The number of physical branch offices is being reduced, but the mobile bank and other self-service solutions will ensure greater availability.
- DNB is developing applications which improve customer experience and cover a broader range of customer needs:
  - Vipps and "Home Journey" prove that DNB is making customers' daily lives easier and are examples of how DNB is competing with new players within payment solutions.
  - Online communication channels such as DNB Feed and Del Det (Share it) are services which make it possible to share information and ideas.
- The sale of savings products in DNB is now mainly digital.
- Measures have been implemented to reduce cost levels, and DNB aims to have a cost/income ratio below 40 per cent towards 2018.
- New solutions safeguard security aspects relating to customer privacy.

REGULATORY FRAMEWORK

■ Stricter capital adequacy requirements mean that DNB must have more capital behind every krone lent to its customers.
■ Over a certain period, a larger share of profits must be retained to build up capital.
■ The supervisory authorities (national and others) require more complex and frequent reporting.
■ DNB operates in a sector with strict regulatory requirements, but new players may enter this market that are not comprised by the same type of regulations.

RISKS AND OPPORTUNITIES

■ Strict requirements could make credit less available to customers and reduce economic growth.
■ Requirements that are unique to Norway entail competitive disadvantages for DNB relative to international banks.
■ The incorporation of EU's financial regulations in the EEA agreement will result in greater harmonisation of the regulations. Initiatives have been taken by the Basel Committee and in the EU to further harmonise the regulations and their implementation.
■ Lower dividend payments over a certain period may result in large investors withdrawing and thus in a less liquid share. The underlying value creation will then not be reflected in the share price.
■ A lower payout ratio than among DNB's Nordic peers will give a lower market capitalisation.
■ Time-consuming and complex reporting makes demands on the organisation and its systems.

DNB'S RESPONSE

■ Capital-efficiency measures have been implemented, and the Group's capital use is governed dynamically based on prevailing regulations.
■ DNB will prioritise growth within the areas which give the best risk-adjusted return, focusing on capital-light products. Priority is given to profitability rather than growth. DNB has set a target to have a common equity Tier 1 capital ratio of 15 per cent at year-end 2016 and 15.5 per cent in 2017.
■ The Group's long-term dividend policy is to have a payout ratio of more than 50 per cent of profits when the capital adequacy target is reached.

MACROECONOMIC EFFECTS

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

RISKS AND OPPORTUNITIES

■ Lower interest rates reduce the potential for widening deposit spreads, increase pressure on lending spreads and make it more difficult for DNB Livsforsikring to meet its guaranteed rates of return. This will lead to a greater emphasis on non-interest operating income and higher prices on high-risk products. There will also be a greater need for savings products other than bank deposits. There will be a danger of increased debt accumulation and artificially inflated property and equity prices.
■ Macroeconomic turmoil entails higher impairment losses and more business restructuring. Greater uncertainty will reduce both investment willingness and demand for loans in the market, and result in lower wage inflation and consumption.
■ The rebalancing of economic power influences companies' choice of trading partners.
■ Climate-related trends may reduce the economic life of assets which DNB has financed and increase demand for various products and services. DNB may finance climate-friendly loans by issuing green bonds. The demand for such products is increasing among investors.
■ The demand for healthcare products and services is also increasing and is an expected growth area for DNB within lending and capital raising.
■ A rise in immigration is one of the reasons for demographic and social change, and will influence the structure of the personal customer market.

DNB'S RESPONSE

■ DNB will ensure that it adapts to changing conditions and will cultivate an improvement culture to meet the new situation.
■ The Group's credit strategies will be adapted to current developments.
■ DNB Livsforsikring is reducing its investments in fixed-income securities and is increasing investments in other assets.
■ DNB has an ongoing dialogue with customers on how they adapt to clima-related developments. DNB is analysing climate-related risk in its own portfolios and is continuing its initiatives within renewable energy. DNB already offers climate-friendly products such as green bonds, green investment funds and green car loans, and will increase its focus on responsible investment.
■ Customers with high climate-related risk will have to meet stricter requirements from DNB.
■ DNB will incorporate climate as a topic in the policy on corporate social responsibility.
■ The need for private saving for retirement and elderly care is already being highlighted in DNB's marketing campaigns.

Important events

1ST QUARTER

■ DNB's mobile bank was used more than 34 million times and consolidated its position as Norway's largest banking service platform.
■ As the first commercial bank in the Nordic region, DNB issued a green bond of NOK 1 billion to promote increased financing of renewable energy projects.
■ DNB Bank issued two perpetual additional Tier 1 capital instruments with a nominal value of NOK 2 150 million and USD 750 million, respectively.
■ DNB launched "Boligreisen" (Home Journey), a concept which means that the Group will advise on all aspects of the home purchase process.
■ DNB was included in the index of the global 100 most sustainable corporations in the world.

2ND QUARTER

■ In late May, DNB launched the new payment solution called Vipps. After one month, there were already 236 169 registered Vipps users, increasing to 986 135 at end-December 2015.
■ As part of its initiatives in the Norwegian corporate market, DNB organised a conference for start-up companies in connection with the report entitled "A million ideas. From dream to success as a startup".
■ In connection with the IT project MoveIT, large parts of DNB's systems platform were moved.
■ The rating agency Moody's upgraded several of DNB Bank's credit ratings, partly due to the fact that the bank's key figures had shown a positive development over a long period of time. Parallel to this, Standard and Poor's revised its outlook for the bank's long-term credit rating from stable to negative due to weaker prospects for the Norwegian economy.
■ On 15 June, the Ministry of Finance approved regulations on requirements for new mortgage loans based on prevailing guidelines from Finanstilsynet (the Financial Supervisory Authority of Norway), aiming to dampen growth in debt levels and residential property prices in Norway.
■ The Ministry of Finance decided to increase the level of the counter-cyclical capital buffer for banks to 1.5 per cent as of 30 June 2016 in accordance with advice from Norges Bank (the central bank of Norway). It had previously been decided to set the requirement at 1.0 per cent as of 30 June 2015.

3RD QUARTER

■ "A Valuable Lesson", a free educational program for use in schools which gives children a basic understanding of money, income and spending, what their financial rights are and good saving habits, was launched by DNB with support from the Red Cross.
■ DNB signed an agreement with Lindorff Capital AS to sell portfolios of non-performing loans in Norway. The sale had a positive pre-tax effect of approximately NOK 1.1 billion.
■ DNB qualified, for the seventh consecutive year, for inclusion in the Dow Jones Sustainability Index, the world's leading sustainability index. DNB is the only Nordic bank in the index, which comprises only the top 10 per cent global banks.
■ In September, DNB reduced its home mortgage rates to historically low levels.
■ Along with Nordea Bank Norge and Kommunalbanken, DNB has been defined as a systemically important financial institution, O-SII, and thus became subject to a separate 2 per cent capital buffer requirement as of 1 July 2015.

4TH QUARTER

■ In late October, the Pillar 2 requirement for DNB was set at 1.5 percentage points. The total common equity Tier 1 capital requirement will thus be 15 per cent by year-end 2016.
■ DNB presented updated financial ambitions at its Capital Markets Day in November, and a number of capital efficiency measures were implemented during the fourth quarter, which included selling individual loans, entering into guarantee contracts and selling property.
■ Towards the end of 2015, DNB decided to change the defined-benefit pension scheme for its employees in Norway to a defined-contribution scheme. This had an impact on fourth-quarter profits of approximately NOK 2 billion.
■ In DNB Livsforsikring, large parts of the risk equalisation fund were transferred to the policyholders' premium reserve to increase reserves for higher life expectancy. In this connection, the Group's income statement was charged with NOK 980 million.
■ Prospera ranked DNB Markets as best in Norway within equity brokerage in 2015.

The renewable future

Norway was built on hydropower, but in Ålesund, it is waste that is heating houses and homes.

WARMING COMFORT: "District heating is the future. It gives great flexibility, not least in view of which materials you choose to burn, biomass, such as wood chippings, or waste," says Erik Espeset (left), managing director of TAFJORD, here together with Øyvind Rustad, senior relationship manager in DNB's Energy Division.

FACTS

Tafjord Kraft AS

Energy and telecommunications group, established in 1917.

Supplies electricity based on hydropower and steam, district heating (energy recycling) and telecommunications.

Consists of a parent company and four wholly-owned subsidiaries, and also owns 54 per cent of the power company Mørenett.

130

Approximately 130 employees

1.2

Annual turnover of NOK 1.2 billion

LIGHT AND WARMTH: In 2015, Norway exported energy corresponding to around 15 TWh, 10-12 per cent of the country's total annual energy production.

A WATCHFUL EYE: From the control room of the waste incineration plant, energy technician Jan Petter Øvstedal makes sure that the waste is burned efficiently.

Every single day, from seven in the morning until ten in the evening, there is a constant stream of dustcarts, dumper trucks and articulated lorries. Their load may make some people wrinkle their noses, while it warms the hearts (and toes) of others. Tipped into enormous concrete silos, it is mixed with the rubbish from thousands of homes and companies in the Sunnmøre district: plastic bags and potato peel, timber and a brick or two.

From silo 2, built in 2013, more rubbish comes rolling in on the conveyor belt which operator Terje Fylling has called "Via Dolorosa".

"You know, the last route of suffering into damnation," he says with a wry smile as he stands in the control room and follows a dozen screens.

Eternal chain. When the rubbish is burned, the flames heat up huge quantities of water which circulate in an ingenious system of pipes. The warm water is channelled into a district heating system, which annual produces between 80 and 90 GWh heat to institutions, companies, shopping centres and housing cooperatives in and around Ålesund.

Some of the warm water also generates electricity. When the water becomes sufficiently warm and the pressure high enough, it turns to steam. This water vapour starts a turbine, which produces up to 30 GWh per year, resulting in an eternal chain of renewable energy.

The energy group TAFJORD operates the incineration plant at Grautneset. The group has been engaged in district heating since the late 1980s and was one of the first companies to exploit waste resources. Yet, it is hydropower which represents its largest source of income. The 11 wholly-owned and nine partially-owned power stations operated by the group produce some 1.6 TWh pure, renewable energy per year. This is the equivalent of the annual electricity consumption of 80 000 Norwegian houses.

Fiber to the people. "In addition to hydropower and district heating, TAFJORD is expanding into offering fiber networks to as many as 16 000 private customers and 100 companies in the northern part of Sunnmøre and Vestnes municipality.

"We started with telecommunications in the early 2000s and now we are seeing satisfactory profits in this area, too," says managing director Erik Espeset. He has been head of the group at Sunnmøre since 2013, which has an annual turnover of more than NOK 1.2 billion. A turnover which, naturally enough, is dependent on the price of electricity, which has recently been low.

Then it is reassuring that your bank knows how the energy market works.

Only a call away. Terje Søvikhagen is chief financial officer of TAFJORD, and he emphasises that DNB's expertise was decisive when they changed to a new bank just over three years ago.

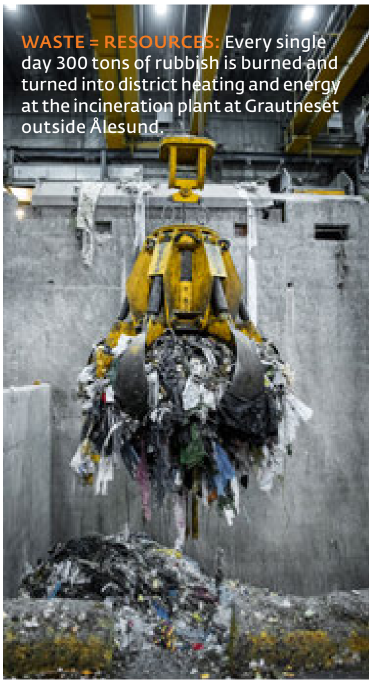
"DNB has sound knowledge of the energy business and is a valuable discussion partner. They understand us, our needs and our challenges. Like now, when energy prices are low. We do not have to provide explanations every time we need a loan and guarantees. They give us what we need, and

FACTS

DNB's everyday banking services agreement

- Is often established locally between the corporate customer and DNB's local branch office.
- Entails daily services such as cash management, interest rate and currency hedging and payment services.
- Also often comprises financial advisory services, long-term financing and other financial services as required.

GOOD CONNECTION: DNB's Øyvind Rustad (far right) and Bernt L. Skjong have a good dialogue with TAFJORD's chief financial officer Terje Søvikhagen and managing director Erik Espeset.



WASTE = RESOURCES: Every single day 300 tons of rubbish is burned and turned into district heating and energy at the incineration plant at Grautneset outside Ålesund.

they give it to us without delay. We feel that we are in safe hands," says Søvikhagen.

So when TAFJORD needs to refinance existing loans, extend its district heating network or develop its fiber network, they just need to call DNB. For example, before Christmas, DNB Markets arranged a NOK 400 million bond issue for the company.

"On the one hand, we provide the daily banking services that TAFJORD needs, whether this is payment services for electricity and broadband customers, interest-rate hedging, currency hedging or other Markets services. On the other hand, we also offer specific industry expertise and assist them with long-term financing. With TAFJORD, we draw on the competence of two customer areas in the bank, capitalising on both local knowledge and relations and industry expertise," says Bernt L. Skjong, head of DNB Sunnmøre, adding:

"TAFJORD had a wish to be served locally, but also wanted to benefit from DNB's industry expertise. We put together a core team of six people, some are local, from here in Ålesund, and some are industry experts sitting in Oslo. When we serve them locally and at the same time use the key expertise we have, we develop a relationship which we hope will work well over a long period of time," says Skjong.

"Having a strong bank is always important," emphasises managing director Erik Espeset. He has growth ambitions for TAFJORD and this makes a good relationship with the bank essential.

"The Norwegian energy sector is facing great changes. Currently, we are many small players. TAFJORD constitutes about one per cent of this industry. I believe that we are moving towards a period with more mergers," says Espeset.

RESPONSIBLE FOR CASH MANAGEMENT: Torhild Thomassen in DNB Sunnmøre provides for the smooth running of the everyday banking services which TAFJORD uses. This includes having control over the many small customer payments which characterise the energy industry.

Going for green. Øyvind Rustad is senior relationship manager in DNB's Energy Division and explains that DNB is focusing strongly on renewable energy.

"We have long been the largest player both within energy financing in the Nordic region that finances energy, and within the financing of power companies in Norway. It is all about helping to develop industries and businesses where Norway is at the forefront, and which give us a home market. Within energy, the petroleum sector has been the largest, but after the Paris climate agreement, we expect pronounced growth within renewable energy. We want to be part of this expansion, not just in Norway and the Nordic region, but also in other parts of the world. So far, we have financed projects in North and South America, Europe and Asia. We have many energy companies as customers, and we have built up a lot of experience in this field," says Rustad, adding:

"As far as TAFJORD is concerned, it is a sound company that keeps abreast of new developments. They have had a long-term perspective, and this has brought them to where they are today. My experience is that we have a mutual relationship of trust. They contact us when they need our help and sometimes we contact them to present new products and ideas, and we always have a constructive dialogue. TAFJORD is what I would call a competent customer and a good representative for the renewable energy industry."

Arne Mæland: *Livet, leiken og draumane (Life, play and dreams)*, 2007 © Arne Mæland/BONO 2016

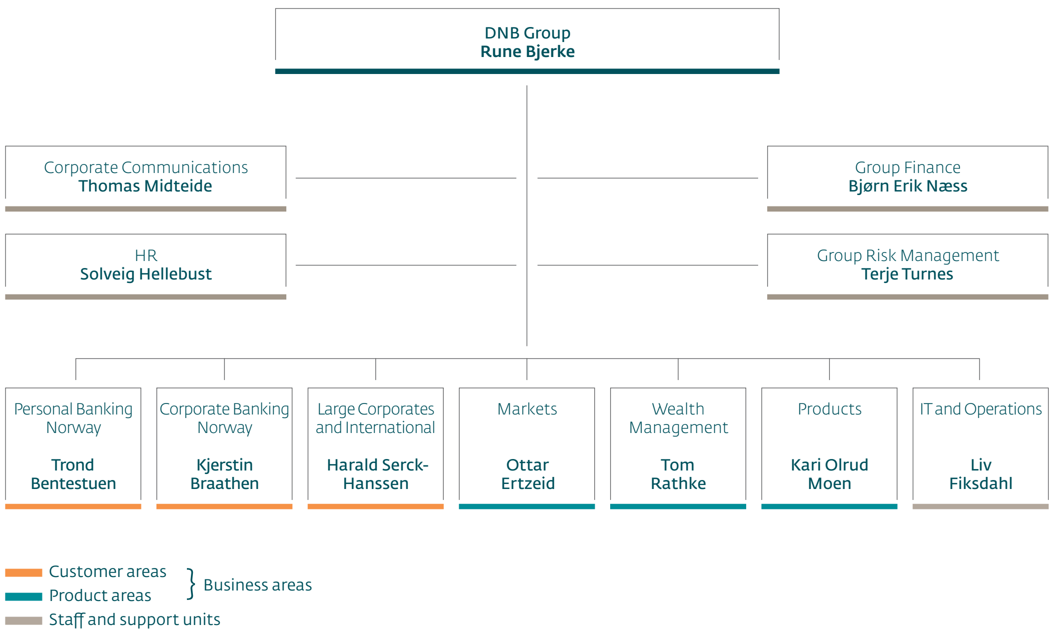
2

BUSINESS REVIEW

Organisation

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

ORGANISATION CHART AND OPERATIONAL STRUCTURE



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

REPORTING STRUCTURE

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

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

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

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

The Group's total common equity Tier 1 capital is allocated to the segments. Allocated capital reflects the Group's long-term capitalisation ambition, and the distribution formula is based on an adaption to the Basel III regulations. Return on allocated capital represents profits after tax relative to average allocated capital.

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

DNB

- Personal customers
- Small and medium-sized enterprises
- Large corporates and international customers
- Trading
- Traditional pension products
- Other operations/eliminations

LEGAL STRUCTURE

DNB ASA

- DNB Bank ASA
- DNB Asset Management Holding AS
- DNB Livsforsikring AS
- DNB Forsikring AS

Major subsidiaries:

- DNB Næringsmegling AS
- DNB Eiendom AS
- DNB Meglerservice AS
- DNB Boligkreditt AS
- DNB Næringskreditt AS
- DNB Luxembourg S.A.
- DNB Invest Denmark A/S
- DNB Sweden AB
- DNB Capital LLC
- DNB (UK) Ltd.
- DNB Asia Ltd.
- AS DNB Pank (Estonia)
- AS DNB Banka (Latvia)
- AB DNB Bankas (Lithuania)
- DNB Bank Polska S.A.

Personal customers

DNB is a market leader in the Norwegian personal customer segment and has 2.1 million personal customers in Norway. Customers are offered a wide range of services through Norway's largest distribution network, which comprises branch offices, 24/7 telephone and Internet banking, mobile solutions, real estate broking and external channels such as post offices and in-store banking and postal outlets.

Key figures

PERSONAL CUSTOMERS

74
Customer satisfaction score

837
NOK 837 billion
Exposure at default (EAD)

2.1
Million
personal customers

PROFITABLE GROWTH AND MODERNISATION

The personal customer segment delivered a sound financial performance in 2015 in spite of falling interest rates, increased competition in the home mortgage market and a digital revolution in this segment. The positive profit trend primarily reflected higher income, strict cost control and low impairment losses as a consequence of the sound quality of the loan portfolio and high level of customer-related activity. 2015 was characterised by fierce competition for home mortgage customers and moderate growth in both loans and deposits.

DNB is working continually to streamline distribution and facilitate selv-service solutions. DNB launched several new products and services to meet the new digital reality during the year. The most important launch in 2015 was Vipps, which in its first version is a platform for person-to-person payments. The mobile bank is now used more often than the Internet bank. Manual transactions in the branch offices were reduced by more than 80 per cent in 2015, and manual cash-handling services have been phased out. Consequently, valuable time has been freed for having relevant customer meetings instead of carrying out straightforward banking services.

As a consequence of digitalisation and a higher self-service ratio, 20 branch offices were closed in 2015, whereas two new offices were opened. Measures have been initiated to adapt the organisation to the major changes in the market.

CUSTOMER SATISFACTION

The customer satisfaction score in the personal customer segment was 73.9 in 2015, up from 71.1 in 2014. This is a signal from customers that the bank is on the right course to understanding and meeting customer needs in the situations which are most important for them, and that DNB offers simple and competitive products and services. Many measures were implemented in 2015 to improve customer satisfaction. An important measure was "Home Journey" where DNB offers customers relevant information, advisory services, products and services from when they start hunting for a home until they move into their new home, and, if relevant, sell their former home. Other important measures included a significant reduction in telephone queues at the customer service centre and much faster processing of customer complaints. In addition, many customers were offered help to start using the bank's digital banking services, which has made banking more convenient for them.

The ambition is to achieve even higher customer satisfaction scores in the personal customer segment. Digitalisation and the use of self-service solutions are important measures to increase customer satisfaction and reduce costs. Customers who use the bank via mobile solutions are in contact with the bank almost on a daily basis. This creates a strong platform for customer contact, resulting in added value for both customers and DNB. Digitalisation and a higher self-service ratio will also free capacity for greater customer activity in the various service channels. High-quality customer meetings, together with good interaction between personal and online services, will be important contributions to sound profitability and high customer satisfaction in the future.

INNOVATION

Vipps was launched as a person-to-person payment service in late May 2015 and is DNB's biggest digital success ever. In the course of just five months, Vipps reached more than 1 million downloads and close to 1 million personal customers had started using the solution at the end of 2015. Vipps has a brand awareness of 85 per cent in the Norwegian market. More than 40 per cent of Vipps users are not DNB customers. Vipps is much more than a payment service and will be used to create future sources of income through the sale of other profitable products. In 2016, Vipps will be developed further for personal customers and will also be launched for corporate customers.

HERE FOR YOU

DNB has a unique presence, both physically, on the phone 24/7 and on digital platforms. In addition to 24-hour customer service centres, 15 of the large branch offices and flagship stores have extended opening hours. In 2015, a modernised concept was also introduced in 21 branch offices. The new concept ensures better working processes and customer service and facilitates improved communication with customers. The concept will be introduced in more offices in 2016. At the same time, changes in customer behaviour as a consequence of digitalisation and self-service options will result in a significant reduction in the number of physical branch offices in the period ahead.

Strategic targets

100%

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

40%

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

900-1 100

NOK 900-1 100 million in cost reductions by year-end 2018

100%

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

50%

50 per cent increase in the sale of car loans through DNB Bank, from NOK 3.5 billion in 2015 to NOK 5.0 billion at year-end 2018

50%

50 per cent increase in annual premiums within personal risk and non-life insurance, from NOK 2.4 billion in 2015 to NOK 3.7 billion at year-end 2018

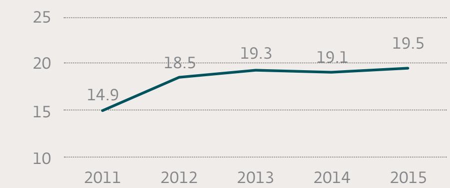
DNB Eiendom

DNB Eiendom is organised in Personal Banking Norway and is Norway's largest real estate broker. The company offers services related to the sale of residential and holiday properties and housing projects, as well as advisory services in connection with the sale of other real estate. In recent years, DNB Eiendom has experienced strong growth in market share and turnover and has 125 offices across Norway.

DNB Eiendom aims to create good customer experiences and offer high-quality brokerage services. Customers can rest assured that the company carries out its operations in accordance with prevailing legislation and regulations when interacting with both buyers and sellers. DNB Eiendom's ambition is to be best at customer service and contribute to the various stages of DNB customers' journey towards a new home.

Market share 1)

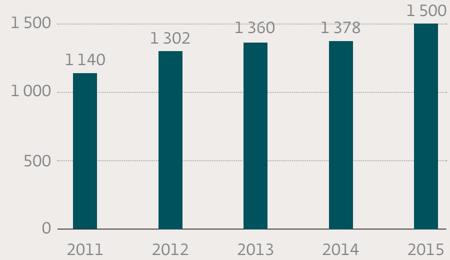
Per cent



1) Market share of number of sales transactions

Operating income

NOK million



FINANCIAL PERFORMANCE

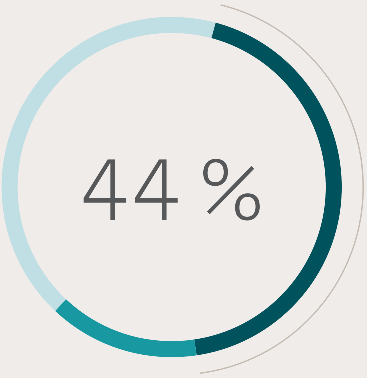
Personal customers

Income statement in NOK million	2015	2014	2013
Net interest income	13 697	13 540	12 427
Net other operating income	4 895	4 673	4 746
Total income	18 593	18 213	17 173
Operating expenses	(8 877)	(8 492)	(8 517)
Pre-tax operating profit before impairment	9 716	9 721	8 656
Net gains on fixed and intangible assets	0	(3)	154
Impairment of loans and guarantees	939	(110)	(361)
Pre-tax operating profit	10 655	9 608	8 449
Taxes	(2 877)	(2 594)	(2 366)
Profit from operations held for sale	2	0	3
Profit for the year	**7 780**	**7 014**	**6 086**
Average balance sheet items in NOK billion			
Net loans to customers	690.5	660.7	641.3
Deposits from customers	381.6	356.8	339.1
Key figures in per cent			
Lending spread [1]	2.08	2.37	2.35
Deposit spread [1]	0.01	(0.45)	(0.54)
Return on allocated capital [2]	23.0	23.7	36.1
Cost/income ratio	47.7	46.6	49.6
Ratio of deposits to loans	55.3	54.0	52.9

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

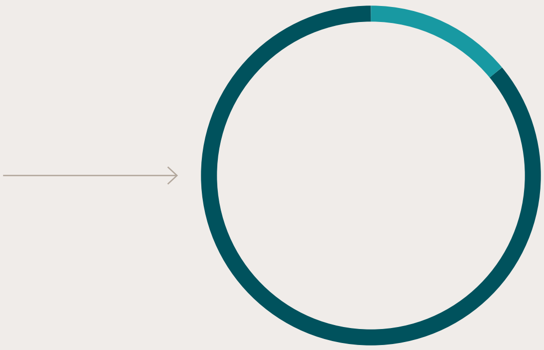
Portfolio composition as at 31 December 2015 [1]

DNB Group – total exposure at default
NOK 1 912 billion



- Personal customers, 44 %
- SMEs, 14 %
- Large corporates, 42 %

Personal customers – total exposure at default
NOK 837 billion

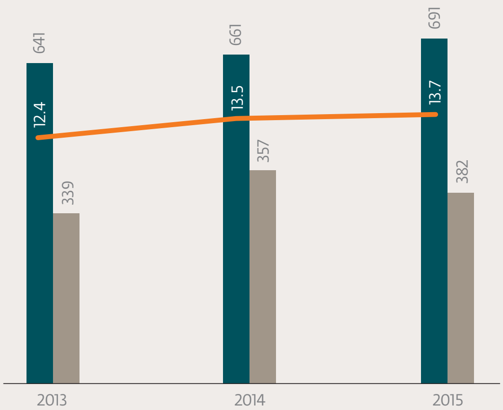


- Residential mortgages
- Consumer loans

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

Developments in loans, deposits and net interest income

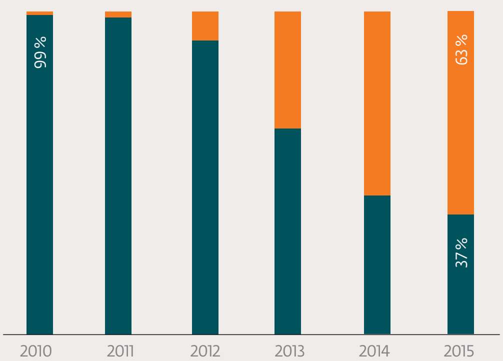
NOK billion



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

The mobile phone is DNB's largest branch

Per cent



- Mobile bank
- Internet bank

1) In November 2015, a portfolio of fixed-rate loans of approximately NOK 20 billion was sold from DNB Boligkreditt to DNB Livsforsikring. This had an effect on average net loans to customers in 2015 of approximately NOK 2 billion.

"More exciting than ever"

Better solutions for customers, a sound financial performance and profitable growth. **Trond Bentestuen**, head of Personal Banking Norway, has good reason to be satisfied, but is nevertheless not dropping his focus on innovation and new products in the personal customer market.

Personal customers are served by the business area Personal Banking Norway.

1 How would you describe 2015 for Personal Banking Norway?
2015 was a good year. We delivered a sound financial performance in a market characterised by intensifying competition. This was achieved by increasing our customer activities and developing better and simpler solutions which they find useful, and by working systematically to be there for them when it matters the most. This ensures more satisfied customers and good results, and we have succeeded in achieving profitable growth, which is our principal goal.

2015 was a year of modernisation. No one could have foreseen the huge changes in customer behaviour and how profoundly this has affected us. The most striking proof of this is that manual cash-handling at our branch offices is now history. This has not generated any customer complaints, which would have been unthinkable just a couple of years ago. At the same time, our mobile bank has become our largest channel, overtaking our Internet bank in popularity, and an increasing number of customers prefer to chat with us. If we add Vipps, the success story of the year, this reveals a completely different banking reality at the end of 2015 compared with the start of the year.

2 Which trends and changes in society are most significant for you?
Working in the finance sector has never been more exciting. The macroeconomic framework conditions are challenging. In addition to stricter capital adequacy requirements, there is a persistent low interest rate level and rising unemployment. However, we believe that the trends we saw in 2015, digitalisation, globalisation and the sharing economy, will escalate in the years ahead and influence us significantly. These trends will have an impact on the financial services industry as completely new solutions will be introduced and existing physical and manual solutions will be replaced by straightforward digital solutions. These changes are taking place at a faster pace than ever before.

The new digital solutions will have a low threshold for use and result in better customer experiences, a higher self-service ratio and more customer contact. We also believe that the competition will be fiercer within more product areas, and that several of the competitors will be global market participants with completely different business models than traditional participants. Even though future developments will be challenging, they also offer many new opportunities for us, and, not least, give customers better experiences by combining digital and human factors.

"We are working continually with digital development in many areas to give our customers access to simpler and better services in the future."

3 What are you doing to meet these trends?
Change requires innovation. We must continue to develop new and better products and solutions. We must communicate even better with our customers, and we must become more cost-effective. We have already started to streamline and phase out existing products and solutions which do not meet future customer needs and customer experience standards. We are working continually with digital development in many areas to give our customers access to simpler and better services in the future. Given our changing environment, we must constantly adjust our organisation to our customers' behaviour. We will be fewer who serve our customers face to face in the future. However, physical service will still be important for customers during important events in their lives. We will continue to be there for them, every day and when it matters the most, but we will be where our customers wish to meet us.

Key figures
PERSONAL CUSTOMERS

743 100
Number of active mobile bank users [1)]

vipps

1.3
Million
Vipps downloads

1) An active mobile bank user is defined as a unique customer who logged into the mobile bank at least once during 2015.

INTERVIEW

TROND BENTESTUEN

Head of Personal Banking Norway

Small and medium-sized enterprises

DNB promotes the development of active and well-functioning businesses in Norway. Small and medium-sized enterprises are the bedrock of the Norwegian business community and contribute to significant value creation for society. DNB has 140 000 small and medium-sized corporate customers with different needs who can receive help 24/7, 365 days a year, online and on the phone. Customers are given relevant advice from DNB's customer advisers, who understand the companies' needs and the industry sectors in which they operate.

STRONG PROFIT PERFORMANCE AND SOUND POSITION

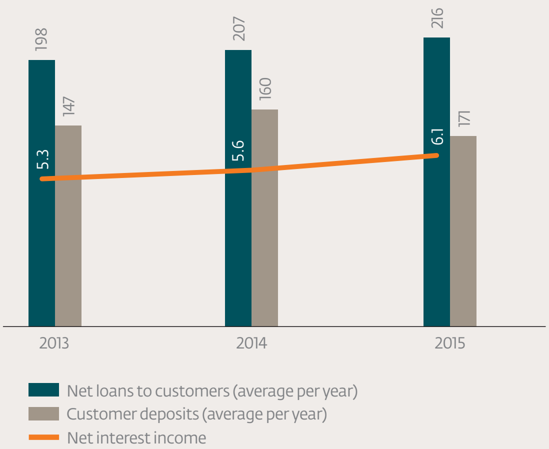
There was a strong increase in both net interest income and other income in 2015. This was due to growth in the lending and deposit portfolios, combined with wider deposit spreads. A rise in other operating income, particularly within pensions and interest rate and currency hedging, contributed to a further increase in income. Net impairment losses on loans rose from 2014 to 2015. A significant proportion of the impairment losses in 2015 relates to individual loans, while other impairment losses were on a level with the preceding year. Portfolio quality is generally considered to be satisfactory.

DNB has a lower market share among small companies than among larger companies, and aims to increase this market share. DNB aspires to become the start-up bank for companies in Norway, and has built up a solid position in the market over the last two years. The establishment of a separate advisory service for customers who want to start their own business, with experts called start-up pilots, is one of the measures which has been successful in reaching these customers. Measures will continue to target those who want to launch their own start-up and those who wish to further develop existing companies. By taking initiatives, providing relevant advice and having leading expertise about the companies and the industry sectors in which they operate, DNB will gain more satisfied and loyal customers. A holistic approach offers a potential for increasing the sale of more products tailored to customer needs, including interest rate, foreign exchange, pension and leasing products.

The needs of companies are rapidly becoming more digital. During the last two years, there has been a more than 80 per cent reduction in manual corporate services from branch offices, and 70 per cent of all inquiries to the bank's customer service centre are now being made from digital platforms. Changes in customer behaviour, combined with increasing digitalisation, mean that customers with straightforward needs can be served well and more efficiently through the bank's digital channels. Customers appreciate that DNB is always accessible.

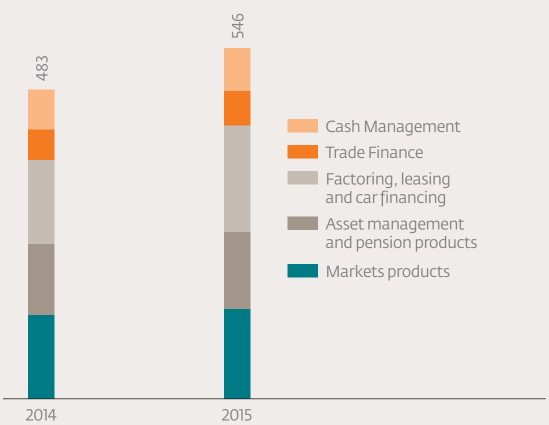
Developments in loans, deposits and net interest income

NOK billion



Increasing income from cross-sales

NOK billion



FINANCIAL PERFORMANCE

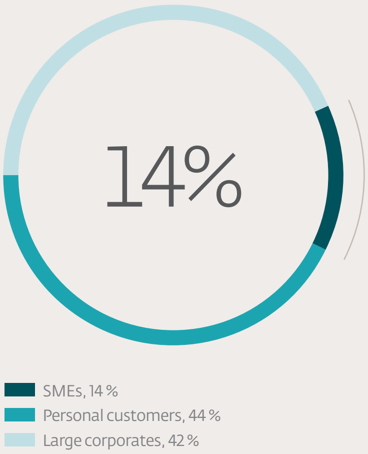
Small and medium-sized enterprises

Income statement in NOK million	2015	2014	2013
Net interest income	6 131	5 643	5 337
Net other operating income	1 729	1 648	1 426
Total income	7 860	7 292	6 763
Operating expenses	(3 078)	(3 042)	(3 024)
Pre-tax operating profit before impairment	4 782	4 250	3 739
Net gains on fixed and intangible assets	(2)	42	(0)
Impairment of loans and guarantees	(1 068)	(869)	(534)
Profit from repossessed operations	3	(23)	(11)
Pre-tax operating profit	3 715	3 401	3 193
Taxes	(1 003)	(918)	(894)
Profit for the year	**2 712**	**2 482**	**2 299**
Average balance sheet items in NOK billion			
Net loans to customers	216.0	206.6	197.9
Deposits from customers	171.4	159.8	146.7
Key figures in per cent			
Lending spread [1]	2.43	2.55	2.70
Deposit spread [1]	0.27	(0.05)	(0.09)
Return on allocated capital [2]	12.7	12.4	11.8
Cost/income ratio	39.2	41.7	44.7
Ratio of deposits to loans	79.3	77.4	74.1

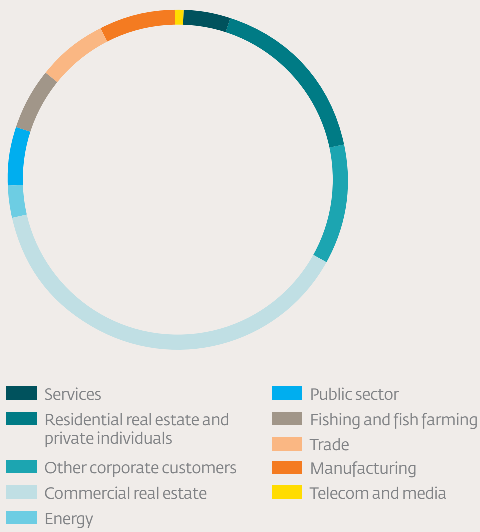
1) *Calculated relative to the 3-month money market rate.*
2) *Calculated on the basis of allocated capital, which corresponds to the external capital adequacy requirement which must be met by the DNB Group.*

Portfolio composition as at 31 December 2015 [1]

DNB Group – total exposure at default NOK 1 912 billion



Small and medium-sized enterprises – total exposure at default NOK 260 billion



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

"We will continue to be close to our customers"

In 2015, DNB's start-up pilots helped as many as 2 771 companies to get started. Also in more uncertain economic times, **Kjerstin Braathen**, head of Corporate Banking Norway, is focusing on being a relevant partner for businesses, and says that more digital solutions are in the pipeline.

Small and medium-sized corporate customers are served by the business area Corporate Banking Norway (CB Norway).

1 How would you describe 2015 for Corporate Banking Norway?

2015 was an exciting year for CB Norway. We retained our position as the start-up bank for small and medium-sized companies, and worked actively, both at a local and national level, to help entrepreneurs become more successful. Our start-up pilots helped more than 2 771 companies during the start-up phase and in facilitating new jobs.

2015 was a year characterised by major macroeconomic changes. In spite of the challenges in the economy, CB Norway improved its profits through both volume growth and improved spreads. During the year, we became better at understanding and solving the total needs of our customers, who increasingly use us for advice and products in areas other than just loans. CB Norway has experienced a strong growth in other income, such as pensions, leasing, and interest rate and currency hedging. We give our customers what they need when they need it. We aim to become even better at the art of serving our customers and live up to DNB's values: helpful, professional and showing initiative.

2 Which trends and changes in society are most significant for you?

There are two important drivers which influence our customers and us: macroeconomic changes and digitalisation. There is increasing economic unrest both nationally and internationally, which is challenging both for us as a bank and for many of our customers. The macroeconomic situation will make the coming year demanding for a large number of businesses, and we wish to be a relevant partner for companies in both good and difficult times.

Corporate customers are becoming increasingly digital, and more customers are using our Internet bank, mobile bank and 24/7 telephone customer service. We aim to make it even easier for our customers to reach us whenever and wherever they wish.

"We will continue to cheer on those who wish to start their own company, and who may become the winners of tomorrow."

3 What are you doing to meet these trends?

We will continue to build close relationships with our customers. We will be proactive advisers who are able to identify our customers' vulnerabilities and give good advice to solve the challenges many companies are facing. We will continue to cheer on those who wish to start their own company, and who may become the winners of tomorrow. A number of industry sectors are restructuring, and it is therefore important to foster conditions that promote new ideas and future jobs.

We will develop and adopt more digtal solutions to simplify our services and our customers' daily banking. Nine of ten corporate companies are now becoming customers via our digital channels. We are there for our customers on the phone, via chat and social media channels 24/7. More than one million people have already started to use the payment service Vipps, and during the first half of 2016, we will launch Vipps for companies. This will make payment services even simpler for our customers.

Key figures
SMALL AND MEDIUM-SIZED ENTERPRISES

260
NOK 260 billion Exposure at default (EAD)

140 000
Active small and medium-sized enterprises in Norway [1)]

2 771
Companies that received help from DNB's start-up pilots

1) Active customers are defined as customers who have a minimum of NOK 1 000 in loans or deposits or have performed at least one transaction during the last three months.

INTERVIEW

KJERSTIN BRAATHEN

Head of Corporate Banking Norway

Large corporates and international customers

The segment comprises the Group's largest Norwegian corporate customers, the public sector, all international customers and financial institutions. The large corporate segment is characterised by strong customer relations and sound banking and industry expertise. High-quality customer service is assured through DNB's financial strength, a broad international network, competitive services and the ability to adapt swiftly to new customer needs.

SOUND PROFITABILITY IN A TURBULENT MARKET

The large corporate segment has high nominal earnings, but due to a growing capital base, return on equity in 2015 was somewhat below the 12 per cent target. Profitability needs to increase in a market where there is high competition for the most attractive customers. Through active prioritisation, capital and resources must be channelled to sectors, customers and transactions which, over time, yield an acceptable risk-adjusted return.

In spite of geopolitical uncertainty, lower oil prices and high foreign exchange volatility, pre-tax operating profits showed a positive development compared with 2014. Net interest income and sales of non-loan related products rose from the year before. Net impairment losses increased from 2014, mainly in consequence of exposure to oil-related companies. DNB has, however, a diversified portfolio which helped keep losses at an acceptable level and secured sound underlying profitability. A weak Norwegian krone resulted in greater competitive power within certain industry sectors, such as seafood and tourism, and this contributed to a more balanced risk situation for DNB.

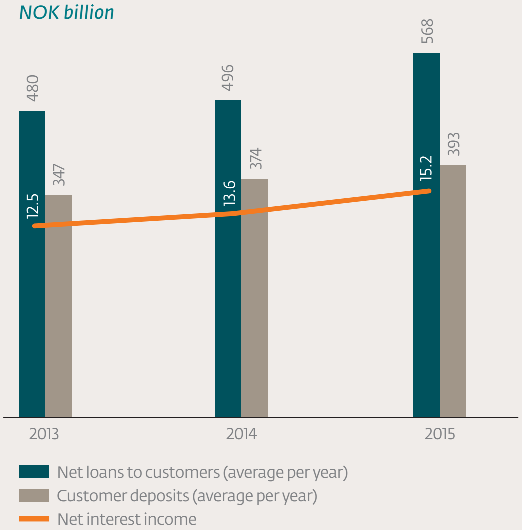
Throughout the year, measures were taken to reduce the use of capital in order to increase DNB's Tier 1 capital ratio. The adjustments were also aimed at channelling capital to where the potential for long-term and profitable growth is greatest.

DNB's ambition in the large corporate segment is to maintain its number one position in Norway and strengthen its leading position within selected international industry sectors. DNB aspires to be a strategic adviser for more customers by capitalising on the Group's industry expertise and adjusting products and services to customers' total financial needs. DNB will continue to be competitive across the full range of financial services.

Customers who are served by the business area continue to have a strong relationship with the bank and its customer advisers. This is shown in the annual Greenwich customer survey, which compares the quality and market position of banks with which DNB competes. In 2015, DNB retained its number one position in spite of intensified competition. In addition, the annual employee survey showed positive results.

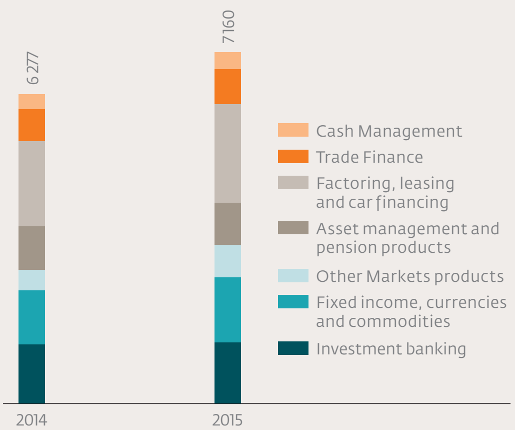
Developments in loans, deposits and net interest income

NOK billion



Increasing income from cross-sales

NOK million



FINANCIAL PERFORMANCE

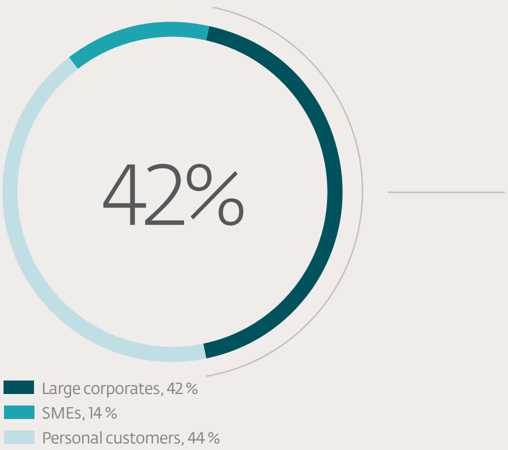
Large corporates and international customers

Income statement in NOK million	2015	2014	2013
Net interest income	15 198	13 551	12 502
Net other operating income	6 083	5 721	5 443
Total income	21 280	19 271	17 945
Operating expenses	(8 053)	(7 264)	(6 872)
Pre-tax operating profit before impairment	13 227	12 007	11 074
Net gains on fixed and intangible assets	53	21	(12)
Impairment of loans and guarantees	(2 108)	(674)	(1 289)
Profit from repossessed operations	(67)	(102)	(143)
Pre-tax operating profit	11 105	11 252	9 629
Taxes	(3 221)	(3 488)	(2 889)
Profit from operations held for sale		2	(5)
Profit for the year	**7 885**	**7 766**	**6 735**
Average balance sheet items in NOK billion			
Net loans to customers	568.1	496.2	480.3
Deposits from customers	393.0	373.6	346.9
Key figures in per cent			
Lending spread [1]	2.18	2.20	2.19
Deposit spread [1]	(0.09)	(0.14)	(0.18)
Return on allocated capital [2]	11.1	13.9	12.2
Cost/income ratio	37.8	37.7	38.0
Ratio of deposits to loans	69.2	75.3	72.2

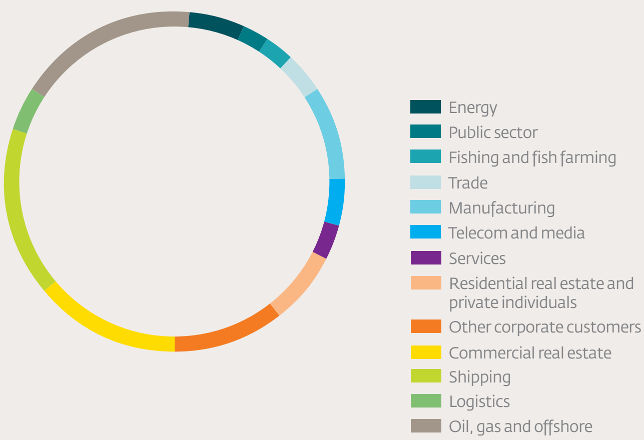
1) Calculated relative to the 3-month money market rate.
2) Calculated on the basis of allocated capital, which corresponds to the external capital adequacy requirement which must be met by the DNB Group.

Portfolio composition as at 31 December 2015 [1]

DNB Group – total exposure at default NOK 1 912 billion



Large corporates and international customers – total exposure at default NOK 815 billion



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

"Strong performance in turbulent times"

The business area Large Corporates and International (LCI) helps the offshore sector to reduce risk. **Harald Serck-Hanssen**, head of LCI, also sees a number of opportunities in the turbulent macroeconomic situation.

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

1 How would you describe 2015 for LCI?
Even though 2015 was a challenging year for many of our customers and for us, we managed to deliver sound profits. Through stronger prioritisation and targeted customer planning, we increased the sale of products other than loans by 16 per cent compared with the previous year. This shows that we have become better at using the bank's wide range of products and services when serving our customers.

In order to increase DNB's Tier 1 capital ratio, adjustments were made to reduce the use of capital by selling certain loans and entering into syndication and guarantee contracts. Changes were made where returns were low or where the potential for profitable growth is not satisfactory.

Throughout the year, we worked closely with some of our customers in the oil and offshore sector to mitigate risk in a challenging market. We benefit from being part of a large financial services group, having strong industry expertise and close customer relations.

2 Which trends and changes in society are most significant for you?
Important trends which will affect our customers are the turbulent macroeconomic situation, particularly low oil prices and volatile equity markets. China's economy has slowed down and the country has entered a new phase with a lower rate of investment. For some industries in Norway, we are seeing that a lower Norwegian krone rate has improved competitive conditions and resulted in an upturn for Norwegian exporters. In parallel to this, Norwegian and international manufacturing companies are experiencing considerable restructuring due to new technology. These trends will provide both opportunities and challenges for DNB in the period ahead. Stricter capital and compliance requirements will also influence how we navigate the market.

"In recent years, DNB and Large Corporates and International have shown great change capacity, and we have a very competent organisation."

3 What are you doing to meet these trends?
We will continue to build upon our sound strategy of being a strategic adviser for an increasing number of customers and prioritise customers with the greatest potential for risk-adjusted returns over time. We must use capital more effectively and facilitate solutions by cooperating with Markets. In addition, we must work well with doubtful loans, which are primarily within offshore and oil service. Finally, we must manage to further streamline our operatons to increase profitability. In recent years, DNB and Large Corporates and International have shown great change capacity, and we have a very competent organisation. We are therefore entering the new year with a high level of engagement and confidence in the future.

Key figures
LARGE CORPORATES AND INTERNATIONAL CUSTOMERS

79
Customer satisfaction score

815
NOK 815 billion Exposure at default (EAD)

40
Loans to the renewable sector NOK 40 billion

INTERVIEW

HARALD SERCK-HANSSEN

Head of Large Corporates and International

Products

Interview with **Kari Olrud Moen**, head of Products

1 How would you describe 2015 for Products?

We deliver many of the products and services that are included in DNB's broad customer offering in all segments. In 2015, the cooperation between Products and the customer areas in DNB was strengthened to give an even better overall customer experience and to ensure that more customers receive a relevant offering.

In particular, I would like to emphasise the DNB Group's focus on insurance products to personal customers in 2015. This work will continue in the coming years. Insurance is an integrated part of DNB's product offering in the personal customer segment. Insurance is among the products in the Group's "Boligreisen" (Home Journey), which is an offer to customers who intend to buy a new home.

During 2015, we sold a portfolio of non-performing loans to Lindorff. The sale gave a capital gain of approximately NOK 1 billion for the DNB Group and strengthened capital adequacy. This is an example of the necessary sale of assets which are not part of core operations to improve capital adequacy.

Within life insurance operations, several regulatory matters were clarified during the year, and this removes much of the uncertainty related to the regulatory framework for the Group's operations in the years ahead.

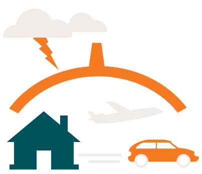
2 Which trends and changes in society are most significant for you?

Changes in customer behaviour are having the strongest impact, and making new demands on us as a supplier. The most obvious shift in recent years is much higher expectations regarding digital solutions for the purchase of products and services and for customer service. The mobile phone is the preferred platform. Over the last couple of years, customer expectations in this area have risen very rapidly, requiring that we, as a supplier, provide such solutions.

FACTS

Products

Products develops and manages products in close cooperation with the customer areas. The product area offers a wide range of products within life insurance, non-life insurance, factoring, leasing and other asset finance. The products are offered to all customer segments and sold primarily through the bank's distribution channels.



This trend applies to all our products and services.

Due to the capital requirements imposed on the Group, capital must be used effectively. Priority is thus given to capital-light products.

Parallel to this, there is also pressure on margins in several product areas due to strong competition. This further accentuates the need for cost-effective operations. Thus, continual efforts are being made to streamline operations and support functions.

Low interest rate levels particularly affect our life insurance operations. A low interest rate level means that it is more demanding to fulfil the minimum rate of return on our guaranteed return products, and also affects the capital requirements under Solvency II. We are working actively to adjust our asset management operations to meet the regulatory conditions. In addition, we will continue to streamline our operations and reduce costs to strengthen the profitability of guaranteed return products.

Major changes are taking place in the pensions market, with the transition from products with guaranteed benefits to defined-contribution products and an increase in private supplementary pension saving. This trend is not new, but has now accelerated, and requires that we, as suppliers, help our customers in this phase and offer competitive products both with and without guarantees.

3 What are you doing to meet these trends?

We are working continuously to adapt to the major changes in customer behaviour, technology and statutory requirements.

A critical success factor for Products and DNB in the years to come will be to implement several parallel measures to meet the various challenges. We must be able to look ahead, work to understand ongoing changes, and make the necessary adjustments to our operations, while daring to challenge our existing business models and organisation.

Wealth Management

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

1 **How would you describe 2015 for WM?**
With respect to financial performance, 2015 was the best of the three years WM has existed. Over these three years, the product area has grown significantly, and an increasing number of customers are choosing us for asset management, for pension savings and for private banking. In 2013, when WM was established, total operating profits were NOK 350 million, and the target we set for 2016 was NOK 1 billion in profits. We reached the target as early as 2015, one year ahead of schedule. Strong profits in WM are most often created when we succeed in going from my customer to our customer. I am proud of the strong financial performance achieved in cooperation with Corporate Banking Norway, Personal Banking Norway and Large Corporates and International.

2 **Which trends and changes in society are most significant for you?**
Three trends in particular are having the strongest impact on Wealth Management: digitalisation, regulation and the individualisation of pensions, where customers see the need for private savings. The distribution of savings products has changed considerably in recent years, moving away from advisory services to need-driven and digitalised distribution. Customers increasingly expect to be able to use the services digitally when it suits them. Over the last year, a major breakthrough has been made in this area, as 85 per cent of mutual fund savings schemes are now bought through digital channels.

Financial regulation has long characterised the field of savings and will continue to do so in the years ahead. Advisers must meet stricter requirements, and the advice given must be completely transparent. This affects our daily operations, particularly in Private Banking, where measures are being implemented to adapt the role of adviser to the changing requirements we have to meet as asset managers.

While defined-benefit schemes previously dominated the private occupational pension market, all new schemes are now defined-contribution based. Defined-benefit pensions were a product where individuals could not influence their own savings plans, whereas defined-contribution pensions are a product with a greater degree of employee involvement. This individualisation makes more demands on us as a supplier and as advisers.

3 **What are you doing to meet these trends?**
In WM, we are working closely with the rest of DNB to develop our customer offering. For example, the digitalisation of savings is not just about enabling customers to buy our products, but is also about developing tools to help customers understand how saving can affect their financial situation later in life.

Private Banking has extended its range of advisory services to high-net-worth clients to include wealth planning in connection with inter-generational transfer or change of ownership. We will continually extend our customer offering and be there for our customers, at all times, with the advice they require.

The individualisation of pensions is a trend which will continue. The need for savings will increase further. WM is constantly working to improve its long-term savings products to make companies and individuals feel certain that they have made the best possible choices.

Long-term saving and pension saving will always be a natural part of our customer offering in all distribution channels.

FACTS

Wealth Management

Wealth Management (WM) offers all of DNB's customers investment products, mutual funds and pension products. WM also serves DNB's high-net-worth clients in its Private Banking unit. WM's goal is to strengthen DNB's position in the fast-expanding private banking segment and in the market for long-term savings and asset management.

Markets

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

1 How would you describe 2015 for Markets?
2015 was a year with growth in total income. This applied in particular to customer-related activities, where income increased in all customer segments and product areas. We maintained our position as the leading investment bank within bonds in Norway. In addition, we were, for the first time, ranked best within equity brokerage by Norwegian investors.

The markets were volatile and challenging for customers last year. Our ambitions are to be there for our customers, every day and when it matters the most. Large fluctuations in exchange rates,interest rates and commodity prices contributed to increasing demand for hedging products. Low interest rates resulted in demand for interest rate hedging of loans among corporate customers. The lower price of oil contributed to a weaker Norwegian krone and increased income from foreign exchange and commodity hedging.

Falling oil prices and volatile markets had an impact on our equity and debt capital market activities and advisory services in connection with mergers and acquisitions in Norway. However, there were high activity levels outside Norway, particularly during the first six months of the year, and this resulted in a rise in total income from 2014.

We continued to build up our capital-light activities both in Norway and at our international offices, particularly in Sweden and the United States.

Cooperation with the corporate banking units in Norway and the large corporate units both in and outside Norway generated strong profits. This also applied to Private Banking, with close cooperation within securities services to high-net-worth individuals.

The volatile markets were of course challenging, but were handled well. The large increase in credit spreads in the second half of the year entailed lower market values and income on bonds, whereas other trading income increased compared with the previous year.

Capital-efficiency measures were actively implemented, for example through greater use of collateralisation and clearing houses for derivatives. This contributed to a healthy return on equity and a strong economic profit, also in 2015.

We focused on giving customers positive customer experiences, and customer satisfaction increased in most areas, from an already high level.

I would like to praise my employees, who have adapted very well to volatile markets and changes in regulatory parameters.

2 Which trends and changes in society are most significant for you?
The fall in the price of oil has been steeper than we anticipated, and greater uncertainty, particularly surrounding the Norwegian economy, has had a major impact on the markets. Greater market volatility is negative for capital raising and equities, but positive for foreign exchange, interest rate and commodity hedging.

An increasing proportion of equity and foreign exchange trading is now digital. This means that the traditional role of brokers is changing. Employees are providing more advisory services to our customers and handle the largest trades. Changes in customer behaviour also influence how we communicate with our customers, and we use, among other things, digital channels such as web-TV. Web-TV has become a popular channel for company presentations, and the number of viewers doubled during 2015.

Stricter regulation of the financial services industry means new and higher requirements governing capital, reporting and compliance. However, new regulations also give new business opportunities, for example services for alternative investment funds.

Competent employees have always been important for our investment firm. Competition for the best brains is increasing from other business sectors, such as IT. We have succeeded in being an attractive employer.

3 What are you doing to meet these trends?
We will continually adapt our business to regulatory and market changes, while searching for new opportunities and improvement potential.

Continued capital-efficiency measures and growth in capital-light activities will be in focus also in the period ahead. Stricter capital adequacy requirements mean that use of the capital markets will become more important for large corporate customers. We play a key role as facilitator.

In addition, we will strengthen our role as adviser for mergers, acquisitions and restructurings.

Companies require sound advice and hedging strategies on account of large movements in exchange rates, interest rates and commodity prices.

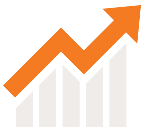
We see that customers rapidly change their behaviour through increased use of digital services. This results in simpler solutions for customers and more cost-effective operations for us.

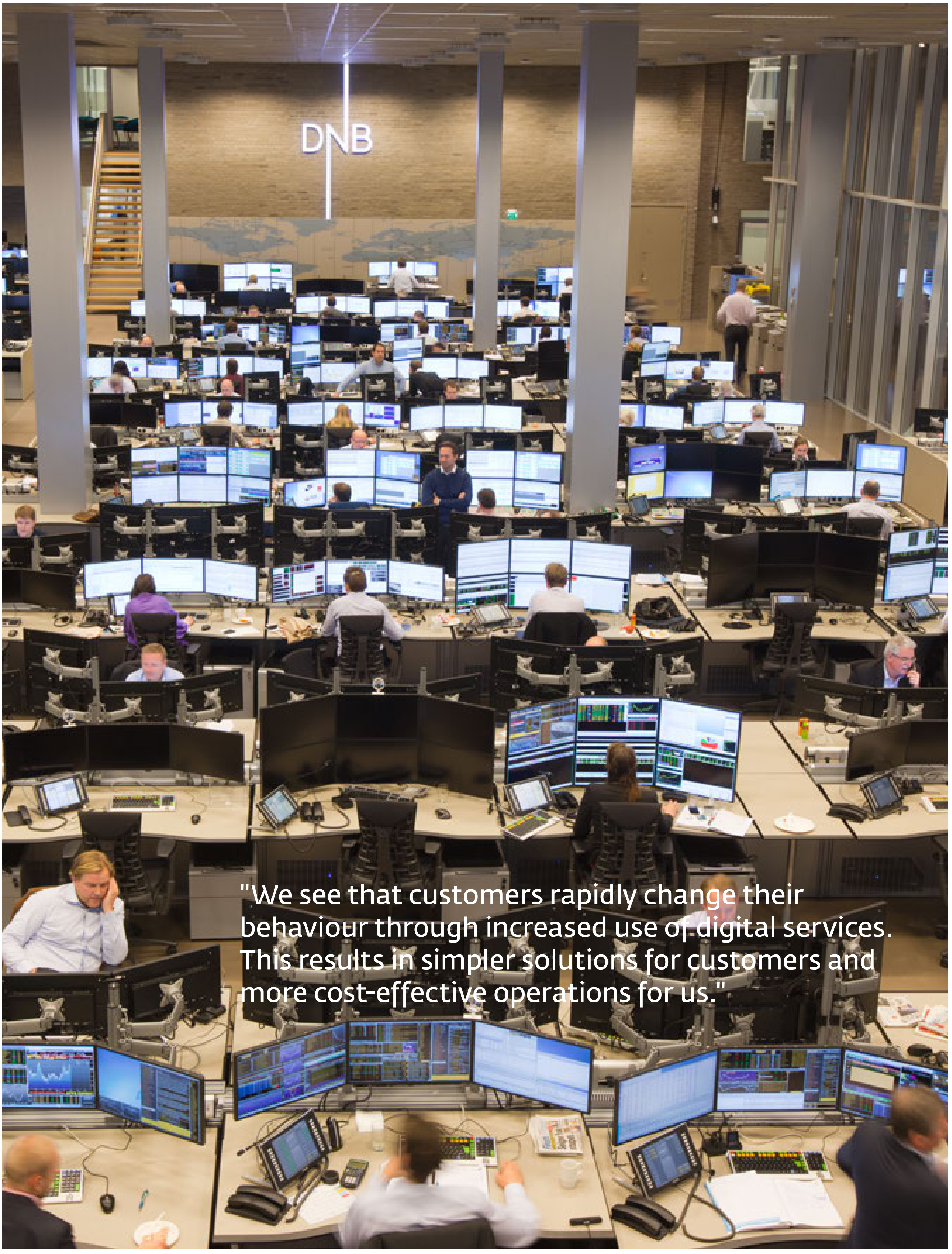
Good customer experiences will continue to be a key element in maintaining high customer satisfaction. Sound risk management and compliance will become increasingly important.

The world around us as well as regulations, markets, customer behaviour and technology are in a state of change, requiring adjustments and improvements also in the period ahead. Our curiosity and high engagement will make us succeed!

FACTS
Markets

Markets offers investment banking services, including risk management, investment and financing products, in the capital markets to all of the Group's customers. Products and solutions are provided by customer teams in cooperation with the customer areas, and Markets gives advice and develops tailor-made solutions for the various customer segments. Markets' market making and other trading support customer activities with products and prices.





"We see that customers rapidly change their behaviour through increased use of digital services. This results in simpler solutions for customers and more cost-effective operations for us."

FACTS

TicketCo

Provides ticket systems for organisers of concerts, sports events and other events.

130

Founded in 2011 and has grown from NOK 12 million in ticket sales in 2012 to some NOK 130 million in 2015.

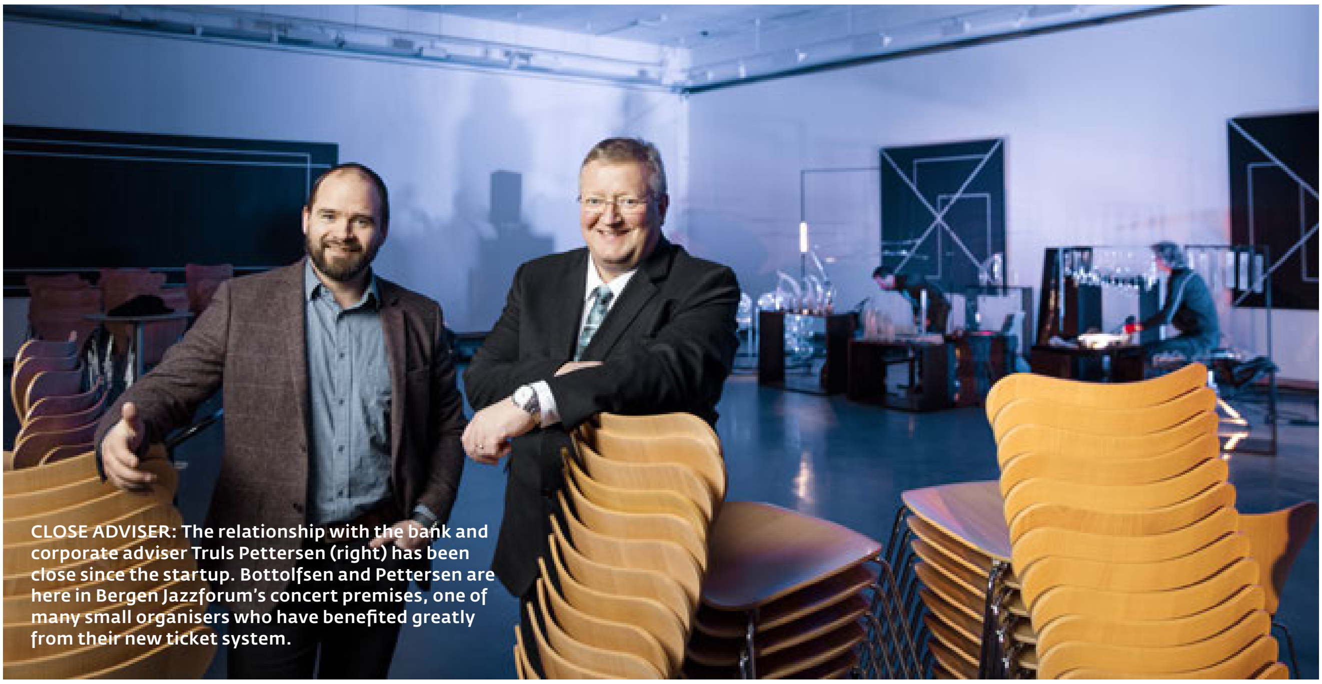
7

Has seven employees in Norway and a development department with between four and seven people in the Ukraine.

Ready to conquer the world

It has cost them years in unpaid work, worried telephone calls from mothers, and at times they have seriously doubted themselves, but now **TicketCo** is in the best of health and ready to conquer the world. They are very thankful to their partner from day one: DNB.

START-UP HELP: According to entrepreneurs Kåre Bottolfsen (left) and Carl-Erik Michaelsen Moberg, the start-up help they received from the bank has been instrumental in their success. "DNB sorted out everything we needed in one day," says Bottolfsen.



CLOSE ADVISER: The relationship with the bank and corporate adviser Truls Pettersen (right) has been close since the startup. Bottolfsen and Pettersen are here in Bergen Jazzforum's concert premises, one of many small organisers who have benefited greatly from their new ticket system.

"It takes a lot to choose to become an entrepreneur, but it takes a lot to give up too."

Carl-Erik Michalsen Moberg thinks back to how it all started in 2010. A good idea about making a really simple ticket system for Norway's small and medium-sized organisers was to be turned into a viable company and strong growth.

They developed a web-based payment solution and started with one of the student associations in Bergen. A trip to Hemsedal was being organised for 2 000 students in the winter of 2011, the ticket price was NOK 2 500 and 10 000 students were keen to go. In other words, a dream scenario for any ticket seller.

"The only problem was that everything broke down," recalls co-founder Kåre Bottolfsen. "There was overbooking galore and the system just collapsed. Embarrassingly, we ended up with an invoice solution."

But one setback did not make these enthusiastic entrepreneurs give up. Particularly when shortly afterwards, Bergen University College showed confidence in them and asked them to deliver a ticket solution for a concert in the autumn of 2011.

"We were dead certain that we had fixed the problem," says Moberg. "But then the precise same thing happened once again.

Consequently, yet another invoice solution had to be programmed, and new challenges arose.

"One student received an invoice for NOK 25, while another one got an invoice for NOK 25 000. Nothing was right. While worried mothers rang to say that their student children did not have a chance to pay such bills, we had to fix everything manually. It was an awful lot of work," says Moberg.

"That was when we almost gave up; we felt we had totally failed," says Bottolfsen.

FACTS

DNB'S START-UP PILOTS

- Review the company's project, explain the advantages and disadvantages of the different types of corporate structures and guide startups through the registration process.
- Give input on the business plan, help expand networks and plan the marketing of the new company
- Find out whether the company needs an accountant, present budget templates and explain different types of budgets.
- Give an overview of what the company must think of when appointing employees and provide advice on what should be done to manage the company's finances in the best possible way.

Read more about the start-up pilots on dnb.no.

At death's door. TicketCo was, as experienced senior corporate adviser Truls Pettersen in DNB puts it, at "death's door":

"The defining moment is when the entrepreneurs reach this point. Will they stay there or will they manage to rise again?"

As many as 60 per cent of all start-up companies end their journey here, but TicketCo did not. Moberg refused to go back to a "normal job" and instead called friends, relatives and family to raise the NOK 300 000 which was needed to further develop their solution. Bottolfsen had already worked unpaid for one year – a too large investment to let it all go to waste.

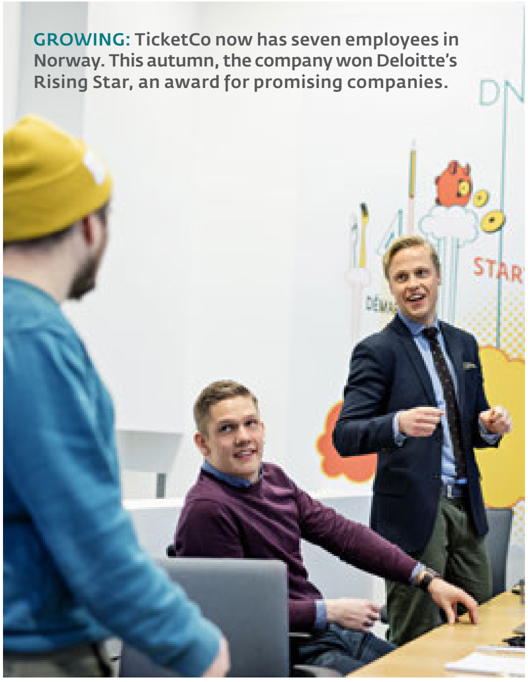
It turned out that Nyskapingsparken, an incubator for startups in Bergen, Innovation Norway and, not least, DNB, still had faith in them. The last-mentioned had willingly arrived on the scene when the first bank TicketCo contacted did not give them a proper answer for three weeks.

"DNB sorted out everything we needed in one day. In addition, we received fantastic service," says Bottolfsen.

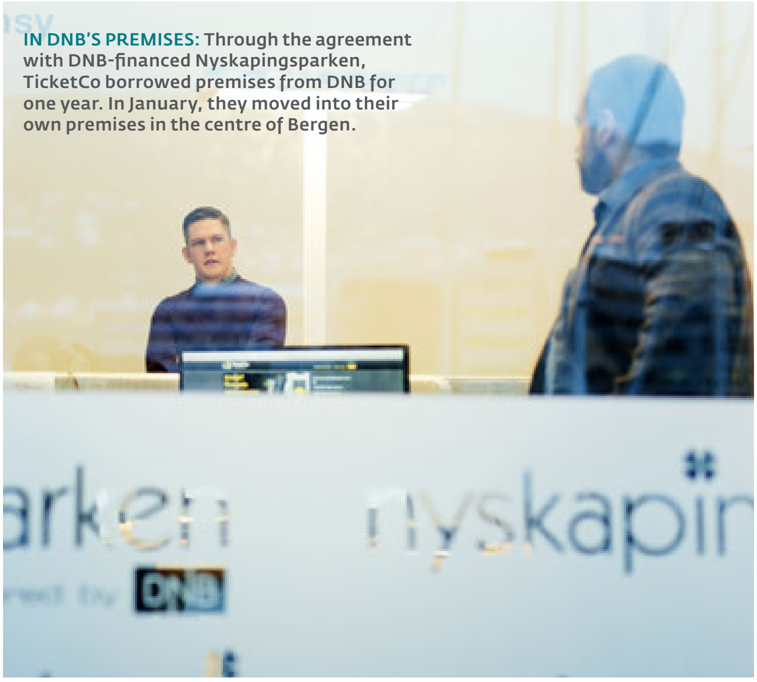
Must look behind the figures. It did not feel that difficult for Pettersen to say yes, among other reasons because DNB is one of the partners behind Nyskapingsparken:

"Experienced entrepreneur helpers had confidence in them, they were very dedicated, and they had secured a business lawyer on their board of directors. All this was of course reassuring. In addition, it is our corporate social responsibility to help create new businesses and new jobs.

So despite the setbacks, DNB offered an overdraft facility and good advice, and opened up doors to an expanding network.



GROWING: TicketCo now has seven employees in Norway. This autumn, the company won Deloitte's Rising Star, an award for promising companies.



IN DNB'S PREMISES: Through the agreement with DNB-financed Nyskapingsparken, TicketCo borrowed premises from DNB for one year. In January, they moved into their own premises in the centre of Bergen.

"The type of customer-driven innovation which TicketCo is engaged in is very exciting. They have interviewed hundreds of organisers to find out what they need. In addition, the company is entering a market which is dominated by two large players, but it does not have all their past history. TicketCo is flexible and can turn around and adopt new technology in no time. So even with some setbacks and a rather modest turnover in their early days, we managed to look behind the figures."

"Thanks to DNB, we were spared from having to make one plan after the other, with alternative budgets," explains Berttolfsen. "As the bank was very quick to give us feedback, we have had full control over our liquidity and financing, and have been able to seize opportunities as and when they occur. It was also helpful that they joined us in meetings with Innovation Norway."

Pettersen and his colleagues in DNB have all had the same goal: to keep Bottolfsen and Moberg from lying awake at night worrying about liquidity problems:

"They must spend their time on what is most important for them: product development and focusing on their customers."

Event organisers save thousands of kroner. Simply put, TicketCo's product is a cloud-based ticket solution for smartphones. The only things needed in addition are a tablet and a point-of-sale (POS) terminal, then the ticket booth is ready for the event.

"Previous solutions were generally more complicated and expensive. For example, a POS terminal often costs organisers NOK 5 000, while so far we have sent out 500-600 POS terminals free of charge," says Bottolfsen, and corporate adviser Pettersen echoes this view:

INNOVATIVE: TicketCo combines low-tech with high-tech. This "cash register" made out of cardboard was a prototype and was originally planned to be manufactured in plastic and metal, but it turned out that the cardboard version was durable enough. This resulted in a free solution for the event organisers. The register was recently nominated for an innovation award in the cardboard industry.

"In order to carry out an event, small and medium-sized organisers could be required to budget NOK 75 000-80 000 in technological investment. With TicketCo, however, they can reduce this to a few thousand kroner."

Two million users. Since the birth of the company, Amedia has become one of its owners, and a partnership agreement on sales, development and advertising has made it possible for TicketCo to reach a market of two million daily users. TicketCo has also recently entered into a collaboration agreement with the Norwegian Handball Association.

"The agreement means that NOK 130 million in ticket transactions through DNB's systems will increase to NOK 250 million in 2016. Such transaction figures are of course very attractive for a bank," says Pettersen.

It seems that helping TicketCo is becoming profitable, also for DNB. However, for Pettersen, this has also been gratifying from a personal point of view:

"When fresh entrepreneurs approach us, worried and without hope in their eyes, and we are able to help them find solutions to how they can proceed with their dream… Well, this is the only motivation I need."

However, let's return to where it all started. TicketCo's ambition was to start something which some time could be launched internationally, and now that goal is within reach. The evening after this interview was held, Moberg and Bottolfsen met with a large German artist management company that was very interested in their solution.

"So now you plan to conquer the world?"

"Yes! Or rather, we are starting with Germany and a couple of other countries where we also have plans," smiles Bottolfsen.

3

RESPONSIBLE OPERATIONS

Responsible operations

DNB will be a responsible bank that people trust. Without trust, DNB can no longer exercise its primary function, which is to raise, invest and distribute capital.

As Norway's largest financial services group, DNB has an important role in society. By offering financial services, the Group contributes to the development of local businesses and jobs across the country and assists Norwegian companies in international markets.

External corporate reputation surveys are used to evaluate and follow up the extent to which the surrounding world trusts DNB, and whether the Group is considered to be responsible and to fulfil its role in society. The results from these surveys are reflected in DNB managers' score cards.

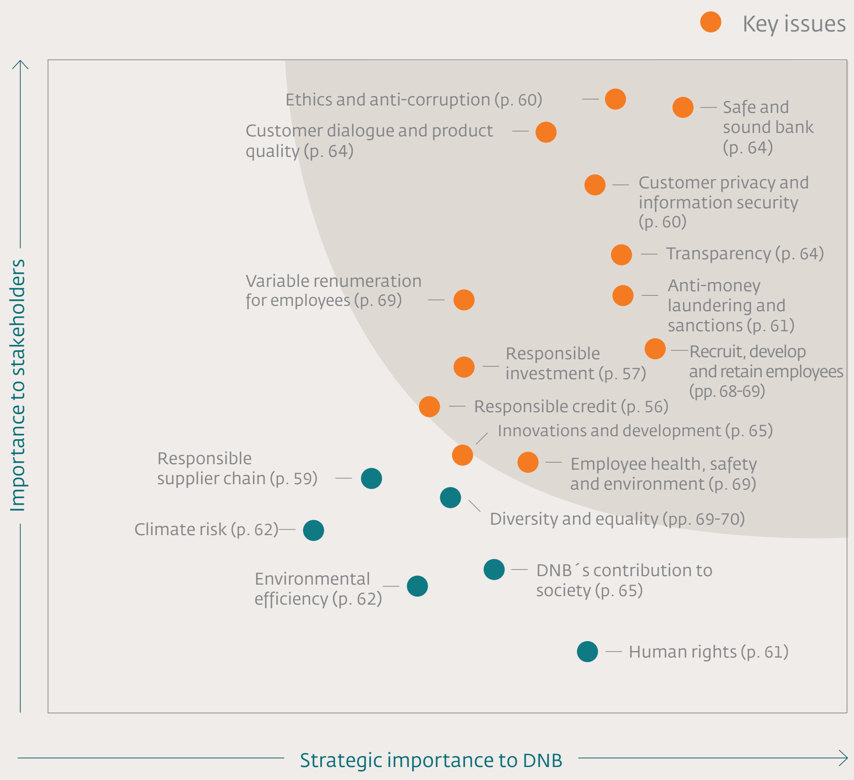
A number of factors affect DNB's prioritisation of issues to ensure responsible operations:

- Feedback from DNB's stakeholders[1)]
- DNB's strategy
- Global development trends
- Support to global initiatives
- Requirements imposed by the authorities

Based on two of these factors (stakeholders and strategy) a separate materiality analysis was conducted for DNB in 2014. The analysis is an important contribution in structuring and reporting the work on responsible operations. In 2015, the analysis was updated, based on feedback from the continual stakeholder dialogue. Some terms have therefore been changed and some topics have been added. DNB will prepare a new materiality analysis in 2016.

1) Stakeholders: groups or persons that are either strongly affected by the company's operations, or can strongly influence DNB's operations.

MATERIALITY ANALYSIS



Read more:

- dnb.no/en/about-us/csr/sustainability-library.html
  - The method used in and background for the structured stakeholder dialogue from 2014, on which the materiality analysis is based.
  - Input received from stakeholders through the ongoing dialogue in 2015.
  - DNB's support to global initiatives.
- Page 14: The new banking reality.

RESPONSIBLE CREDIT

DNB is committed not to offer products or services or perform other acts which entail a significant risk of contributing to unethical conduct, the infringement of human or labour rights, corruption or serious environmental harm. The Group's resources shall be used to meet customer needs without violating the law, international conventions, rules or prohibitions. On the contrary, DNB wishes that money which is invested contributes to sustainable development in those areas and industries where the Group is involved. This is done because it is morally and ethically correct, but also because it represents sound risk management. The financing of activities in legal or ethical grey areas represents unacceptable risk. Consequently, responsible business operations that emphasise environmental, ethical and social conditions are essential in DNB. DNB's credit policy states that environmental risk factors shall be analysed on a par with other possible risk drivers and be of decisive importance with respect to whether or not applications for credit should be approved.

DNB has separate guidelines for corporate social responsibility within credit activities for corporate customers. The guidelines describe how DNB's business areas should assess corporate customers' CSR performance and risk associated with environment, social and governance factors (ESG risk). The guidelines apply to all of DNB's credit activities. The assessment is performed on all new customers, as well as in connection with renewals of commitments with existing customers.

The guidelines contain instructions with respect to how ESG risk should be assessed independent of the country and region in which the relevant customer operates.

ESG risk must be assessed and incorporated in the decision-making basis in the credit approval tool for large corporates where this is relevant. The risk assessment must be documented before individual credits are approved.

With respect to small and medium-sized corporate customers, a due diligence matrix is used for assessing customers' ESG risk. The due diligence matrix should help account officers classify and assess ESG risk based on customers' CSR performance, type of operations and country of operation. A set of questions has been developed for the due diligence matrix to reveal the extent to which the customer's ESG risk policy and action plans are implemented in operations.

DNB will continue to develop the processes to integrate ESG risk in credit assessments. One of the measures is to see how the classification of environmental risk can be incorporated in the loan processing system.

The Group will also work to improve the reporting options in the loan processing system to make it easier to follow up the scope and results of environmental and social risk evaluations.

A greater awareness of topics relating to corporate social responsibility and ESG risk will create added value for customer relationships. Engaging in dialogue with customers about such risks can contribute to good solutions, reveal new opportunities and reduce risk for customers and the bank.

Every year, DNB arranges a two-day training seminar for the bank's senior executives to increase their credit competence. Improving managers' competence to assess environmental risk in credit has also been part of the implementation of DNB's environmental management system. During 2015, DNB the system was adopted by all of the Group's international offices based on the international standard ISO 14001, where environmental considerations in credit operations are included in DNB's certificate.

DNB has adopted the Equator Principles. According to the Group's credit guidelines, all advice in connection with project financing, project-related corporate loans and bridge loans laid down in the criteria principles shall be assessed based on the Equator Principles. The principles are a common set of guidelines used by the majority of large international financial institutions for managing environmental and social issues in project finance. Financial institutions which have adopted the principles, have undertaken not to provide project-related financing to customers who do not wish to or are unable to comply with the principles. By adopting and following up the Equator Principles, DNB ensures that projects financed by the Group develop and are operated in an environmentally friendly and socially responsible manner.

In DNB, each customer team first evaluates whether a project complies with the Equator Principles. DNB's internal equator team reviews the summary, follows up and clarifies any outstanding issues and unidentified risks and determines the final risk category. A memo and minutes from the

FACTS

Responsible credit

New targets

Principal target

■ Improve the reporting of environmental and social risks in the credit process.

Sub-target

■ Establish a method to better specify the risk type and risk category (seriousness) in systems and processes.

A complete list of principal targets and sub-targets is available on dnb.no/en/about-us/corporate-social-responsibility.html

Links

Guidelines for corporate social responsibility in DNB's credit activities: dnb.no/en/about-us/csr/sustainability-library.html

Responsible credit assessments in practice

The main features of the guidelines for corporate social responsibility in credit activities are shown below:

STEP 1 (Mandatory)		STEP 2 (For customers with a medium high/high risk level)	STEP 3 (For customers with a medium high/high risk level)
A	B		
Check whether the customer is involved in controversial activities or has a significant ESG risk level.	Allocate the ESG risk level based on the customer's country of operation	Complete check list to assess how the customer handles ESG risk	Comment on and assess ESG risk in a separate paragraph in the credit proposal.

equator team's meeting are attached to the credit case when it is due to be considered by the relevant credit committee. As part of the annual loan review, compliance with the Equator Principles should be evaluated and reported to the relevant credit-approval body for each credit commitment.

With effect from 2014, the Equator Principles have also been applied in connection with project-related corporate loans, bridge loans and advisory services relating to project finance that meet specific criteria (EP III).

In 2015, a total of six projects and one project-related loan were processed in accordance with the Equator Principles. Details related to loan types and categories are published on dnb.no/en/about-us/csr/sustainability-library.html

DNB also promotes environmental responsibility by financing climate-friendly energy production, such as wind, hydropower and solar energy. Climate-friendly energy production is becoming more important due to the need to reduce the emission of greenhouse gases. The production of energy from renewable sources is a capital-intensive industry. DNB has experts who are monitoring this area and working continually to find new forms of financing in order to facilitate more renewable projects.

DNB has a leading position among Nordic banks within loans for wind, hydropower and solar energy projects, with a total portfolio of some NOK 47 billion. The financing of solar and wind power projects takes place globally, including countries such as Latin America, where DNB has financed more than 2.6 GWh renewable energy.

In February 2015, DNB issued its first green bond on the Oslo Stock Exchange and thus became the first Nordic commercial bank to hold such a bond on its own balance sheet. By purchasing these bonds, institutional investors have contributed to financing up to 14 wind power projects in Ireland, England and Sweden. DNB is experiencing increasing interest among institutional investors and private individuals in sustainable investments. Green bonds can give DNB access to new and different sources of capital than ordinary bonds. As a major player in the market for financing power and renewable energy in and outside Norway, DNB is well-positioned for the anticipated strong growth in renewable energy, especially solar, wind and hydropower.

DNB offers loans with discounted interest rates for cars which do not harm the environment to the same extent as conventional cars. This applies, for example, to electric cars, ethanol cars, natural or biogas cars or petrol or diesel cars, including hybrid cars, which have maximum emissions of 120 grams CO_2 per kilometre. Diesel cars must have particle filters. An overview of cars that qualify for lower interest rates is available on the Group's website.

FACTS

Responsible investment

New targets

Principal target

- Develop the processes to safeguard environmental, social and governance factors in the Group's investment operations.

Sub-targets

- Further integrate environmental, social and governance factors in investment decisions, with special emphasis on dialogue.
- Develop equity funds which invest in companies which excel within the environmental, social and governance dimension.
- Draw up and operationalise a behavioural-based climate criterion and a product-based coal criterion in DNB's guidelines for ethical investments.

A complete list of the principal targets and sub-targets is available on dnb.no/en/about-us/corporate-social-responsibility.html

Links

Group guidelines for ethical investments: dnb.no/en/about-us/csr/sustainability-library.html

RESPONSIBLE INVESTMENT

Responsible investment is important for DNB's life insurance company and for the Group's equity investments, management of mutual funds and the active management of investors' portfolios of financial instruments. Responsible investment is an investment approach which takes environmental and social conditions into account, together with sound corporate governance. This is in order to reduce risk and create long-term return.

Responsible investment in DNB is based on internationally recognised principles. The measures used are mainly exclusion, positive screening and active ownership. The main purpose is to achieve long-term returns with an acceptable level of risk, contribute to sustainable development and avoid contributing to the violation of fundamental rights.

Rules have been established for the Group's investment operations to ensure that DNB does not contribute to the infringement of human and labour rights, corruption, serious environmental harm or other acts which can be perceived to be unethical.

DNB shall not invest in companies if they themselves or through the entities they control produce tobacco or pornography. Nor shall DNB invest in companies involved in anti-personnel mines or cluster weapons, as described in the Anti-Personnel Mine Ban Convention and the Convention on Cluster Munitions, or in companies which develop and produce central components for use in weapons of mass destruction. Weapons of mass destruction are defined as nuclear, biological and chemical weapons (NBC weapons).

In cases where companies in which DNB has a holding are suspected of acting contrary to DNB's ethical investment guidelines and internationally recognised standards and conventions, DNB will encourage them to correct their actions. Companies that act contrary to DNB's guidelines or over time show no willingness to rectify the situation may be excluded from the Group's investment portfolio. See an overview of the number of excluded companies in 2015 in DNB's sustainability library on dnb.

Responsible and sustainable investment activity implies exerting influence on companies as an investor to promote responsible business practices. DNB exercises active ownership primarily through dialogue with individual companies and by using its voting rights. During 2015, DNB's responsible and sustainable investment analysts had 27 meetings with companies to discuss various CSR and sustainability issues, see separate table on dnb.no/en/about-us/csr/sustainability-library.html.

Through GES Investment Services, DNB was in active dialogue with 103 companies in 2015 concerning seemingly reprehensible incidents or suspected breaches of international standards or conventions. The dialogues are structured processes with clear targets for the desired outcome.

As a consequence of the sale of parts of DNB's Swedish mutual fund and asset management operations, the sustainable mutual fund DNB Global Hållbar is no longer part of DNB's fund offering. DNB's ambition is to offer its customers equity funds investing in companies which excel within environmental and social performance and corporate governance.

DNB's guidelines for ethical investments do not apply only to special, "ethical" funds. They represent a basic standard for financial investments through DNB Livsforsikring, Equity Investments and subsidiaries of DNB Asset Management Holding. The guidelines cover all asset classes.

DNB has an Ethical Investment Committee that will monitor compliance with the guidelines. If a company is involved in controversial weapons, tobacco or pornography, all securities/holdings will be sold, and the company will be excluded from the investment universe. When a company is suspected of violating other criteria in the guidelines, DNB will principally try to influence the company through active ownership and dialogue.

DNB puts considerable resources into ensuring that the Group's responsible and sustainable investments are of high quality. After DNB sold parts of its Swedish mutual fund and asset management operations to the investment bank Öhman in 2015, a separate unit has been established for responsible operations in DNB in Norway. The ambition is to promote the development of responsible investment and ensure a good return on invested capital for customers.

DNB also uses an external consulting firm that monitors companies in the portfolio and engages in dialogue with companies on behalf of DNB and other customers.

In order to ensure compliance with the investment guidelines and act as an active owner, DNB regularly engages in direct dialogue with companies in which the Group has invested in order to influence them in a positive direction. Active ownership is often triggered by special issues relating to environmental or social aspects, business ethics or ownership administration, but may also reflect a wish to improve the companies' general sustainability performance.

The Ethical Investment Committee discusses which companies DNB should invest in. Event-based dialogue is based on the severity of the suspected violation of the guidelines, the size of the Group's holding in the company and the probability that the dialogue will influence the situation.

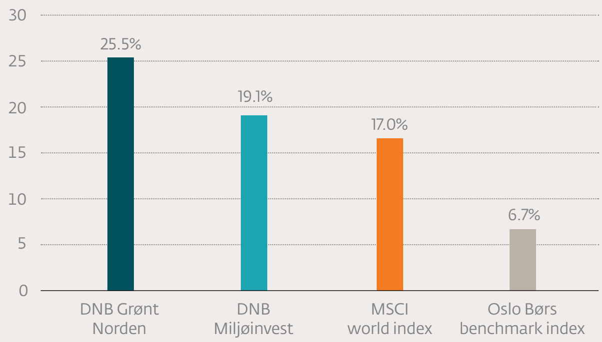
DNB also takes an active stance on selected topics, and in 2015 the main topics were palm oil and nutrition. A dialogue was entered into with several food companies focusing on food labelling, product development and strategies to improve the nutritional profile of existing products.

In 2015, DNB voted at 72 general meetings in Norway. At 16 of these meetings, voting was contrary to recommendations made by the board of directors.

Good return on green funds

Return on green funds 2015

Per cent



Source: DNB, Morningstar

Green equity funds performed well in 2015 and DNB Grønt Norden was one of DNB's best funds throughout the year, generating a return of 25.5 per cent. The fund invests in companies listed on stock exchanges in the Nordic region, and the portfolio has a green profile. The green profile is achieved by excluding all direct exposure to fossil energy and by investing in equities with an environmental profile, for example in world-leading companies within renewable energy.

DNB Miljøinvest is a global equity fund and has most of its investments in North America, followed by Europe and Asia. The fund invests in companies which help reduce greenhouse gas emissions, which is an important driver of returns for the fund. 2015 was a good year for the fund, with a return of 19.1 per cent. In addition to investments within typical renewable sectors, such as solar, wind and bioenergy, the fund's largest sector exposure is within energy efficiency. One of the reasons why DNB Miljøinvest views this as an important future investment area is that saving an energy unit is one of the least expensive and most profitable environmental investments.

The Climate Change Conference in Paris was concluded at the end of 2015 with a joint agreement on global climate targets. The parties to the agreement undertake to make ambitious reductions in their greenhouse gas emissions. In the course of just a few years, investments in the environment have gone from being the ideology of individuals to becoming international politics when countries such as the United States, India and China must reduce their dependence on fossil fuel. DNB Grønt Norden and DNB Miljøinvest provide the opportunity to invest in a sector with positive long-term prospects while savings contribute towards sustainable development.

DNB has examined the profile of savers in its funds. Perhaps unsurprisingly, savers below the age of 33 are overrepresented in green funds such as DNB Grønt Norden and DNB Miljøinvest. At times, the proportion of young adults is close to 50 per cent higher in these funds than the average for DNB's funds.

RESPONSIBLE SUPPLIER CHAIN

DNB is a large-scale buyer of products and services, and the commitment to responsible business operations also applies to DNB's supplier chain. The Group sets strict requirements for its suppliers and how they meet their corporate social responsibility commitments. This is how DNB reduces risk in the supplier chain and identifies possibilities for innovation and value creation. The Group's suppliers are important partners in ensuring a responsible supplier chain. DNB wishes to increase awareness and contribute to raising standards within this area.

DNB's Code of Responsible Business Conduct for Suppliers is part of the Group's standard contracts for suppliers. The Code sets clear requirements with respect to human rights, labour standards, environmental management, ethical business conduct, and the suppliers' responsibility vis-à-vis sub-suppliers. The Code is published on DNB's website https://www.dnb.no/en/about-us/csr/sustainability-library.

In 2015, DNB increased its initiatives to promote a sustainable supplier chain. To gain a more systematic overview and risk assessment of the bank's suppliers, the Group cooperates with EcoVadis, an internationally recognised institution with expertise within the collection, analysis and sharing of CSR data. DNB intends to collaborate with EcoVadis in procurement and supplier management processes and is of the opinion that feedback can provide useful input for continual improvement in the supplier chain.

In addition to information and dialogue on corporate social responsibility in several supplier meetings, DNB entered into a close dialogue with certain suppliers on specific issues in 2015 to gain a better understanding of how these were handled. In 2015, DNB conducted its first audit to verify compliance with the Code of Responsible Business Conduct for Suppliers. The audit was conducted at one of the bank's large IT suppliers in cooperation with an international audit firm.

Increasing the awareness of own employees is also important in the work for a sustainable supplier chain. Ethics and supplier management are part of the "Procurement Academy", a mandatory training programme for employees in Group Procurement which was completed in 2015. In addition, the Group's international units implemented the environmental management system based on the international standard ISO 14001, which includes supplier management. In this connection, several of the units took the new Code of Responsible Business Conduct for Suppliers into use.

In 2015, DNB purchased goods and services from suppliers for NOK 11 billion. The main categories of purchases were:

- IT procurement
- Property, human resources and office equipment
- Marketing and consultancy services
- Other

182 suppliers provide 80 per cent of the Group's total procurement volume. All procurement must be carried out in a transparent manner and in accordance with the Group's guidelines on procurement in DNB.

FACTS

Responsible supplier chain

New targets

Principal target

- Continue the work on the procurement process and active supplier management to take into account environmental, ethical and social considerations in the supplier chain.

Sub-targets

- Include corporate social responsibility more systematically in the tendering process.
- Closer follow up of suppliers through dialogue, collection and analysis of supplier information and execution of audits.

A complete list of principal targets and sub-targets is available on dnb.no/en/about-us/corporate-social-responsibility.html

Links

DNB's Code of Responsible Business Conduct for Suppliers: https://www.dnb.no/en/about-us/csr/sustainability-library.html

ETHICS AND ANTI-CORRUPTION

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

Ethics and anti-corruption are organised in the Group's compliance unit. A particularly important task is to implement ongoing measures aimed at all employees in Norway and in the organisation's international operations to ensure the right attitudes. Based on a risk-based approach, the purpose is to implement targeted initiatives in those parts of the organisation which are deemed to be most exposed to ethical challenges and corruption risk.

Training and other activities are tailored to give units and employees the best possible and relevant assistance.

In 2015, ethics training in the Group mainly targeted the fight against economic crime and consisted of several lessons on how to combat both corruption and money laundering. The main purpose was to increase awareness, competence and transparency with respect to ethical challenges and corruption risk. Employees must know what is expected of them and what they must do if they suspect corruption. The implementation of such training is mandatory for all employees both in and outside Norway, and managers have a particular responsibility to follow up their employees in this area.

In addition, ethics and anti-corruption are key topics in the introduction programmes for new employees and new managers.

In the further work to prevent corruption, additional training measures are planned in 2016 with emphasis on difficult ethical choices and corruption. The measures will be more tailor-made and will represent relevant challenges.

DNB has an internal notification procedure whereby employees can report their concerns about unethical or unlawful behaviour that is at odds with organisational integrity. A link to the internal notification web page is posted on the Group's Intranet. The web page is available in several different languages. Internal notifications should be sent by e-mail to DNB's group chief audit executive. All internal notifications are treated as strictly confidential, and the informant will be kept anonymous even though the tip-off itself is not anonymous. All employees have been informed about the notification mechanism through the Group's ethics training. DNB's employees are protected from reprisals or the like resulting from notifications. This is described in the code of ethics.

In 2015, the group chief audit executive received a total just over 20 notifications, which was a slight increase from the previous year.

CUSTOMER PRIVACY AND INFORMATION SECURITY

DNB handles large amounts of customer data of both a personal and business nature. The amount of information increases in step with the offering of digital products and services. New technological solutions and an increasingly complex threat scenario require that employees understand relevant risks and how customer information can be managed in a secure manner. This is crucial in preventing crime and avoiding that information goes astray, and in order to maintain customer trust.

DNB has a separate policy for security management in the Group. Secure communication and the treatment of customer data are part of security management. To support this work, the Group has guidelines for information security and for handling personal data.

In 2015, the requirements for information security were revised and updated in view of the threat scenario and the needs of the business areas. In 2016, the updated requirements will be implemented across the Group.

In addition to establishing a number of technical security measures, DNB is committed to providing training in and raising awareness of information security in order to reduce risk. In 2015, a number of campaigns were implemented to strengthen the employees' knowledge and awareness of this subject, including the National Security Month in October. Similar awareness campaigns will be continued in 2016. In addition, information security is a topic in training courses for employees and managers. In 2015, separate training modules on security were implemented in the Group's joint e-learning courses for new employees and new managers.

DNB wishes to help customers to become better protected against cybercrime. At dnb.no, customers can find information about secure use of online and mobile banking, cards, and other services. DNB customers are notified if they have an Internet banking virus on their computer.

DNB cooperates with private and public institutions, both in and outside Norway. DNB has been an initiator and contributor to FinansCERT, an organisation which contributes to combating crime across the sector. In addition, DNB cooperates well with institutions such as Kripos (the National Criminal Investigation Service), and reported several incidents to the police in 2015.

DNB has a sizeable security organisation and it is therefore natural for DNB to play a role in working groups, committees and panels set up by the authorities. In 2015, DNB contributed to the Norwegian government's Digital Vulnerability Committee. The Committee's report highlighted a number of measures to strengthen emergency preparedness and reduce digital vulnerability in society, for example in connection with financial services.

ANTI-MONEY LAUNDERING AND SANCTIONS

DNB is a responsible player in society. Customers and society must be assured that the Group acts correctly and is proactive in reducing the risk associated with money laundering and terrorist financing. Greater globalisation and the digitalisation of banking services are factors which increase risk in this area and affect measures implemented in the Group.

In consequence of an ever more complex international regulatory framework, combined with an increase in economic crime, DNB decided in 2014 to intensify its work to fight money laundering and terrorist financing and ensure compliance with the sanctions regulations by establishing a separate division within Group Risk Management. The main purpose of strengthening this work is to contribute towards a healthy and well-functioning business community and fair competition. It is also important to prevent the bank and its infrastructure from being exploited by players who wish to use DNB's services for illegal purposes. The division will ensure that the Group has a consistent and holistic approach, including coordination and reporting. The division reports to the chief risk officer and is part of the bank's compliance function.

DNB has established a three-year action plan to ensure compliance with anti-money laundering and sanctions regulations. The action plan comprises quality assurance of customer information, further development of a risk-based approach in risk analyses, and thus an improvement of customer due diligence. The Group's expertise within these areas will be further developed and improved.

Both the Board of Directors and the group management team in DNB completed training within anti-money laundering and sanction regulations in 2015, and there is a requirement for customised training for all managers in the Group. The attitude of managers is crucial if the Group is to improve the quality of this work.

Anti-money laundering regulations require that group management in DNB has updated, clear and reliable information on the extent to which the Group

FACTS

Ethics and anti-corruption

New targets

Principal target

- Further develop routines and practices to maintain a high ethical standard in DNB and combat and avoid corruption.

Sub-target

- Increase DNB's ethics score in the annual reputation survey [1] to be best among peers.

A complete list of principal targets and sub-targets is available on dnb.no/en/about-us/corporate-social-responsibility.html

Links:

DNB's code of ethics: https://www.dnb.no/en/about-us/csr/sustainability-library.html

1) RepTrak's annual reputation survey evaluates whether DNB operates in a fair and honest manner, is ethically responsible and transparent about its operations.

complies with the regulations. New reporting routines have therefore been established. Clear information on any non-compliance shall ensure that the bank's management can implement corrective measures. Risk analyses and risk reporting from the business areas are an important part of the strategic evaluations in the Group.

DNB has operations in many countries and must comply with anti-money laundering regulations in accordance with local legislation as well as sanctions regulations established by the Norwegian authorities, the EU and the UN. Since DNB has branches in the United States and trades in US dollars, the Group must also comply with US sanctions regulations. Read more about DNB's AML efforts on page 62.

HUMAN RIGHTS

Human rights are relevant and important for DNB because the Group can be linked to practices that violate human dignity and most fundamental rights as stipulated in law, international declarations and conventions.

DNB has the opportunity to influence human rights through its own operations as a buyer and employer, and through the operations of other market participants as an investor and lender. This influence can be both positive and negative, and the topic therefore represents both opportunities and risks for DNB. When DNB carries out reviews where human rights are examined, it is important to emphasise that the risk included in these evaluations is not the risk for the company, but for the rights holder.

The Group's human rights principles are laid down in DNB's policy for corporate social responsibility. The United Nations Guiding Principles on Business and Human Rights are also reflected in the guidelines for ethical investments and play a key role in DNB's exercise of ownership rights.

In 2015, a project was initiated to obtain corporate social responsibility (CSR) information from DNB's suppliers, including information related to human rights. New regulations were also adopted to audit selected suppliers' corporate social responsibility, including human rights. This is in line with DNB's CSR target established in 2014 to introduce a new model to follow up CSR in the supplier chain.

In 2015, DNB participated in the pilot project "Human rights due diligence" under the auspices of the OECD's National Contact Point Norway and the Norwegian Ministry of Foreign Affairs. The purpose of the project was to support a selection of Norwegian and multinational companies in implementing a human rights due diligence process in line with the United Nation's Guiding Principles on Business and Human Rights and the OECD Guidelines for Multinational Enterprises. The project aimed to give insight into what the term "human rights due diligence" means for individual businesses, and to give input on how companies can start this process by giving priority to following up potential and actual risks of human rights violations.

A project has also been started to chart internal processes in DNB which are of relevance for due diligence processes to identify any deficiencies. Examples of processes which can be relevant are credit assessments and anti-money laundering measures.

A revision of DNB's group policy for corporate social responsibility is planned to clarify DNB's obligations with respect to human rights.

FACTS

Human rights

New targets

Principal target

- Further develop routines to safeguard human rights in the Group's operations.

Sub-targets

- Revise DNB's group policy for corporate social responsibility to clarify DNB's obligations with respect to human rights.
- Chart existing internal processes which are relevant to the human rights due diligence.

A complete list of principal targets and sub-targets is available on dnb.no/en/about-us/corporate-social-responsibility.html

ENVIRONMENTAL EFFICIENCY

DNB can reduce its impact on the external environment through energy-efficiency measures in its buildings, both those the bank uses itself and those that are managed through DNB Næringseiendom. DNB is working actively with environmental efficiency in its daily operations through its strategy, action plans and reporting.

By signing the UN Global Compact, DNB has undertaken to support a precautionary approach to environmental challenges, promote greater environmental responsibility and encourage the development and diffusion of environmentally friendly technologies. These responsibilities are reflected in DNB's group policy for corporate social responsibility. The Group's support of the precautionary approach is also reflected in a number of guidelines aimed at ensuring that DNB does no harm through its business operations:

- An important premise for sustainable and responsible investing is to avoid grave harm to the environment. The environment is a recurring topic in analyses of the risk associated with different companies and in active ownership dialogues.
- Within lending operations, impact studies of possible harm to the environment are key elements, for example in projects covered by the Equator Principles.
- In supplier management, the environment is a topic raised when entering into contracts and in follow-up talks which are part of DNB's model for following up CSR in the supplier chain.

Read more on how climate and environmental issues are handled within these areas on pages 51-54.

DNB completed the move of all its data processing centres to a new and environmentally-friendly main data processing centre in 2015. The Green Mountain Data Centre is Norway's largest data processing centre and has energy-efficient solutions based on green IT, and a carbon footprint of almost zero, since the energy production is generated from several hydropower plants which have zero emissions.

In order to better manage the Group's environmental impact and ensure more energy-efficient office operations, DNB has introduced an environmental management system based on the international standard ISO 14001. The system will help the organisation set and follow up targets and implement relevant measures. During 2015, DNB introduced the environmental management system across the whole Group. The system assesses not only the Group's direct environmental impact through travel, waste and energy consumption, but also its direct impact through its lending, investment and procurement activities.

DNB also offers sustainable lending and investment alternatives. Read more about DNB's green bonds, green mutual funds and initiatives within renewable energy on page 51.

As a listed company, DNB has a statutory obligation under the Norwegian Accounting Act to annually report its own CO_2 emissions, climate targets and climate results. DNB's direct impact on the climate and the environment is mainly related to its energy consumption, business travel and waste from office operations.

For the period 2015-2017, a target has been established to reduce the energy consumption in DNB's operations by 10 per cent for main buildings in Norway, where the sub-target of 5 per cent was reached in 2015. For the Group's other bank buildings, the target is a reduction of 8 per cent, and the sub-target of 3 per cent had been reached.

In 2015, DNB's carbon accounting report included, for the first time, the Group's entire operations. Nevertheless, emissions declined by 4.4 per cent in 2015. The CO_2 emissions of the units which were included in the carbon accounting for 2014 were reduced by 23 per cent. A reduction target for the whole Group will be determined after 2016, when all units will have introduced measurement methods.

DNB has decided to offset the carbon emissions from its own operations, and had zero CO_2 emissions in 2015. DNB purchased electricity from Skjerka hydropower plant in Vest-Agder and from Skarg hydropower plant in Aust-Agder documented by guarantees of origin in 2015. The guarantees come from a power producer which has extensive renewable energy investment plans. The deliveries, which totalled 52.3 GWh, covered the Group's total electricity consumption. Through these purchases, DNB supported the development of new renewable power production. DNB compensates for its emissions, not including electricity consumption, by purchasing carbon credits, a total of 10 219 tons of CO_2. In addition, DNB Autolease compensates for its customers corresponding to 2 171 tons of CO_2.

FACTS

Environmental efficiency

New targets

Sub-targets

- Reduce CO_2 emissions for DNB in Norway.
- Identify climate and environmental risk.

Principal targets

- Reduce electricity consumption by 10 per cent for main buildings and by 8 per cent for other buildings, based on figures from 2014. This corresponds to 2 300 tons CO_2.
- Chart how climate and environmental risk affects DNB's operations. Consider relevant measures and reporting.
- Revise DNB's group policy for corporate social responsibility to address and clarify DNB's view on climate change.

A complete list of principal and sub-targets is available on dnb.no/en/about-us/corporate-social-responsibility.html

CLIMATE RISK

DNB regards climate change as one of the largest challenges of our time and recognises that there is a risk that climate change will affect the Group's business areas (read more on the new banking reality on pages 14-15). Investors, customers and shareholders are becoming increasingly interested in DNB's ability to integrate and handle climate risk in its business model. It is therefore important for DNB to continually work to identify and handle climate risk in its own portfolio and minimise its own influence on the environment.

DNB participates in the climate reporting project CDP, both by being among the investors who formally are the senders of the survey, and by completing the survey on behalf of its own operations. CDP is an independent organisation whose purpose is to collate and publish information on companies' emission of greenhouse gases and other information on companies' handling of greenhouse gas issues. In 2015, DNB achieved a transparency score of 97 and a result score of B, which was a solid improvement from 2014. DNB will continue to report to CDP and measure, publish and share important environmental information.

SAFE AND SOUND BANK

DNB, together with the rest of the financial services industry, provides a number of fundamental functions and services to society, including financial infrastructure, systems for payments, and the allocation of capital to ensure that it provides maximum return. Society is dependent on the financial sector performing its core tasks in a responsible manner, and the banks are dependent on exercising their role in a manner which meets the expectations of its stakeholders. Only then can trust be maintained between the parties. In order to fulfil its tasks, DNB must be a safe and sound bank with a high level of business continuity.

In recent years, many new and stricter requirements governing the financial services industry have been introduced or notified. Several of these requirements stem from the financial crisis and a wish from the authorities to strengthen capital adequacy, liquidity and funding in financial institutions. The intention is that the banks will build up reserves when they have sound profitability so that they can meet a potential increase in losses after an economic turnaround. DNB is one of the world's best capitalised banks and is continuing to build up more Tier 1 capital in line with statutory requirements. The new regulatory framework for the financial services industry is described in more detail on pages 107-115.

To ensure good customer experiences, it is essential to have high-quality internal processes and infrastructure backing customer services such as mobile and online banking. This is becoming more important as digitalisation and automation is increasing. The project to reduce the number of data processing centres from seven to one cost-effective and environmentally-friendly centre was completed in 2015. DNB has become technically more robust since it reduced its dependence on individual suppliers, and resources can be scaled up and down as required. A strategic partnership with global suppliers will ensure the optimal operation of IT solutions through common efficiency targets and good governance models.

TRANSPARENCY

DNB is supporting initiatives which promote transparency in the financial markets. Reporting is an important tool to achieve this.

Country-by-country reporting is a way to be open about DNB's operations outside Norway. The purpose of country-by-country reporting is to give the tax authorities greater insight into companies' global operations and thus a better basis for assessing the risk of incorrect pricing and the allocation of profits. A country-by-country report should contain an overview of company turnover, profits, taxes paid, invested capital, number of employees and assets per country, as well as legal entities and their main operations.

In Norway, country-by-country reporting will be introduced from 2016. The reporting requirement Norge is introducing is based on the OECD's proposal, which is part of a larger tax project, Base Erosion and Profit Shifting (BEPS). Read more about BEPS in the section about tax on page 114. The country-by-country report will be part of DNB's transfer pricing documentation.

CUSTOMER DIALOGUE AND PRODUCT QUALITY

The Group's corporate reputation is strongly influenced by how DNB's products and services are perceived outside the Group. Therefore a responsible service and product offering, together with responsible marketing and customer communication, is of key importance for DNB. High quality, both in the processes for product development and in daily customer operations, will ensure that DNB's customers have a good experience every time they are in contact with the bank.

All DNB's products and services must fulfil internal and external quality requirements, as well as the expectations of stakeholders regarding transparency and integrity. Therefore, new products and services are quality assured before they are presented to customers and the market. Up to 14 units in the bank are involved in this process, which places particular emphasis on the products and services' ethical robustness and impact on corporate reputation.

When communicating with customers, DNB employees must be clear, sincere and open. DNB will continue to develop new and better products and solutions, and strive to communicate even better with customers. Products and solutions which do not meet future customer needs and the required customer experience will be simplified and phased out.

The number of claims, customer complaints and fraud cases considered by the complaints unit in 2015 rose by 21 per cent from 2014. Close to 67 000 cases were handled. Card complaints represented 87 per cent of all complaints, reflecting the increase in online shopping. In 2015, DNB averted card fraud corresponding to NOK 276 million, up from NOK 140 million in 2014.

FACTS

Contributions to society

New targets

Principal target

■ Ensure that as many people as possible have or will receive access to financial products, services and expertise.

Sub-target

■ A minimum of 800 schools adopting the digital learning program "A Valuable Lesson".

A complete list of principal and sub-targets is available on dnb.no/en/about-us/corporate-social-responsibility.html

INNOVATION AND DEVELOPMENT

Customer behaviour is changing and very few customers visit the banks' physical branch offices. The new banking reality is digital, and customers demand simplicity, accessibility, quality and user-friendliness.

The fact that customers request new solutions, combined with greater competition from new market participants, requires that DNB is innovative and puts ideas swiftly into practice.

DNB is working continually to streamline distribution and facilitate new digital self-service solutions.

To meet rapid changes and demand for innovation, DNB implemented organisational changes in 2015 and centralised responsibility for digitalisation and innovation in the same support area which manages IT development in DNB.

Read more about DNB's modernisation and innovation initiatives in chapter 2 Business review and about digital development on page 74.

DNB'S CONTRIBUTION TO SOCIETY

DNB wishes to help more people realise their dreams through product and service development, direct financial support and by sharing the expertise possessed by the Group's employees.

In 2015, DNB developed, in cooperation with the Norwegian Red Cross, the digital learning program "A Valuable Lesson". Read more about "A Valuable Lesson" on page 102.

DNB also helps those who wish to create values and jobs. Read more about DNB's initiatives targeting start-up companies on page 45.

DNB provides significant financial support to sporting, cultural and charitable organisations and other non-profit causes. Donations are made in all locations where DNB has operations of a certain size. The objective is to create positive associations, increase knowledge of the Group's brand and promote good customer relations, in addition to being a motivating factor for DNB's employees. In 2015, ▶

such direct support totalled NOK 112.7 million.

DNB provides financial support to humanitarian organisations involved in microfinance projects and has invested in the Norwegian Microfinance Initiative, NMI, which is a partnership between private and public actors which directly and indirectly invests in microfinance institutions in the form of equity, loans or guarantees.

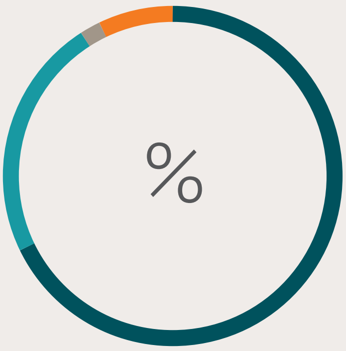
NMI's mission is to give poor people in developing countries the opportunity to work and improve their quality of life based on a sustainable platform, and by offering financial services which are generally not available to them today. This should give a return in the form of development effects and financial returns.

DNB was involved in the establishment of the initiative and has invested close to NOK 100 million in NMI since 2008. Together with Norfund, Ferd, KLP and Storebrand, this has made NMI able to invest directly in microfinance institutions which have more than NOK 4 million clients. Investments are also made indirectly, through mutual funds that invest in microfinance institutions and reach a further 35 million people. Women currently comprise 90 per cent of the clients in NMI's microfinance institutions. Approximately 95 per cent of the loans are granted to projects to improve the borrowers' income potential.

DNB does not give financial support or any other kind of assistance to political parties or related organisations. The Group does not receive any financial support from public authorities or from other bodies or institutions.

Distribution of financial support per area in 2015

Per cent



DNB wishes to contribute to promoting the Norwegian health industry

The global healthcare industry will continue to grow due to strong demographic drivers. DNB sees many exciting Norwegian companies that have a potential to take part in this growth. In the long term, this industry can become an important mainstay for Norway. Most of the companies are in a development phase, and DNB wishes to help more of them become commercially viable. The start-up phase is challenging, and success is dependent on having access to risk capital and advisory services.

In addition to access to capital and advisory services during a start-up phase, marketing and help with network building are essential. To contribute to this, DNB launched an award, DNB's Healthcare Award, for the most innovative and promising idea from a Norwegian early-phase company.

In 2015, DNB chose to set up an office at the Oslo Cancer Cluster Incubator, which unites cancer research, companies and capital. DNB observes many promising companies in the Norwegian market and wishes to offer its expertise and draw attention to an industry with a potential for growth. The Group's aim is to be available to companies and other players in the value chain through their various phases.

DNB Næringseiendom's environmentally-friendly initiatives

DNB Næringseiendom is one of Norway's largest private property owners and is a subsidiary of DNB Livsforsikring. The company believes in a strong correlation between high environmental standards and strong competitiveness, and has therefore set ambitious targets and implemented a number of measures to be able to offer, at all times, environmentally-friendly solutions for lessees and owners.

Over several years, DNB Næringseiendom has cooperated with Enova, a Norwegian state-owned enterprise, to promote more environmentally-friendly energy consumption and energy production methods. As early as in 2006, an Enova energy saving programme was established for the first time for all buildings in DNB Næringseiendom's portfolio. After six years with continual implementation of energy-efficiency measures, the lessees have saved energy corresponding to NOK 175 million.

In 2014, the management operations of DNB Næringseiendom were environmentally certified in accordance with ISO 14001. The certificate comprises the purchase, sale and management of operations. The company conducted a periodical audit of its entire operations in the autumn of 2015.

Read more about DNB Næringseiendom on dnb.no/en/business/commercial-property/dnb-naeringseiendom.html

KEY FIGURES

Topic	Unit	2015	2014
Responsible credit			
Number of Equator projects (project financings and project-related loans)	Number	7	8
Responsible investment			
Number of companies excluded from the investment portfolio in accordance with the ethcial investment guidelines	Number	72	63
Number of meetings with companies to discuss various CSR and sustainability issues	Number	27	30
Responsible supplier chain			
Percentage of contracts with suppliers entered into the past five years requiring observance of DNB's Code of Responsible Business Conduct for Suppliers (active contracts entered into by Group Procurement)	%	79	79
Ethics and anti-corruption			
Score for the statement "DNB is a group characterised by high ethical standards" (Pulse+ employee survey, 4th quarter)	Score	81.0	n/a
Reputation score, ethics dimension (RepTrak's Pulse score, 4th quarter)	Score	68.3	67.2
Customer dialogue and product quality			
Number of customer complaints and fraud cases handled by the complaints unit (Norway)	Number	66 728	55 068
Customer satisfaction, personal customers (internal measurement)	Score	73.9	71.1
Customer satisfaction, large corporates (internal measurement)	Score	79.0	82.0
Environmental efficiency			
Figures for 2015 include the entire Group. Figures for 2014 include DNB's operations in the Nordicregion and the Baltics.			
Energy consumption	GWh	74.5	95.9
Energy consumption per employee	MWh	6.0	7.5
Greenhouse gas emissions (the DNB Group purchases renewable electricity documented by guarantees of origin, and emissions are thus set to zero)	tons CO_2	8 262	10 923
Greenhouse gas emissions per employee	tons CO_2	0.7	0.9
Air travel	1 000 km	56 219	42 931
Transparency			
Tax expense (taxes paid outside Norway)	NOK million	7 159	6 471
Financial support and sponsorship (administered from Norway)	NOK million	112.7	133.2
Total distributed value creation (total net income (net interest income and other operating income) + gains + profits from operations held for sale – impairment losses on loans, goodwill and other intangible assets)	NOK million	51 119	47 645
Number of schools which have started to use the digital learning program "A Valueable Lesson" (the target is 800 schools by year-end 2016)	Number	415	n/a
Reputation score, overall (RepTrak's Pulse score, 4th quarter)	Score	70.1	67.8
Reputation score, CSR dimension (RepTrak's Pulse score, 4th quarter)	Score	70.6	69.2
Employees			
Main index in the employee survey (engagement index) (PULSE survey, 4th quarter)	Score	84.0	85.0
Score for the statement "I am proud to work in DNB" (PULSE+ survey, 4th quarter)	Score	84.0	86.0
Ranking as an attractive employer among business students (Universum survey, Norway)	Ranking	1	2
Number of employees terminating employment (the 2014 figure does not include the Baltics and Poland)	Number	1 446	905
Number of new participants in the corporate trainee programme	Number	7	7
Percentage of employees who completed a performance dialogue	%	94	96
Competence training costs per employee	NOK	2 343	2 795

See complete key figures table at dnb.no/en/about-us/csr/sustainability-library.html

COOPERATION: In January 2015, DNB's premises were used for a seminar for the Foundation's projects. The participants included Crown Prince Haakon and Crown Princess Mette-Marit.

DNB COOPERATES WITH TRH CROWN PRINCE HAAKON AND CROWN PRINCESS METTE-MARIT'S FOUNDATION

DNB has been a main partner of TRH Crown Prince Haakon and Crown Princess Mette-Marit's Foundation since 2011. Through the Foundation, DNB cooperates with various social entrepreneurs who work, in different ways, to give young people a sense of belonging and involve them in worthwhile activities. The goal is to help bring young people back into education or work, while providing them with new arenas to succeed in.

In 2015, DNB held courses in personal finance for 130 young people as part of the Foundation's Pøbelprosjektet (a project for those who have dropped out of school). Branch managers, account officers and trainees from DNB taught the participants how to be in control of their own finances. Throughout the year, DNB also invited young people to participate in various activities, such as the world cup biathlon trials and a national football match to give positive experiences to those who have felt excluded from society. DNB's aim is to have a mutually beneficial cooperation with its partners and contribute with expertise and knowledge to develop the projects in the Foundation.

Our aim is a healthier society

Last year, Roar Østby, head of anti-money laundering, could put the DNB stamp on some 900 reports to Økokrim (the Norwegian National Authority for Investigation and Prosecution of Economic and Environmental Crime). Together with 130 other people in the bank, he works to ensure that Norway will have a healthier business community, and a healthier society.

PREVENTION: Last year, the work done by DNB's anti-money laundering division resulted in almost 900 reports to Økokrim. "We have daily contact with Økokrim, and I meet the department head there twice a year. However, for us the most important thing is to prevent money laundering and thus counteract a great deal of other crime," says Østby.

FACTS

AML/Sanctions

- Is responsible for DNB's professional follow-up of anti-money laundering legislation, for preventing money laundering from taking place and for ensuring that suspicious matters are reported to Økokrim in Norway and to the corresponding authorities in countries where DNB has operations.
- 190 of DNB's employees work with AML. 21 are employed in the central unit at the Group's headquarters, 20 in the Economic Crime department and some 90 in local and central units. Approximately 60 people are involved in a special project to update DNB's customer databases.
- The employees have experience mainly from banking and finance, many of whom have been recruited internally in DNB. In addition, there are many lawyers and people with a compliance or IT background.

"Our goal is to promote a healthy business community. Our actions should have a preventive effect."

SPECIALISTS: Roar Østby has professional responsibility for some 190 DNB employees who work to prevent and reveal money laundering and consequently economic crime. Close to 60 of them work in a special project to ensure that customer databases are updated.

It was not because he primarily wanted to expose criminals that Østby accepted the position as head of AML/Sanctions, DNB's anti-money laundering division.

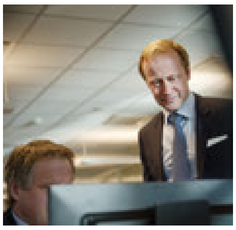
"Our efforts within anti-money laundering are anchored in our role as a responsible player in society and as Norway's largest bank. Our goal is to promote a healthy business community. Our actions should have a preventive effect, and ensure that we are one step ahead," says Østby, continuing:

"A white economy is a prerequisite for all of DNB's operations. Quite simply, black money undermines the bank's own market, so there is a clear correlation between our interests and the interests of society. We will contribute to ensuring that Norway is not the first choice for money laundering and economic crime."

Automatic notifications. In order to be able to take preventive action, however, you need to know who and what you are dealing with. The officers in AML/Sanctions receive daily warnings from the automatic notification systems: "Customer Acceptance Alert. Priority: High".

Each notification appears on the screen followed by a page with information about the transaction, including sender, recipient and amount. The officer straightens up in her chair and starts to delve into database after database.

She does not yet know if the alarm is a real attempt to launder ill-gotten gains from criminal activity, and in all likelihood, she will never know. Her job is to try to understand the background for this particular account transaction. If she does not find a reliable explanation, the investigation will result in a report to Økokrim. The case will then be taken over by the Norwegian authorities and be subject to the duty of confidentiality.



VIGILANT: Roar Østby has worked many years in Økokrim and the Norwegian Public Prosecution Office and has experience from combating economic crime. The targeted AML initiatives of DNB made him change employer. "The bank has long recognised that the fight against hidden cash flows is a prerequisite for a stable and healthy society," says Østby.

However, DNB's corporate social responsibility does not stop at anti-money laundering. The employees must also keep a lookout for signs which can be linked to terrorist financing and transactions which involve people or organisations on the authorities' sanctions lists, such as the European Eunion's black list of oligarchs following Russia's attack on the Ukraine.

Largest in the Nordic region. DNB's anti-money laundering division is one of the largest in the Nordic region. However, it was the rationale for the bank's AML initiative that made Østby say yes to the management position in 2014.

"I have worked within this field for almost twenty years and have seen enough examples of banks which make all-out efforts to comply with the Anti-money Laundering Act and thus avoid fines or having their bank licence suspended. When I asked DNB what their motivation was, their answer was crystal clear: we are not waiting for the authorities – a responsible bank must do this job and take responsibility for securing a stable economy. The fact that organisational changes were made and that the focus on AML was both initiated and endorsed by the Board of Directors, convinced me," says Østby.

Neither does he have any reason to complain about the resources which came with the job. As we write, as many as 190 employees in the Group are involved in the work to combat money laundering, albeit 60 are involved in a temporary project to update the bank's customer databases with correct information.

"In this project, it is really all about prevention. When we ensure that the information we have about our customers is 100 per cent correct, we also make it far more difficult to hide transactions which do not bear close scrutiny," says Østby.

"Cash gives anonymity." For Østby, the battle against money laundering is also very much about contributing to stopping other types of crime, at many different levels:

"Proceeds from all crime committed for personal profit require a process to get the money to appear legitimate. This process, large or small, simple or more sophisticated, is called money laundering. In other words, if we manage to make money laundering more complicated, we will prevent many other types of crime."

In this connection, removing all use of cash, as has been proposed by others in DNB, would have been an effective measure:

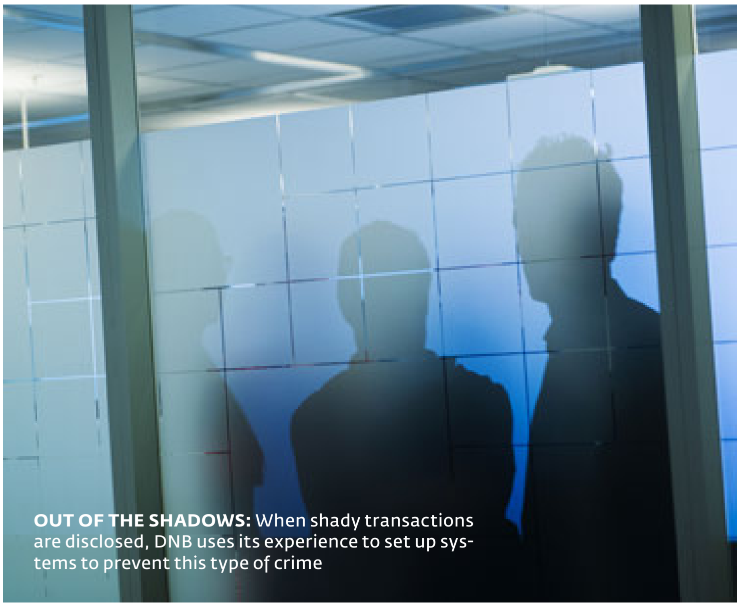
"Cash gives anonymity and is associated with high risk for both money laundering and terrorist financing. On the other hand, we also see that there is a reason why the right to be anonymous is laid down in the Universal Declaration of Human Rights. Nevertheless, cash is probably on its way out in the longer term, but I think a first step will be to set a ceiling for cash transactions, for example NOK 40 000. We will have to wait and see what Norway's anti-money laundering statutory committee decides before the Act is amended in 2017/2018," says Østby.

Labour market crime. Current legislation resulted in DNB sending 891 reports to Økokrim in 2015, of which the largest case concerned possible money laundering of NOK 45 million. The bank has no statutory obligation to, and should not, investigate the cases to find out the source of the money, which means what type of crime may be behind the transaction. It is therefore difficult for the bank to say what types of cases are most common, but Østby implies that labour market crime and the use of foreign labour are probably high on the list.

The fact that the number of cases has decreased from 2000 in 2014 does not worry the head of AML:

"The reason for this is that we have focused on having better processes, of a higher quality, which means that Økokrim does not have to spend time on groundless reports. In addition, this is of course also about privacy protection. No one should be reported if there is no good, professional reason to do so. Both evaluations are also part of our corporate social responsibility," says Østby, and answers the following when we ask him what motivates him:

"It is a fact that money creates a lot of activity in this country. I am convinced that if we manage to stop what is wrong, then things will flourish where they should flourish, for those who deserve it."



OUT OF THE SHADOWS: When shady transactions are disclosed, DNB uses its experience to set up systems to prevent this type of crime

EPILOGUE

THIS IS HOW THEY OPERATE AND HOW THEY ARE EXPOSED

A non-profit organisation opened an account in DNB in 2014. The stated purpose was to "combat poverty, help children, the sick and orphans in all countries via fund-raising".

There was little activity in the organisation before DNB, via a statutory transaction control in 2015, reacted to the large transfers from an unknown non-profit organisation in another European country. A transfer of close to NOK 10 million was then attempted to various organisations, for example in the Middle East. Transfers of funds for such a purpose via Norway were considered to be unusual and it was suspected that this could be an attempt to conceal the origin of the funds.

The organisation could not give a satisfactory answer in the statutory enhanced customer due diligence and the processing of the transactions was therefore refused. In addition, the case has been reported to Økokrim.

In Borgarting Court of Appeal, a 39-year-old Norwegian citizen was sentenced to four years in prison for dealing drugs and for promoting prostitution in 2015. Over a period of just over two years, the convicted person subleased apartments and rooms to 50-60 foreign prostitutes at a number of addresses in Oslo. He also assisted others in advertising their sexual services on the Internet and in answering customer calls. The rent received from the prostitutes was NOK 1 000-1 200 per day.

The case was exposed after DNB had sent a total of three reports on suspicious transactions on the man's bank account to Økokrim in 2013. The transactions included daily deposits of up to NOK 10 000 to his account. DNB also reacted to the fact that his company had not paid tax or VAT. A review of his private customer relationship revealed four accounts and cash deposits totalling NOK 1 055 000.

Used to develop systems. "It is important for us to use such cases to spread knowledge in the organisation about the methods used. In addition, it provides us with a basis for further developing notification routines and setting up systems which make us even better at preventing suspicious transactions," says Roar Østby.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4

EMPLOYEES

Employees

DNB's most important resource has always been its employees. It is the people in DNB who create value through the art of serving the customer.

Adapting to the new banking reality, with stricter capital adequacy requirements and rapid changes in customer behaviour, characterised organisational and leadership development in 2015. Particular priority was given to making DNB ready to meet the changes in customer behaviour. A number of measures were implemented in connection with the Group's "New Deal" strategy, including eight large manager and employee seminars in the spring of 2015 in and outside Norway. Engagement, management communication and "from my customer to our customer" were governing elements in the work to improve the Group's corporate culture. Systematic efforts were made within recruitment, employee development and mobility across organisational boundaries.

RECRUITMENT AND MOBILITY

DNB is one of the most attractive employers in Norway and was ranked number one by business students in Universum's survey in 2015, up from second place in 2014. DNB is thus highly popular among external job candidates. In 2015, there were 1 263 applicants to 51 positions in DNB's summer internship programme, which targets students, compared with 521 applicants for 28 positions in 2014.

DNB recruited seven new candidates with a variety of backgrounds and experience to its corporate trainee programme in 2015. During the two-year programme, the trainees work in five different units, including three months at one of DNB's international offices. The candidates follow an individually tailored development programme and are assigned a mentor at management level.

The number of DNB employees on long-term contracts abroad was reduced from 76 in 2014 to 65 in 2015. These figures include employees on international assignments from the entire Group, of whom the majority are originally based in Norway.

ORGANISATIONAL ADJUSTMENTS

DNB implemented further restructuring and downsizing processes in 2015, whereby the number of full-time positions was reduced by 263. The processes were carried out in accordance with the Group's restructuring rules and were implemented after discussions with the Group's employee representatives. A total of 271 severance packages were granted based on individual applications in 2015. Seniority and age determined the amount of severance pay, and the applications were approved on the condition that the employees in question would not be replaced.

As part of the restructuring and job-transition management processes, DNB's career change centre helped ensure internal mobility and was an important offer to employees at all levels during the restructuring processes. Read more about the career change centre on page 71.

DEVELOPING MANAGERS AND EMPLOYEES

DNB's managers play a key role in ensuring that the Group achieves its goals. Leadership in DNB must follow three principles: create results, develop individuals and teams, and set direction and drive change.

The Group strategy "New Deal", which emphasises capital efficiency, customer experience and corporate culture, continued to characterise leadership development in DNB in 2015. The strategy also provides a framework for training and development activities for the Group's managers, where particular importance is placed on change management and innovation.

Systematic training in management communication has given positive results, and surveys show that the employees are becoming increasingly satisfied with their managers' communication skills.

Expertise and talents must be nurtured, and the Group offers a range of training programmes. There are also good opportunities for professional and personal development. In order to increase the effectiveness and availability of the training measures, several new digital training programs were developed in 2015. Modern communication and teaching methods are used as far as possible to achieve an optimal learning effect at the lowest possible cost. All employees are expected to take responsibility for their own learning and development, and most learning takes place through their daily work.

DNB offers business-critical training through four professional academies in the fields of credit, savings, insurance and cash management to the entire Group. Among other things, the academies offer training in accordance with industry requirements determined by Finance Norway governing the sale of savings and non-life insurance products. The purpose of the authorisation scheme for financial advisers and the national approval scheme for sellers and advisers of non-life insurance, is to strengthen the financial sector's reputation and ensure that each individual adviser meets the relevant competency requirements.

DNB places strong emphasis on strengthening employee know-ledge and awareness of ethics, anti-money laundering, counter financing of terrorism and information security. Read more on this in the chapter Responsible operations.

The Group has a common goal and development process for all managers and employees. The aim is to ensure that the Group's strategic direction is reflected in the work tasks and priorities of each employee through individual goals.

In 2015, the employee survey was phased out in its existing form and replaced by regular PULSE surveys during the year for all employees in the Group. The results showed that the employees have a high level of engagement. The PULSE surveys for 2015 paint a picture of a robust organisation that has coped well through considerable changes.

HEALTH, SAFETY AND ENVIRONMENT

Health, safety and environment (HS&E) are important elements in the group policy for people and organisation. Preventive working environment measures should promote employees' safety, health, well-being and working capacity. Furthermore, cooperation between management and employees should ensure that efforts to improve the working environment are future-oriented and an integrated part of daily operations.

All DNB managers must be updated on HS&E issues, and HS&E training is mandatory for new managers with personnel responsibility. The training is aimed at the Group's Norwegian operations and provides the necessary insight and knowledge to comply with the Norwegian Working Environment Act and DNB's internal HS&E requirements. A total of 27 managers and 37 safety representatives completed the HS&E training in 2015.

DNB conducts an annual HS&E survey in Norway. The purpose of the survey is to assess the current status of the Group's physical and ergonomic working environment and physical security. Through the HS&E survey, the employees have the possibility to influence their own working environment so that measures can be implemented.

The Group has guidelines on harassment, bullying and other improper conduct. The guidelines shall ensure that a reported event is assessed swiftly, predictably and consistently.

There is good access to adjustable height desks for ergonomic reasons, and employees can be followed up through DNB's company health service. In central buildings in Oslo, Bergen and Trondheim, facilitating physical activity is an important preventive measure. In addition, the Group's staff canteens offer a healthy and nutritious food concept. First-aid groups have regular drills on how to handle situations where there is a need for immediate help.

The risk of robbery has been practically eliminated due to the transition to cashless branch offices. Consequently, no courses on how to handle robberies were held in the Norwegian part of the Group in 2015. 607 employees participated in courses on threat management, security and fire protection during the year. 48 employees in the Norwegian part of the Group were exposed to threats.

In 2015, 26 evacuation drills were carried out in DNB's operations in Norway. Four accidents and injuries were registered during working hours or in connection with travel to or from work, but none were of a serious nature. Workplace accidents are registered in the Group's event database and reported as occupational injuries to the Norwegian Labour and Welfare Administration (NAV). The incidents are reported to the group working environment committee, and serious incidents are reported to the Norwegian Labour Inspection Authority. In addition, criminal acts involving violence or force are reported to the Group's security department for further action.

SICKNESS ABSENCE AND AN INCLUSIVE WORKPLACE

DNB's inclusive workplace agreement applies until 2018. The targets specified in the agreement are sickness absence reductions, special adaptation for employees with reduced capacity for work and a higher average retirement age. Managers are trained in how to handle sickness absence.

Employees on long-term sickness leave are offered coaching and guidance as well as varied and meaningful work tasks through the Group's cooperation with humanitarian organisations and other companies.

The mandatory programme whereby pregnant employees are followed up by a midwife through the occupational health service continued in 2015 and was used by more employees than in 2014. The aim is to reduce sickness absence among pregnant employees.

VARIABLE REMUNERATION

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

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

The remuneration schemes of DNB's international offices and subsidiaries are adapted to local labour markets and regulations.

EQUALITY AND DIVERSITY

The Group has flexible schemes that make it easier to combine a career with family life.

DNB has set a female representation target at the top four management levels of minimum 40 per cent. The Group has implemented various measures to achieve this target:

Measures to achieve a better gender balance when recruiting and filling vacant management positions:

- In recruitment processes for management positions, the best qualified female and male candidate must be identified before the final choice is made.
- When recruiting managers, procedures must be in place to ensure that female candidates are identified, and these should be actively encouraged to apply for the positions.
- A balanced gender ratio should be one of the job assignment criteria in restructuring processes.
- When changing the composition of management teams, particular emphasis should be placed on achieving a better gender balance.

Measures to ensure sufficient access to talented women managers:

- Minimum 50 per cent female representation in internal management development and talent programmes.
- Minimum 40 per cent women candidates on lists for succession planning.
- Require managers to identify potential talented women managers and use performance dialogues to motivate these to seek management challenges.
- Greater emphasis on individually-tailored leadership development for identified women managers and management talents.
- Ensure gender balance among managers and key persons who are profiled and give statements on behalf of the company externally and internally.
- Internal mentor and network schemes for potential talented women managers.

The Group focused on the above measures to improve the gender balance at the various management levels in 2015, and they are well established in the business areas. The organisation is generally positive to the implementation of these measures, which has become reinforced by the positive attention received in the media and from other businesses and research institutions.

Physical adaptation for employees with reduced working capacity is taken into account in central office buildings in Oslo, Bergen and Trondheim. The number of disabled parking spaces has been adapted to actual requirements in each building.

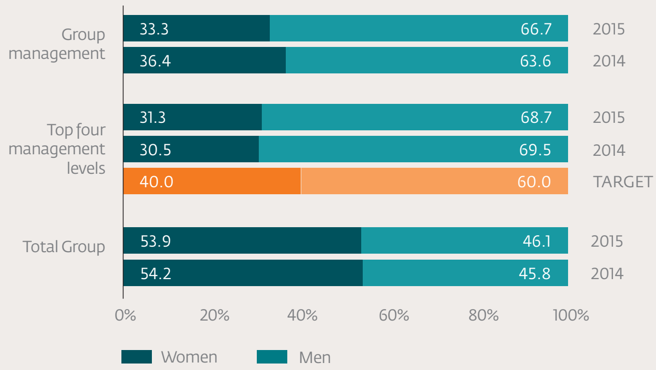
The group recruitment guidelines should help ensure quality, diversity and non-discrimination in selection processes. Local regulatory requirements must be complied with, and DNB has a zero-tolerance approach to discrimination in the recruitment process.

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

EMPLOYEES IN FIGURES

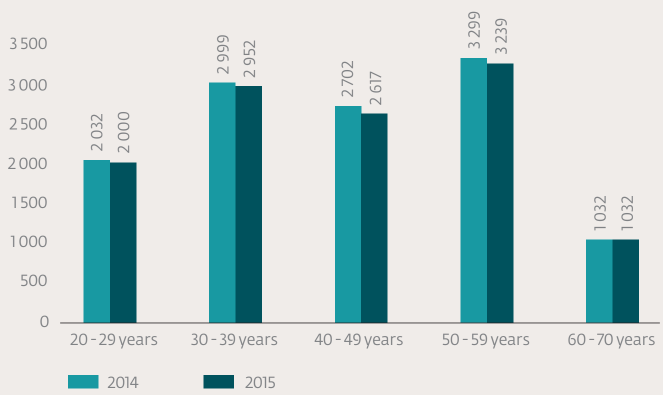
Gender distribution

Per cent



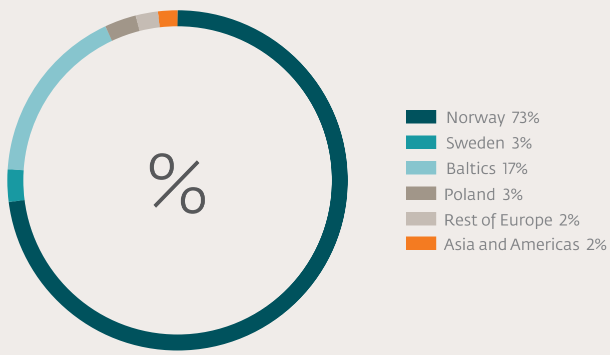
Employees according to age

Number



Employees according to country

Per cent



KEY FIGURES

	2015	2014
General		
Total number of employees in the Group	11 840	12 064
- number of employees in Norway	8 666	8 752
Engagement index	84	85
Recruitment and mobility		
Total number of external employees recruited	745	816
- number of women	337	417
Total number of external employees recruited in Norway	584	640
- number of women	260	325
Average age of new employees	31.0	30.2
Number of employees who changed jobs within DNB in Norway	515	401
Number of employees who left DNB due to natural attrition in Norway	506	479
Percentage of employees who left due to natural attrition in Norway (%)	5.6	5.2
Organisational adjustments		
Reduction in the number of full-time positions from the previous year	(263)	(373)
Number of severance packages	271	169
Number of employees transferred to the career change centre	85	49
Sickness absence and an inclusive workplace, Norway		
Sickness absence (%)	4.42	4.52
Sickness absence in the form of man-days	80 122	81 852
Average retirement age	61.4	62.6
- including severance packages for employees over the age of 62	64.7	64.2
Number of employees under the age of 62 retiring on a disability pension	42	22
Equality and diversity		
Average age, men	43.0	43.0
Average age, women	42.4	42.5
Percentage of women (%)	53.9	54.2
Percentage of women among employees working part-time (%)	72.9	72.6
Average salary in Norway, women (part-time positions converted to full-time)	548 994	529 276
Average salary in Norway, men (part-time positions converted to full-time)	687 614	667 697
Female representation in the group management team (%)	33.3	36.4
Female representation at management level 3 (%)	26.9	25.8
Female representation at management level 4 (%)	32.2	31.5
Female representation at management level 5 (%)	35.4	33.7
Female representation at management levels 1-4 (%)	31.3	30.5
Female representation at management levels 1-5 (%)	33.4	32.2

NEW COMPETENCE REQUIREMENTS

THE CAREER CHANGE CENTRE

Due to the increasing digitalisation and changes in customer behaviour, DNB must adjust its organisation. Some work tasks will be phased out and new tasks will be created, whereby competence requirements will also change. DNB's career change centre has been established to meet the shifting needs resulting from the new banking reality.

The career change centre offers help and support to employees who are in a change or restructuring process and wish to see what opportunities are available in the internal and external job markets. The aim is to help employees become aware of their own skills and enable them to apply for relevant vacant positions. They can receive guidance and coaching in connection with the choices they must make, and internal and external periods of secondment are facilitated so that employees can try out new work tasks. The aim is to give each individual the necessary support and guidance to find new permanent employment while helping the Group to solve its temporary staffing needs with the help of internal resources.

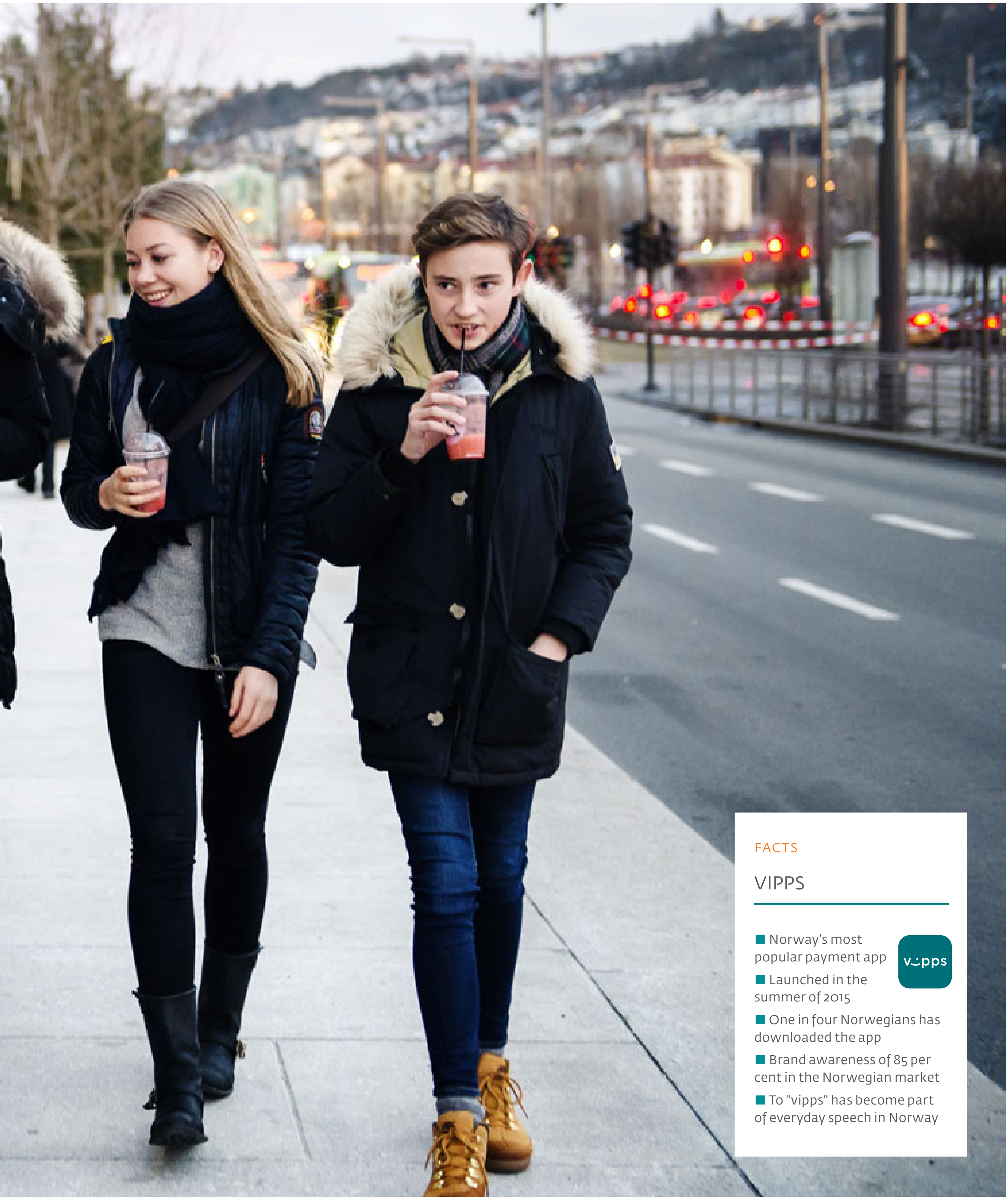
In addition, employees who, for a variety of reasons, are unable to continue in their positions are offered alternative tasks or necessary adjustments.Through its cooperation with humanitarian organisations, the career change centre has been able to offer meaningful tasks in new areas. In addition, the centre coordinates job assignments in DNB in cooperation with the Norwegian Labour and Welfare Administration (NAV).

In 2015, a total of 139 employees visited the centre for help and support. A total of 53 employees left the Group, and 43 employees were offered other jobs within the Group. The career change centre assisted 125 employees with health-related challenges.

The restructuring needs of the Group are expected to further increase in the years ahead. The main challenge will be that the number of employees in the Group is expected to decline while the internal job market will contract. This makes internal organisational adjustments challenging in a period when the level of unemployment in Norway will probably increase.

The digital reality

Norwegians have become "vippsers" in record time, with thousands transferring money to each other every single day. What will be the next digital innovation?



FACTS

VIPPS

- Norway's most popular payment app
- Launched in the summer of 2015
- One in four Norwegians has downloaded the app
- Brand awareness of 85 per cent in the Norwegian market
- To "vipps" has become part of everyday speech in Norway

THE VIPPS REVOLUTION: A life without Vipps is starting to be inconceivable, according to Olivia Aspaas (left), Simon Masserud, Adrian Hansen Bakke and Ulrikke Næss.

We may as well admit it: the era of cash is (as good as) over here in Norway. Digital payment services are now taking the centre stage. Since the summer of 2015, an increasing number of Norwegians have become keen users of Vipps, DNB's most recent technological innovation. The app enables you, with just a couple of swipes across your smartphone, to pay back your share of the taxi trip, restaurant meal or cinema ticket to the person who paid for you when you were out on the town.

Every day, 70 000 Norwegians transfer money to each other with the DNB-developed Vipps. An average transaction is for approximately NOK 370. The number of users has increased steadily since its launch last year. Half of them are not DNB customers. We can almost talk about our own small digital, consumer-targeted revolution.

For many of the youngest users, a life without Vipps is inconceivable:

"Vipps makes it incredibly easy to send and receive money. For example, I ask other people if they can buy me something from the canteen, and then I just vipps them the money. I started to use the app as soon as it was released. I realised that it would be perfect for me," says 16-year-old Simon Masserud. He and his friends Olivia Aspaas (16), Ulrikke Næss (17) and Adrian Hansen Bakke (15) agree that Vipps has revolutionised their lives on the money front.

To vipps, vipps, has vippsed... "I use Vipps mainly with my friends. When one of us buys lunch and we split the bill, it is really efficient. We save time and effort as we don't have to go around trying to remember that we owe someone money," says Olivia.

"And everyone knows just how awkward it is to remind someone that they owe you money," says Ulrikke. "Oh, and we also use Vipps to settle bills in connection with school events. When I do some food shopping for mum, she just needs to vipps money to me, and then everything is settled. It is just so fast and convenient!"

"Are there any disadvantages with Vipps?"

"Yes, that some people cannot use it because there is an age limit. It ought to be much easier," says Adrian.

"I can't vipps my little sister and she can't vipps me," says Simon.

"So then you don't have to pay her back if you borrow some money from her?"

"Not quite, as she unfortunately has a rather good memory," smiles Simon.

"And it is a bit silly that I can't check how much money I have on my card. To do that you need the DNB app," says Adrian.

Other than that, the four teenagers agree that vippsing is a good thing; so good in fact that to vipps has become a verb.

"That's just what it's called – to vipps," says Adrian.

"Nearly all our friends have Vipps now," says Olivia. "If you don't have Vipps, then there's a strong pressure to get it."

The newborn baby. The pressure, or rather the dynamics, which arises when a new digital service is launched, is part of the motivation when DNB works to find new and innovative solutions.

FACTS

Digital Floor

- DNB's new and specially designed development arena for digital services
- An arena for interaction
- A whole floor with capacity for more than 100 people
- The aim is to shorten the time from idea to finished product. The projects will therefore be short-lived, with a development time from three to six months.

BABY: According to Liv Fiksdahl, head of IT and Operations, the Vipps success story is like a baby who has to go through both childhood and puberty before it is fully grown. In parallel to this, DNB's "digital dream factory" is cultivating a range of other digital services.

"The only thing limiting us is our own creativity," says Liv Fiksdahl, head of IT and Operations in DNB. She continues: "Today, Vipps is a payment solution, but we do not yet know what it may grow to become in the future. It is like a newborn baby, it must go through its childhood and puberty before it is fully developed. We are working to further develop the service now and will launch a version for the corporate market quite soon. We are also looking into the possibility of paying with Vipps in shops. I understand why young people want us to remove the age limit. Vipps is perfect for children and teenagers, as they are often the ones who need small amounts. Even though Vipps for children is not in the offing, we are working on a range of other functionalities for the app. There is no doubt that there is a place for the Vipps team here."

When the head of IT and Operations says "here", she is referring to the fourth floor of DNB's headquarters in Bjørvika and to the brand new "Digital Floor" or "DNB's digital dream factory", as it is called by DNB's employees. A mix of large, open areas and meeting rooms, cushioned seating in window alcoves, white walls which can be written on, and elsewhere bright colours and patterns to inspire creative activity. Some 100 people can work here at the same time.

A digital floor. "Our Digital Floor is not a place to be, but a place to be creative. This is where we want to cultivate new ideas, services and products which will make the everyday lives of our customers easier and simpler," says Fiksdahl. It was her idea to establish a whole floor for digital product development.

THE VIPPS BOSS: "Vipps will provide fantastic utility value, and new functions will be developed in step with customer needs," says Rune Garborg, head of Vipps.

"Today, things happen much faster. If we are to succeed in maintaining and strengthening our competitive power and continue to be at the forefront of digital development, we must shorten the period from idea to product. This is what we are facilitating here. This floor will be an arena for creativity and idea development, for interaction across business areas and for finding new working methods. Here, we will all sit around the table and solve tasks together," emphasises the head of IT and Operations.

The projects which will be given the opportunity to use the Digital Floor are spearhead projects to be concluded within a time frame of three to six months. The ideas will be developed together with IT experts, suppliers, business areas and customers.

"The needs of our customers must continuously drive these projects forward, and then we must weigh this against what is feasible and viable. What is challenging is that we must create products which meet needs which today's customers are not even aware that they have. For example, in the case of Vipps, no one missed having Vipps until it was actually there, and we did not dream of Netflix when we went to our local video store to rent videos. I have no doubt that Vipps is here to stay, and I believe the most important task for our organisation is to see the market, understand new trends, keep updated on the wishes and ideas from customers and then turn these ideas into new and profitable products and services," says Liv Fiksdahl.

5

GOVERNANCE

Board of Directors

As at 17 March 2016

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

Read more about corporate governance on page 84.

Anne Carine Tanum

BORN 1954

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

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

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

Number of board meetings in 2015: 12 of 12

Number of shares [1]: 300 000

Tore Olaf Rimmereid

BORN 1962

Role on the Board of Directors: Board vice-chairman in DNB since 2012 (board member since 2008). Chairman of the Audit Committee and the Risk Management Committee and member of the Compensation Committee.

Background: Graduate of the Norwegian School of Economics and authorised financial analyst from the same institution. President and CEO of E-CO Energi. Former head of the Finance and Administration Department in the Norwegian Broadcasting Corporation, NRK, and group executive vice president, Financial Reporting and Finance, in the SpareBank 1 Alliance. Experience from Kreditkassen.

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

Number of board meetings in 2015: 11 of 12

Number of shares [1]: 8 111

Jarle Bergo

BORN 1945

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

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

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

Number of board meetings in 2015: 12 of 12

Number of shares [1]: 225

Carl A. Løvvik

BORN 1952

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

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

Number of board meetings in 2015: 10 of 12

Number of shares [1]: 1 040

1) Shareholdings in DNB ASA as at 31 December 2015. Shares held by the immediate family and companies in which the shareholder has decisive influence are also included.

Vigdis Mathisen

BORN 1958

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

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

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

Number of board meetings in 2015: 10 of 12

Number of shares [1]: 405

Jaan Ivar Semlitsch

BORN 1971

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

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

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

Number of board meetings in 2015: 10 of 12

Number of shares [1]: 12 300

Berit Svendsen

BORN 1963

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

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

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

Number of board meetings in 2015: 11 of 12

Number of shares [1]: 0

Group management

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

Read more about how DNB is organised under Corporate governance on page 84 and in chapter 2 Business review.

Terje Turnes *Group Risk Management*

Kari Olrud Moen *Products*

Ottar Ertzeid *Markets*

Rune Bjerke *Group chief executive*

Solveig Hellebust *HR*

Bjørn Erik Næss *CFO*

Trond Bentestuen
Personal Banking Norway

Kjerstin Braathen
Corporate Banking Norway

Harald Serck-Hanssen
Large Corporates and International

Tom Rathke
Wealth Management

Liv Fiksdahl
IT and Operations

Thomas Midteide
Corporate Communications

Group management

As at 17 March 2016

Rune Bjerke

BORN 1960

Role in DNB: Group chief executive from 2007

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

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

Number of shares [1]: 46 156

Bjørn Erik Næss

BORN 1954

Role in DNB: Chief financial officer from 2008

Other professional experience: Former executive vice president and CFO in Aker Kværner ASA. Held similar positions in Orkla and Carlsberg (Denmark).

Education: Graduate of the Norwegian School of Economics. Executive Programme at Darden Business School in the USA.

Number of shares [1]: 48 880

Trond Bentestuen

BORN 1970

Role in DNB: Group executive vice president Personal Banking Norway from 2013

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

Other professional experience: Expert and Telenor.

Education: Bachelor of Arts in Journalism and Political Science from Temple University, USA, and training from the armed forces.

Number of shares [1]: 16 823

Kjerstin Braathen

BORN 1970

Role in DNB: Group executive vice president Corporate Banking Norway from 2013

Prior positions in DNB: Former head of Shipping, Offshore and Logistics, SOL, in Oslo and many years' experience from this sector. Joined DNB in 1999.

Other professional experience: Hydro Agri International.

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

Number of shares [1]: 19 190

Harald Serck-Hanssen

BORN 1965

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

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

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

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

Number of shares [1]: 26 644

Ottar Ertzeid

BORN 1965

Role in DNB: Group executive vice president Markets from 2003

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

Education: Graduate of BI Norwegian Business School.

Number of shares [1]: 200 000

1) Shareholdings in DNB ASA as at 31 December 2015. Shares held by the immediate family and companies in which the shareholder has decisive influence are also included.

Tom Rathke

BORN 1956

Role in DNB: Group executive vice president Wealth Management from 2013

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

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

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

Number of shares [1]: 30 809

Kari Olrud Moen

BORN 1969

Role in DNB: Group executive vice president Products from 2013

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

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

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

Number of shares [1]: 19 955

Liv Fiksdahl

BORN 1965

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

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

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

Education: Educated at Trondheim Business School.

Number of shares [1]: 21 989

Solveig Hellebust

BORN 1967

Role in DNB: Group executive vice president HR from 2009

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

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

Number of shares [1]: 14 329

Terje Turnes

BORN 1963

Role in DNB: Chief risk officer from 2015

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

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

Number of shares [1]: 19 027

Thomas Midteide

BORN 1974

Role in DNB: Group executive vice president Corporate Communications from 2013

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

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

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

Number of shares [1]: 5 188

Corporate governance

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

Changes from previous years
As of 1 January 2016, financial undertakings are no longer required to have a Supervisory Board and a Control Committee, and DNB therefore closed down these bodies with effect from the same date. The governance and management of the company is undertaken by the Board of Directors and the general meeting.

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

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

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

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

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

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

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

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

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

The Norwegian Code of Practice for Corporate Governance

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

SECTION 1

IMPLEMENTATION OF AND REPORTING ON CORPORATE GOVERNANCE

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

DNB's vision is: Creating value through the art of serving the customer.

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

The values underlying the vision are helpful, professional and show initiative.

DNB takes environmental, social and corporate governance issues into consideration in the Group's product and service development, advisory services and sales, investment and credit decisions, production and operations, as well as in its contact with suppliers. Such sustainable business operations will help the Group mitigate risk and reduce costs, generate new business opportunities, achieve proud and motivated employees and promote a good reputation. The work on corporate social responsibility thus contributes to sustainable development and to creating added value in meetings with customers. DNB is committed not to offer products or services or perform other acts which entail a significant risk of contributing to unethical conduct, the infringement of human or labour rights, corruption or serious environmental harm.

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

The Group's code of ethics sets forth that employees must promptly inform their immediate superior or the group chief audit executive if they obtain knowledge about circumstances that are contrary to prevailing regulations issued by the authorities or represent major breaches of internal regulations. Employees who in a responsible manner notify reprehensible aspects pursuant to this item will be protected from any repercussions following such disclosure. Violation of the code of ethics on the part of an employee could have consequences for his or her position in the Group. The complete code of ethics can be found on the Group's website, dnb.no/en/about-us/corporate-social-responsibility.

DNB wishes to be an active owner through its various roles as investor. The aim of active ownership or ownership administration is to influence companies in the desired direction.

Corporate social responsibility, health, safety and environment, HS&E, and equality are described in further detail in the chapters Responsible operations and Employees.

According to the DNB Group's guidelines for the handling of information, employees and elected representatives have a duty not to disclose any information about the affairs of the Group or the Group's customers that may come to their knowledge by virtue of their position. The duty of confidentiality does not apply only to third parties, but also in relation to colleagues who do not need to be privy to such information in order to carry out their work. Furthermore, the rules apply to information about the Group's strategy and market plans and other aspects of competitive significance. The individual employee or elected representative is responsible for being fully updated on general and special confidentiality rules that apply to their areas of responsibility. Moreover, no DNB employee is allowed to, via the computer systems or otherwise, actively seek information about colleagues, customers or third parties when they do not need to be privy to such information in order to carry out their work in the company.

No deviations from the Code of Practice.

SECTION 2

BUSINESS

The object of DNB is to engage in banking, insurance and financing and any related activities within the scope of Norwegian legislation in force at any time. The complete Articles of Association of DNB ASA can be found on the Group's website, dnb.no/en/agm. The directors' report describes the Group's targets and strategies, and the market is kept updated through investor presentations in connection with quarterly financial reporting, capital markets days and presentations on special subjects.

In annual strategy processes, the Board of Directors considers whether goals and guidelines established on the basis of the strategies are unambiguous, adequate, well operationalised and easily comprehensible for the employees. All key guidelines are available to the employees through DNB's intranet or by other means.

No deviations from the Code of Practice.

SECTION 3

EQUITY AND DIVIDENDS

The Board of Directors continually reviews the capital situation in light of the company's targets, strategies and intended risk profile. See the Group's report on risk and capital management (Pillar 3) for a further description of the rules on capital adequacy, the principles applied by DNB to estimate capital requirements, as well as a further specification of the Group's capital adequacy ratio. The report is available on the Group's website, dnb.no/investor-relations.

The EU capital requirements directive CRD IV introduces requirements for both equity, long-term funding and liquidity reserves. See the chapter on the new regulatory framework for a further description of the regulations and how they have been implemented in Norway.

The Board of Directors considers the Group to be adequately capitalised in relation to current regulatory requirements. DNB is continuing its adaptations to the new liquidity and capital requirements which have already been introduced or are expected to be introduced over the next few years.

Dividends

DNB's primary objective is to create long-term value for shareholders, partly through a positive share price development and partly through a predictable dividend policy. The ambition is to have a payout ratio of more than 50 per cent of profits when the capital adequacy requirement has been fulfilled.

Repurchase of shares

To ensure flexibility in the Group's capital management, the Board of Directors has on previous occasions asked the annual general meeting for an authorisation to repurchase own shares. An agreement has previously been signed with the Norwegian government, represented by the Ministry of Trade, Industry and Fisheries, for the redemption of a proportional share of government holdings to ensure that the government's percentage ownership remains unchanged. In order to ensure an optimal level of capital in the company, on 23 April 2015, the general meeting authorised the Board of Directors to acquire own shares for a total face value of up to NOK 325 759 772, corresponding to 2 per cent of the company's share capital. The shares shall be purchased in a regulated market. Each share may be purchased at a price between NOK 10 and NOK 200. Acquired shares shall be sold in accordance with regulations on the reduction of capital in the Public Limited Companies Act. The authorisation will be valid for a period of 12 months from the date the resolution was passed at the general meeting.

Increases in share capital

As the present time, no authorisation had been granted to the Board of Directors for an increase in the share capital of DNB ASA.

No deviations from the Code of Practice.

SECTION 4

EQUAL TREATMENT OF SHAREHOLDERS AND TRANSACTIONS WITH CLOSE ASSOCIATES

DNB ASA has one class of shares. The Articles of Association, the Board of Directors and group management emphasise that all shareholders will be treated equally and have the same opportunity to exert influence. All shares carry equal voting rights. In connection with increases in share capital, existing shareholders will be given preemptive rights, unless such rights are derogated from due to special circumstances. In such case, the reasons for such a derogation will be specified. In cases when the Board of Directors asks the Annual General Meeting for an authorisation to repurchase own shares, shares will be purchased through the stock market at market price.

Largest shareholder

The Norwegian government, represented by the Ministry of Trade, Industry and Fisheries, is DNB ASA's largest shareholder, owning 34 per cent of the shares. According to the State Ownership Report (White Paper no. 27 2013-2014 Diverse and value-generating ownership), the purpose of the government's ownership in DNB ASA is to retain a large and highly competent financial services group headquartered in Norway. The company is to be run on commercial terms, with an aim to generate a competitive return. The government points out that a holding that gives negative control contributes to this end. The government will thus maintain its holding in DNB ASA and has come to the conclusion that the holding will not be reduced below 34 per cent.

The shares held by the Ministry are managed by the Department of Ownership, subject to special management guidelines which among other things stipulate that the Norwegian government cannot have representatives on the boards of directors or supervisory boards of financial institutions, but that the government, through participation in election committees, must ensure that the governing bodies include representatives from all shareholder groups. The guidelines require that the Ministry act in a manner conducive to equal treatment of DNB's shareholders.

Second largest shareholder

Sparebankstiftelsen DNB (the DNB Savings Bank Foundation) is the second largest shareholder, owning 9.37 per cent of the shares at end-December 2015. According to Norwegian law, the foundation is required to be a stable, long-term owner in the Group. In order to ensure funds for its operations, the foundation aims to achieve the highest possible risk-adjusted return on capital under management. More information is available on sparebank-stiftelsen.no.

According to the Articles of Association of DNB ASA, for as long as Sparebankstiftelsen DNB owns 10 per cent or more of the shares in DNB ASA, the question of sale or other disposal of shares in DNB Bank ASA shall be considered by the general meeting in DNB ASA. The same applies to questions concerning a merger or de-merger of the bank, disposal of a material portion of the bank's business or the issuing of shares in the bank to parties other than DNB ASA.

Transactions with close associates
Instructions for the Board of Directors of DNB ASA state that a board member cannot participate in deliberations or decisions on issues where he or she personally or his or her close associates would be seen as having a direct or indirect personal or financial interest in the matter. The same principle is embodied in the Group's code of ethics. It is the duty of each board member to ensure that he or she is without prejudice in deliberations of specific matters. The Board of Directors must approve agreements between the company and a board member or the group chief executive. The Board must also approve agreements between the company and third parties where a board member or the group chief executive can be perceived to have a significant interest in the matter.

Board members must inform the Board of Directors if they have a direct, significant interest in an agreement entered into by the company or another company in the DNB Group. The same applies if such agreement is signed by a company outside the DNB Group in which the board member either has an ownership interest, serves on the board or has a senior management position. A notification should be sent to the board chairman, with a copy to the Group Secretariat.

Board members, or companies with which they are associated, should not take on special assignments for companies in the DNB Group other than their board membership. If this occurs, however, the entire Board of Directors must be informed. Remuneration for such assignments is subject to approval by the Board of Directors.

With respect to the Group's other employees and elected officers, the Group's code of ethics lays down detailed rules regulating transactions with close associates. As a general rule, an employee or elected officer will be considered disqualified if circumstances exist that may lead others to believe that he or she promotes interests other than those of the DNB Group. Employees must be aware of potential conflicts of interest if they combine positions of trust with other roles in the Group.

Where a transaction is not immaterial for either the DNB Group or the close associate involved, unless it is a matter for consideration by the general meeting according to stipulations in the Public Limited Companies Act, the Board of Directors will ensure that a valuation is made by an independent third party. This also applies to any transactions between companies in the DNB Group where minority shareholders are involved. Not immaterial transactions with close associates are described in a separate note to the annual accounts.

No deviations from the Code of Practice.

SECTION 5

FREELY NEGOTIABLE SHARES
The shares in DNB ASA are listed on Oslo Børs (the Oslo Stock Exchange) and are freely negotiable. The Articles of Association include no form of restriction on negotiability.

No deviations from the Code of Practice.

SECTION 6

GENERAL MEETINGS AND CONTROL COMMITTEE
General meeting
The general meeting exercises the highest authority in DNB and represents the company's shareholders. According to the Articles of Association, the annual general meeting shall be held before the end of April each year. The notice and the registration form will be sent to shareholders and be published on the Group's website no later than 21 days prior to the date of the general meeting. The procedure for voting and for proposing resolutions is described in the notice of the general meeting.

According to the new Articles of Association effective as of 1 January 2016, the general meeting shall be convened by the Board of Directors. The chairman of the Board of Directors, at least one representative from the Election Committee and the statutory auditor will attend general meetings. Other board members may also attend the meetings. Representatives from group management will include the group chief executive, the chief financial officer, the group chief audit executive and specialists in certain fields. The minutes of general meetings are available on dnb.no/en/agm.

The general meeting elects shareholder representatives on the Board of Directors and members of the Election Committee. The voting procedure gives shareholders the opportunity to vote separately for each individual candidate nominated for election to the various governing bodies. The general meeting also selects the statutory auditor. The Election Committee consists of up to five members elected by the general meeting for a term of up to two years.

Decisions are generally made by simple majority. Decisions concerning the disposal of shares, mergers, demergers, the sale of a material part of DNB Bank ASA's business or the issuing of shares in the bank to parties other than DNB ASA, require the approval of at least two-thirds of the votes cast and of the share capital represented at the general meeting.

Shareholders may choose to appoint a proxy. In addition, a person will be appointed to vote for the shareholders in the capacity of proxy. As far as possible, the proxy form is drawn up so that separate voting instructions can be given for each matter to be considered by the meeting and each of the candidates nominated for election.

The Board of Directors can also decide that the shareholders be given the opportunity, during a certain period prior to the general meeting, to vote in writing, which includes the use of electronic communication.

Control Committee
Financial undertakings are no longer required under the new Act on Financial Undertakings to have a Control Committee and DNB thus closed down its Control Committee with effect from the same date. The Control Committee was in operation throughout 2015 and held nine meetings. The committee ensured that the Group conducted its business in an appropriate and satisfactory manner in compliance with laws, regulations and guidelines. The committee also made sure that the Board of Directors and the group chief executive maintained adequate supervision and control of subsidiaries.

No deviations from the Code of Practice.

SECTION 7

ELECTION COMMITTEE
In accordance with DNB ASA's Articles of Association, the general meeting has established an Election Committee consisting of four members. The general meeting has laid down instructions for how the Election Committee should carry out its duties. The members of the Election Committee shall be shareholders or representatives for shareholders and shall, as far as possible, represent all shareholders. No member of the Board of Directors or representative from group management is a member of the Election Committee.

According to instructions for the Election Committee, there should be rotation among the committee members.

The Election Committee submits justified recommendations to the general meeting for the election of members to the Board or Directors and the Election Committee. The recommendation should include relevant information on each candidate's background and independence. Furthermore, the committee proposes remunerations to members of the aforementioned bodies. The remuneration of the Election Committee is determined by the general meeting. Information about the Election Committee and closing dates for proposing candidates can be found on dnb.no/en/agm.

The Election Committee held six meetings during 2015. The Committee proposed candidates for election to the Board of Directors, the Control Committee and the Election Committee and also carried out preparatory work related to issues to be considered in 2016.

No deviations from the Code of Practice.

SECTION 8

SUPERVISORY BOARD AND BOARD OF DIRECTORS, COMPOSITION AND INDEPENDENCE
As of 1 January 2016, financial undertakings are no longer required to have a Supervisory Board, and DNB thus closed down this governing body with effect from the same date. The governance and management of the company will be undertaken by the Board of Directors and the general meeting. The description below depicts how DNB was managed through 2015.

Supervisory Board
The main responsibility of the Supervisory Board was to supervise the Board of Directors' and the group chief executive's management of the company. The Supervisory Board made decisions based on proposals made by the Board of Directors in matters concerning investments of a considerable size in relation to the company's total resources and in matters regarding rationalisation or the restructuring of operations which would have resulted in major changes in the workforce. It was the responsibility of the Supervisory Board to elect members to the Board of Directors. The Supervisory Board held three meetings in 2015.

Board of Directors
The Board of Directors has up to twelve members, eight of whom are elected by the shareholders and four are representatives for the employees. No member of the group management team is a member of the Board of Directors. When electing members to the Board of Directors, the need for both continuity and independence should be met, while ensuring a balanced board composition. Members of the Board of Directors, the Supervisory Board and the Control Committee may hold such office for a period of no more than twelve consecutive years or for a total period not exceeding 20 years. Members are elected for terms of up to two years. As at 31 December 2015, the Board had eight members, five of whom were elected by the shareholders and three were representatives for the employees. Three of the members were women, two of whom were elected by the shareholders and one represented the employees.

The curricula vitae of the individual board members and board meeting attendance in 2015 are found in the presentation of the board members in this chapter and on the Group's website. The Board of Directors will consider the independence of its members, and their conclusion is presented in the listing of governing bodies. When new board members are nominated, their suitability is assessed, including their independence. The assessment is followed up on an annual basis by requesting a written confirmation from the board members. The Group has initiated processes to continually monitor which other assignments are held by the board members. See also the description under section 4 above, Transactions with close associates. The presentation of the Board of Directors lists any assignments for the Group and any significant appointments or assignments in other companies and organisations held by the members of the Board.

Board members are encouraged to hold shares in the company. The presentation of governing bodies specifies the number of DNB shares held by members of governing bodies and their close associates as at 31 December 2015.

No deviations from the Code of Practice.

SECTION 9

THE WORK OF THE BOARD OF DIRECTORS

The duties of the Board of Directors

The Board of Directors has approved instructions governing its work and administrative procedures, including matters to be considered by the Board, the group chief executive's tasks and obligations towards the Board and rules on convening and conducting meetings. Instructions for the Board of Directors are available at dnb.no/en. The Board of Directors draws up an annual plan for its activities, covering duties stipulated in laws, regulations, resolutions passed by the authorities, the Articles of Association and decisions made by the general meeting and the Supervisory Board. The Board of Directors has also issued instructions for the group chief executive.

The Board evaluates its own work and work methods annually, and the evaluation forms the basis for adjustments and measures. In addition, the Board's competencies, overall and those of each board member, are evaluated.

The Board of Directors has the ultimate responsibility for the management of DNB. Through the group chief executive, the Board shall ensure a sound organisation of business activities. The Board approves DNB's annual plan process, including principal goals and strategic choices for the Group, as well as budgets and financial three-year plans for the Group and the business areas. Moreover, the Board is continually updated on DNB's financial position and development by approving quarterly and annual reports and through a monthly review of the Group's financial position and development. Furthermore, the Board shall ensure that operations are subject to adequate control and that the Group's capital position is satisfactory relative to the risk and scale of operations. The Board of Directors' responsibilities and implementation and monitoring of risk management and internal control are described in section 10 below. The Board also presents a statement to the general meeting proposing guidelines for remunerations to senior executives. See section 12 below. See the illustration of matters considered by the Board of Directors in 2015 on the next page.

Meetings of the Board of Directors are chaired by the board chairman. The vice-chairman may chair the meetings in the event that the chairman cannot or should not lead the work of the Board. If neither the board chairman nor the vice-chairman participates, the Board must select a member to chair the meeting.

The group chief executive will prepare matters to be considered by the Board of Directors in consultation with the chairman of the Board. Each matter must be prepared and presented in a manner which provides a satisfactory basis for discussion.

Audit Committee and Risk Management Committee

In 2015, the Audit Committee and the Risk Management Committee consisted of four of the independent board members.

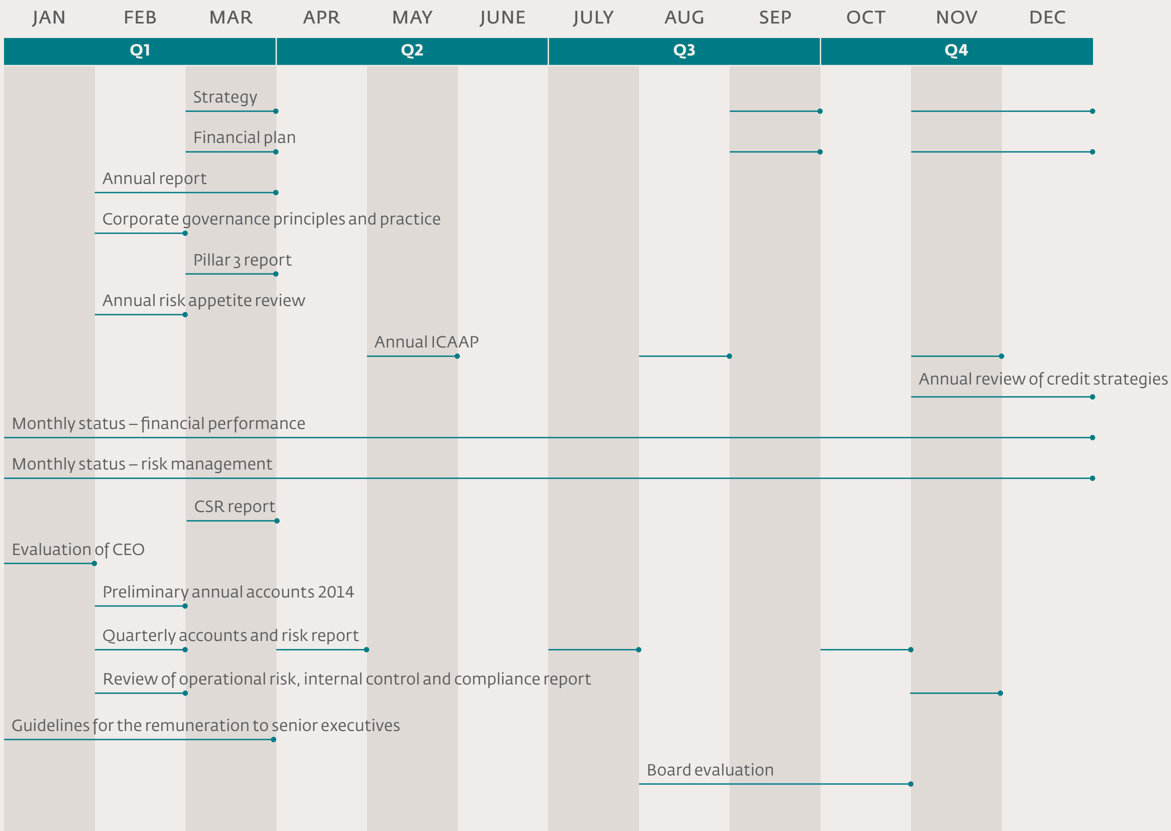
The committees are working committees for the Board of Directors, preparing matters and acting in an advisory capacity. Members are elected for a term of up to two years, and the chairman is appointed for a term of one year at a time. The committee members must have the overall competence required to fulfil their duties based on the organisation and operations of the Group. At least one of the committee members must be independent of the company. At least one of the members of the Audit Committee must have accounting and/or auditing expertise. The members of the committees are included in the presentation of the Group’s governing bodies. The objectives, responsibilities and functions of the committees are in compliance with international rules and standards and are described in group standard procedures. The committees normally have seven to eight meetings each year. See section 10 Risk management and internal control for a further description of the committees' duties.

Compensation Committee

The Board of Directors of DNB ASA has a Compensation Committee consisting of three members of the company's Board of Directors. The committee normally meets six to seven times a year. The committee puts forth a recommendation for the Board of Directors' guidelines for remuneration to senior executives in accordance with Section 6-16a in the Public Limited Companies Act. The committee draws up proposals and issues recommendations to the Board of Directors regarding the remuneration awarded to the group chief executive and acts in an advisory capacity to the group chief executive with respect to the remuneration and other important personnel-related matters concerning members of the group management team and any others reporting to the group chief executive.

No deviations from the Code of Practice.

WORK OF THE BOARD OF DIRECTORS IN 2015



A total of 12 board meetings were held.

SECTION 10

RISK MANAGEMENT AND INTERNAL CONTROL

In DNB, sound risk management and internal control are strategic tools to enhance value generation. Risk management and internal control shall ensure effective operations and prudent management of significant risks that could prevent the Group from attaining its business targets. The DNB Group has a clearly stated goal to maintain a low risk profile and will only assume risk which is comprehensible and possible to follow up.

Item 10 A below describes how the work on risk management and internal control in the Group is organised, implemented and followed up. The Board of Directors' reporting of the main features of internal control relating to financial reporting is described in item B.

The Group's report on capital adequacy requirements and risk management, the Pillar 3 report, includes a description of risk management and framework structure, capital management and capital calculations, in addition to the assessment and monitoring of various types of risk. In addition, DNB's adaptations to and compliance with the capital adequacy requirements are described. The report is available on the Group's website dnb.no/investor-relations.

No deviations from the Code of Practice.

10 A) Organisation, implementation and monitoring

Risk management and internal control in DNB are based on the framework from the Committee of Sponsoring Organizations of the Treadway Commission, COSO. COSO is a framework consisting of five components:

1. Control environment
2. Risk assessment: assessment of internal and external factors which affect target attainment
3. Control activities: policies and procedures to mitigate risk and ensure that risk responses are effectively carried out
4. Information and communication: processes to ensure that relevant information is identified and communicated in a timely manner
5. Monitoring: processes to ensure that the internal control is appropriately defined, implemented, effective and flexible

These five components should help the Group reach its targets relating to operational efficiency, reliable financial reporting and compliance with laws and regulations.

Governing bodies and lines of defence in the DNB Group, risk management and internal control are illustrated on the next page.

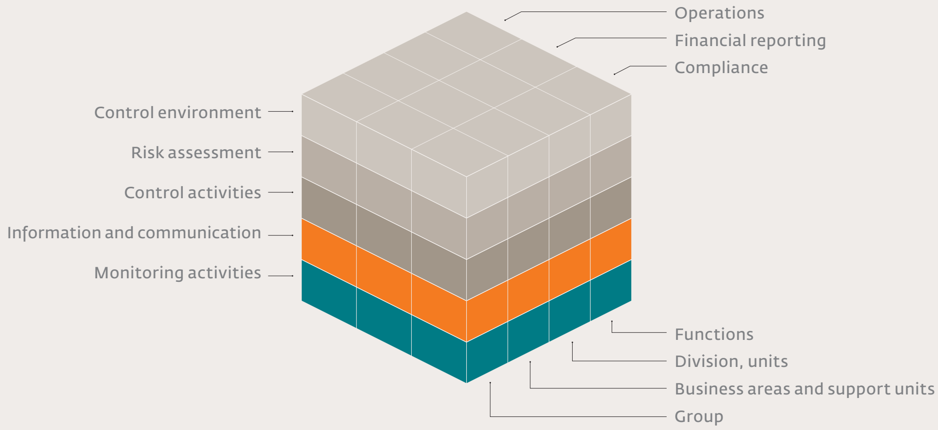
Responsibility for risk management and internal control is divided between three lines of defence:

- **The first line of defence** is the operational management's governance and internal control, including processes and activities to reach defined goals relating to operational efficiency, reliable financial reporting and compliance with laws and regulations.

- **The second line of defence** is an independent function which monitors and follows up the operational management's governance and internal control. The second line of defence is responsible for setting the premises for risk management, coordination across organisational units and risk reporting.

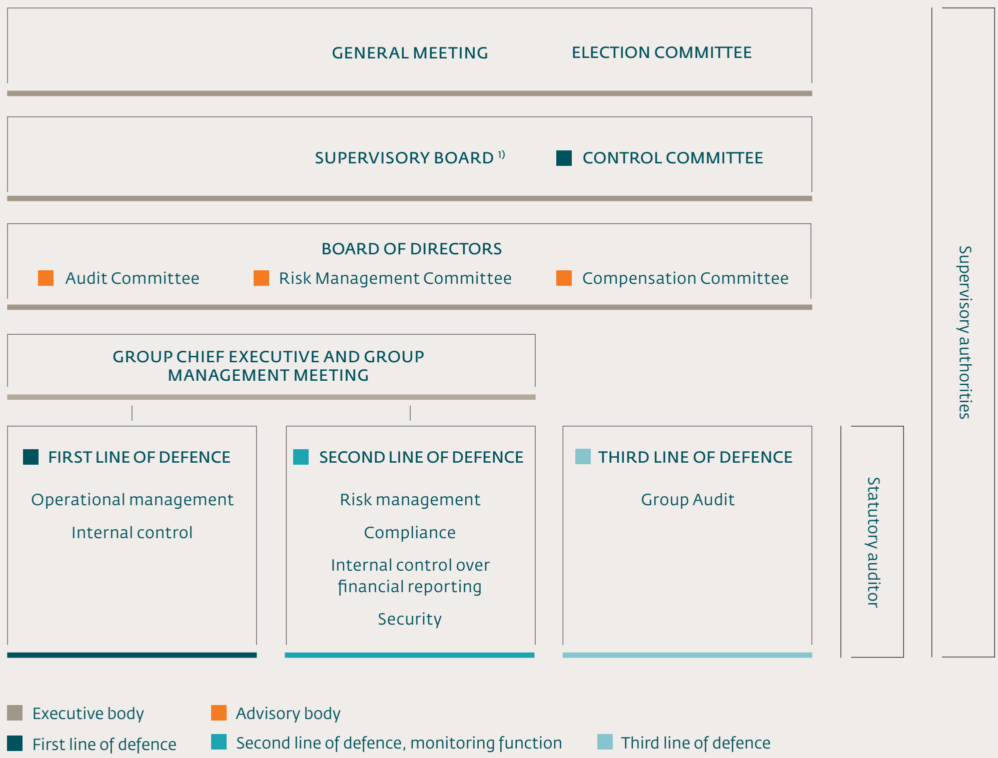
- **The third line of defence** is Group Audit, which reviews and evaluates group management's overall governance and internal control. Group Audit is independent of the Group's executive management and reports to the Board of Directors of DNB ASA.

COSO framework



10 A) Organisation, implementation and monitoring

GOVERNING BODIES IN THE DNB GROUP



1) The Supervisory Board and the Control Committee were closed down as from 1 January 2016.

BOARDS OF DIRECTORS

Organisation and responsibilities

The Board of Directors of DNB ASA has principal responsibility for the Group's business operations, which includes ensuring that operations, financial reporting and asset management are subject to adequate control. The DNB Group has approved policies and guidelines in the following areas to support this:

- ethics
- corporate social responsibility
- effective development and operations
- risk management, including guidelines for the delegation of authority and operational risk management
- compliance
- communication, including media guidelines
- financial management, including guidelines for quality assurance of financial reporting
- people and organisation, including guidelines for variable remuneration
- shareholder relations
- security

Separate instructions have been established for the Board of Directors and the board committees.

The Board of Directors of DNB ASA has approved DNB's group policy for risk management, which should serve as a guide for DNB's overall risk management and describes the ambitions for, attitudes to and work on risk in the DNB Group.

The Board of Directors of DNB ASA has a clearly stated goal to maintain a low risk profile and will only assume risk which is comprehensible and possible to follow up. The Group must not be associated with operations which could harm its reputation. The Board of Directors of DNB ASA sets long-term targets for the Group's risk profile through the risk appetite framework. The risk appetite framework represents an operationalisation of the Group's current risk policy and guidelines and shall ensure that risk is integrated with the Group's steering processes. The risk appetite framework shall provide a holistic and balanced view of the risk in the business and consists of 17 statements that define risk types and measurement parameters. To support the framework, governance principles have been established and opera-

10 A) Organisation, implementation and monitoring

tional procedures and responsibilities within the DNB Group defined. The targeted risk profile will also be reflected in other parts of the risk management framework, including the establishment of authorisations and business limits. The risk appetite framework will be reviewed at least once a year. The Board of Directors also regularly reviews risk levels, the framework structure and reporting for relevant risk categories.

The Board of Directors of DNB ASA carries responsibility for ensuring that the Group is adequately capitalised relative to the risk and scope of operations and that capital requirements stipulated in laws and regulations are met. The Group's capitalisation guidelines shall ensure that the Group's equity is adapted to the scope and risk profile of operations, based on the authorities' capital adequacy requirements and DNB's internal estimated capital requirements. The Board of Directors continually monitors the Group's capital situation, see further information under Implementation and monitoring below. DNB Bank ASA aims to maintain an AA level international rating for ordinary long-term debt.

DNB shall comply with all laws and regulations that apply to the Group's business activities, hereinafter referred to as compliance. The compliance policy describes the main principles for compliance and how the compliance function is organised. Group guidelines have also been established for operational risk management.

The Board of Directors of DNB ASA has approved rules governing ethics which should help raise awareness of and ensure compliance with the ethical standards required in the Group. According to the Group's code of ethics, employees must promptly inform their immediate superior or the group chief audit executive if they obtain knowledge about matters that are contrary to prevailing regulations, major breaches of internal regulations or other serious reprehensible actions. The Board of Directors of DNB ASA has also approved rules governing corporate social responsibility. See further description in chapter 3 Responsible operations.

Internal and external reporting shall be of high quality, and the Group shall comply with relevant laws, regulations and internal guidelines, including the Group's values and rules governing ethics and corporate social responsibility. The organisational structure of DNB aims to ensure independent risk reporting.

Implementation and monitoring

The Board of Directors of DNB ASA annually reviews the Group's principal risk areas and internal control. The review, which is based on reporting from the group chief executive, aims to document the quality of the work performed in key risk areas and to identify any weaknesses and needs for improvement. The review should ensure that changes in the risk situation are identified, so that the necessary improvement measures can be implemented.

The Risk Management Committee gives the Board of Directors advice with regard to the Group's risk profile, monitors the Group's internal control and risk management systems and makes sure that they function effectively. In addition, the committee advises the Board of Directors with respect to the Group's risk profile, including the Group's current and future risk appetite and strategy. The Risk Management Committee and the Boards of Directors of DNB ASA and DNB Bank ASA receive a quarterly risk report for the Group, accounting for the current risk situation, reviewed relative to the risk appetite framework. The report includes the utilisation of limits approved by the Boards of Directors of DNB ASA, DNB Bank ASA and DNB Livsforsikring ASA. The Board of Directors of DNB Livsforsikring AS receives periodic reports analysing the company's risk situation.

Every year, the Risk Management Committee and the Boards of Directors of DNB ASA and DNB Bank ASA consider the Group's ICAAP report (Internal Capital Adequacy Assessment Process), which includes a self-assessment of the DNB Group's risk and capital situation. Group Audit reviews DNB's ICAAP process, and a report containing its summary is considered at the same board meeting as the self-assessment.

The Risk Management Committee and the Boards of Directors of DNB ASA and DNB Bank ASA review the Group's recovery plan. The plan is an integral part of the Group's risk and capital management framework. An important part of the recovery plan is a description of various identified measures to improve the Group's capital adequacy and liquidity situation during a potential crisis. The plan is updated each year. The recovery plan is part of the new crisis management regulations for banks. See further description in the chapter on the new regulatory framework.

Each year, the Risk Management Committee and the Board of Directors of DNB Bank ASA consider the Group's compliance report, which gives a description of the Group's overall compliance risk and the measures required to mitigate such risk.

Each year, the Risk Management Committee and the Board of Directors of DNB Bank ASA review the Group's validation report. Validation plays a key role in quality assurance of the IRB system. Group Audit prepares an annual IRB compliance report which shows compliance with the IRB requirements. The report is considered parallel to the validation report by the bank's Board of Directors.

Information about the Group's risk situation is made available to the market, shareholders and the authorities through quarterly reports. See further description of the Group's risk management in the Pillar 3 report on dnb.no/investor-relations.

The Audit Committee evaluates the quality of the work performed by Group Audit and the statutory auditors. The Boards of Directors of DNB Bank ASA, DNB Boligkreditt AS, DNB Livsforsikring AS and other significant subsidiaries annually evaluate the companies' key risk areas and internal control.

GROUP CHIEF EXECUTIVE AND EXECUTIVE BODIES

Organisation and responsibilities

The group chief executive is responsible for implementing risk management measures that help achieve targets for operations set by the Board of Directors of DNB ASA, including the development of effective management systems and internal control.

The group management meeting is the group chief executive's collegiate body for management at group level. All important decisions concerning risk and capital management will generally be made in consultation with the group management team. Authorisations must be in place for the extension of credit and for position and trading limits in all critical financial areas. All authorisations are personal. Authorisations are determined by the Boards of Directors of DNB ASA and DNB Bank ASA, along with overall limits, and can be delegated in the organisation, though any further delegation must be approved and followed up by the relevant person's immediate superior.

The group management meetings are attended by the group executive vice presidents in charge of the business areas and staff and support units. A number of advisory bodies have been established to assist in preparing documentation and implementing monitoring and control within various specialist areas:

■ **The Asset and Liability Committee**, ALCO, is an advisory body for the chief financial officer and the chief risk officer and handles matters relating to the management of market and funding risk, risk modelling, capital structure and return targets.

■ **The Group has three central credit committees: the Group Advisory Credit Committee, the Advisory Credit Committee for Large Corporates and International, and the Advisory Credit Committee for Corporate Banking Norway.** The committees act in an advisory capacity to decision-makers in the line organisation and in Group Credit Risk Management, who endorse credits on the basis of personal authorisations after consideration in the respective committees. The Group Advisory Credit Committee approves large credits to selected borrowers that are customers of more than one business area and advises the group chief executive and the Board of Directors in connection with large individual credit proposals and other matters of an extraordinary nature. The committee plays a key role in formulating the Group's credit policy, credit strategies and credit regulations, as well as in assessing portfolio risk. The Credit Committees for Large Corporates and International and for Corporate Banking Norway handle administrative matters and approve credits according to assigned authorisations for the respective business areas. The Credit Committees are chaired by the group chief credit officer.

■ **Advisory Group Operational Risk**, AGOR, is an advisory committee for the Group's chief risk officer and helps develop the Group's solutions within operational risk management to ensure effective and consistent monitoring and reporting throughout the Group. A key task is to make sure that the Group's routines relating to internal control and quality assurance are designed to provide added value relative to group operations.

■ **The Forum for AML and International Sanctions** is an advisory body for the Group's chief risk officer and provides advice and guidance with respect to DNB's compliance with international sanctions and the Group's anti-money laundering and counter-terrorism financing work.

■ **The IT Group Council** is an advisory body for the head of IT and Operations in connection with prioritisation, decision making and follow-up of the bank's IT development projects with an aim to ensure that the bank's strategic goals are met.

■ **The Ethical Investment Committee** manages and follows up the guidelines for ethical investments, collects information about companies and ensures that matters have been adequately examined before the committee recommends any exclusion of companies. The committee presents its recommendations to the heads of DNB Asset Management Holding AS, Group Investments and DNB Livsforsikring ASA, who act as decision makers for their respective units. The committee shall be regularly updated on DNB's exercise of ownership rights.

Implementation and monitoring

The basis for risk management in DNB is that individual managers in the Group are responsible for risk within their own area of responsibility and must therefore have the necessary insight into and understanding of the relevant unit's risk situation, thus ensuring that the management of such risk is financially and administratively sound.

All units in the Group carry out an annual review which includes:

- a self-assessment of the unit's work on risk management and internal control
- the unit's risk assessments
- an evaluation of compliance with external and internal regulations
- planned improvement measures

Reporting takes place minimum at division level and forms the basis for aggregate reports for business areas and support units, which in turn are included in the group chief executive's reports to the Board of

10 A) Organisation, implementation and monitoring

Directors of DNB ASA. Where assessments identify particularly serious risks, these should be reported along with an indication of relevant improvement measures.

Each month, the group management meeting will receive a status report on the risk situation, measured relative to the defined risk appetite targets.

GROUP RISK MANAGEMENT

Organisation and responsibilities

Group Risk Management is headed by the Group's chief risk officer, CRO, who reports directly to the group chief executive. The CRO sets the premises for risk management and internal control and assesses and reports the Group's risk situation. The majority of the Group's risk entities are organised in Group Risk Management, though parts of operative risk management are organised in the business areas.

In 2015, operational risk management at group level was organised under the related risk management functions in Group Risk Management.

Implementation and monitoring

Group Risk Management prepares a quarterly risk report to the Boards of Directors of DNB ASA and DNB Bank AS. In addition, Group Risk Management is responsible for preparing the Group's ICAAP report, recovery plan, validation report and status report on management and control of operational risk.

Risk reporting in the Group aims to ensure that all executives have the necessary information about current risk levels and future developments. To ensure high-quality, independent risk reports, responsibility for reporting is assigned to units that are independent of the operative units. The Group's risk is measured in the form of economic capital. Return on economic capital is a factor in product pricing, profit calculations and performance monitoring.

COMPLIANCE

Organisation and responsibilities

The compliance function is an independent function which identifies, evaluates, gives advice on, monitors and reports on the Group's compliance risk. The function is headed by the group compliance officer, GCO. The GCO is organised in Group Risk Management and reports to the Board of Directors through the group chief executive. All business areas and support units, as well as large subsidiaries and international entities, have a compliance function with responsibility for ensuring compliance with relevant regulations. The compliance functions in international entities and the Group's operations in the Baltics and Poland report directly to the GCO.

The Group's anti-money laundering monitoring function, the Group AML officer, reports directly to the CRO.

Implementation and monitoring

The GCO is responsible for the reporting of compliance risk and any breaches of laws and regulations pertaining to the Group. A compliance report is prepared once a year. The compliance functions in the business areas and support units issue periodic reports on the current status and on any violations of regulations to the GCO and to the heads of their respective units. The identification, assessment and monitoring of the Group's risk of errors in financial reporting are carried out by Group Financial Reporting on behalf of the chief financial officer.

INTERNAL AUDIT

Organisation and responsibilities

Independent and effective audits will help ensure satisfactory risk management and internal control, as well as reliable risk and financial reporting. Group Audit receives its instructions from the Board of Directors of DNB ASA, which also approves the department's annual plans and budgets.

Group Audit's responsibilities can broadly be divided in two:

- On behalf of DNB ASA, the group chief executive and the Boards of Directors of the companies in the Group, verify that adequate and effective risk management and internal control are in place
- Assess whether risk identification, established management processes and control measures effectively contribute to strengthening the Group's ability to reach its targets

The work of Group Audit is described in further detail below. Information about the statutory auditor can be found in section 15 below.

Implementation and monitoring

Group Audit carries out audits of units in the DNB Group. An audit plan is prepared, which is discussed with group management, reviewed by the Audit Committee and approved by the Board of Directors. Group Audit's risk assessments form the basis for determining which units should be given priority in the auditing process. After the audits have been completed, audit reports are prepared, which include the results of the audit, a description of any identified weaknesses or deficiencies and proposed measures, specifying responsible persons and deadlines for implementation of the measures. The audit reports are sent to the heads of the relevant audited units. An audit summary, reviewing all of the units in the DNB Group, is presented to the Board of Directors of DNB ASA once every six months. The Board of Directors of DNB ASA receives a monthly summary of the audit reports for all units in the Group. The Boards of Directors of DNB Boligkreditt AS, DNB Næringskreditt AS, DNB Livsforsikring AS and DNB Asset Management Holding AS receive summaries of all audit reports for their respective units. Reports from Group Audit are also presented to the Control Committee and the statutory auditor.

SUPERVISORY AUTHORITIES

Implementation and monitoring

The operations of the DNB Group are supervised by Finanstilsynet (the Financial Supervisory Authority of Norway). Among other things, Finanstilsynet reviews annual and interim reports and the Group's Internal Capital Adequacy Assessment Process, ICAAP. Finanstilsynet reviews the Group's recovery plan. The Board of Directors aims to have an open and constructive dialogue with Finanstilsynet.

There shall be low operational risk in DNB. The group guidelines for quality assurance of financial reporting set clear quality requirements for the reporting. A description of how the Group's work on internal control over financial reporting is organised, implemented and followed up is given below. The internal control process over financial reporting in DNB is illustrated in the figure below.

The basis for the internal control is an assessment of whether DNB's operations entail a risk of errors in financial reporting. Thereafter, the inherent risk level is considered, which represents risk before internal control is established. Processes which handle the risks are identified and determine the total scope of the internal control. The residual risk level, that is risk after the established internal control measures have been implemented, is defined, and it is assessed whether it will be necessary to implement additional measures to strengthen the internal control. The results of the internal control are followed up on an ongoing basis.

10 B) The Board of Directors' reporting of the key components of internal control over financial reporting

BOARDS OF DIRECTORS

Organisation and responsibilities

The Board of Directors of DNB ASA, represented by the Audit Committee, reviews the financial reporting process. The Board of Directors has prepared guidelines to ensure reliable, relevant, timely and uniform reporting to shareholders and other capital market participants. The guidelines also cover internal needs. Together, these are called guidelines for financial reporting. The guidelines set quality assurance requirements for the financial reporting process applying to all units in the Group, including requirements to avoid any manipulation of the accounts.

The Audit Committee will supervise the financial reporting process and ensure that the Group's internal control, including the internal audit and risk management systems, functions effectively. In addition, the committee shall ensure that the Group has independent and effective external audit procedures.

Implementation and monitoring

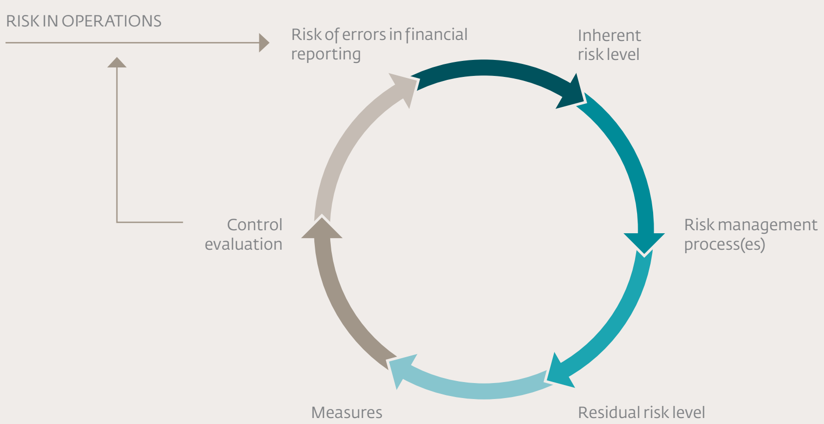
The Audit Committee reviews quarterly financial reporting for the DNB Group. The Committee makes a thorough review of discretionary assessments and estimates in addition to any changes in accounting practice.

The Committee monitors the Group's internal control systems and the internal audit, making sure that they function effectively, and considers changes in systems and procedures which are presented to the Board of Directors for approval.

In connection with its review, the Committee has discussions with management, Group Audit and the statutory auditor. The statutory auditor provides a report to the Committee on the main features of the audit carried out in the previous accounting year, including a special review of any material weaknesses identified in internal control relating to the financial reporting process.

The Committee considers group management's annual self-assessment of the level of and effectiveness of the internal control over financial reporting.

Process for internal control over financial reporting in the DNB Group



10 B) The Board of Directors' reporting of the key components of internal control over financial reporting

At least once a year, the Committee has separate meetings with the statutory auditors and the group chief audit executive without any representatives from management present.

The Audit Committee considers the quarterly accounts and the proposed annual accounts for DNB ASA and the DNB Group. After the quarterly accounts and proposed annual accounts for the respective companies have been reviewed by the executive management and the Audit Committee, they are considered by the Boards of Directors of DNB ASA and DNB Bank ASA. The annual accounts are approved by the general meeting.

The Audit Committee also considers the proposed statutory and consolidated accounts of DNB Bank ASA and DNB Livsforsikring AS and the statutory accounts of DNB Boligkreditt AS. The Board of Directors of DNB Livsforsikring AS considers the quarterly accounts and the proposed annual accounts. The annual accounts are approved by the respective companies' general meetings.

GROUP CHIEF EXECUTIVE AND EXECUTIVE BODIES

Organisation and responsibilities

Group Finance is headed by the chief financial officer, CFO, and is organised outside the business areas. The head of Group Financial Reporting reports to the chief financial officer and is responsible for matters such as financial management and reporting, financial follow-ups, direct and indirect taxes and the internal control over financial reporting in the Group.

The heads of reporting units are responsible for ongoing financial monitoring and reporting. All these units have management teams and accounting units adapted to their organisation and operations. Managers must ensure that adequate and effective internal control is implemented in accordance with established requirements, and are responsible for complying with these requirements.

Implementation and monitoring

Reporting units

The heads of the business areas and staff and support units are responsible for implementing adequate and effective internal control in accordance with established requirements, as well as for ensuring compliance with these requirements. The units will assess internal control of financial reporting each quarter and report the results of their assessment to the head of Group Financial Reporting. Every year, the units will make an evaluation of compliance with external and internal regulations and report the results of the internal control along with planned improvement measures to the head of Group Financial Reporting.

Group Finance

On behalf of the chief financial officer, the head of Group Financial Reporting identifies, assesses and monitors the risk of errors in the Group's financial reporting in cooperation with the heads of the reporting units. The risk assessment is considered by the Group's Audit Committee.

Group Finance prepares financial reports for the DNB Group and ensures that such reporting is in line with prevailing legislation, accounting standards, current accounting principles and guidelines from the Board of Directors. The head of Group Financial Reporting prepares guidelines which explain the requirements to be fulfilled by the local units. Processes and a number of control measures have been prepared to ensure that financial reporting is of high quality. The measures include rules concerning authorisations, the division of responsibilities, reconciliation, change management, IT controls and management reviews.

Group management team

The group chief executive and the chief financial officer will continually consider the financial results and target attainment of the business areas as well as critical aspects and events which will affect their future performance and optimal resource utilisation. A review covering, inter alia, these subjects will be made in cooperation with the individual business areas at least on a quarterly basis. At the meetings, the risks associated with financial reporting, both in the short and the long term, are assessed. The group chief executive, the chief financial officer, managers in the relevant unit and relevant experts participate in the meetings, which are chaired by the group chief executive. The chief financial officer reviews such matters with the support units in special meetings.

The group management team will review monthly financial reporting and risk appetite, including trends in profit and loss and balance sheet items, the current status relative to statutory enactments, results for legal units and analyses of and comments to the financial performance of business areas and support units.

COMPLIANCE

Organisation and responsibilities

On behalf of the chief financial officer, the head of Group Financial Reporting identifies, assesses and monitors the risk of errors in the Group's financial reporting in cooperation with the heads of the reporting units.

Implementation and monitoring

A process has been established for self-assessments of the level of and effectiveness of the internal control over financial reporting. The units' quarterly assessment of internal control over financial reporting is discussed with the head of Group Financial Reporting in special meetings when and as required, and a summary is presented to the chief financial officer, group management, the Audit Committee and the Board of Directors of DNB ASA in connection with their review of the Group's quarterly and annual accounts.

INTERNAL AUDIT

Organisation and responsibilities

See description under A) Organisation, implementation and monitoring.

Implementation and monitoring

Group Audit conducts a general review of the financial reporting for the DNB Group, the DNB Bank Group and DNB Livsforsikring AS on a quarterly basis. The annual accounts of all the companies in the DNB Group are audited by the statutory auditors, who, within the limits stipulated in international standards on auditing and quality control, ISA, cooperate with Group Audit.

As part of the audit, Group Audit assesses the established internal control over financial reporting in selected processes. The results of the audit of financial reporting are described in Group Audit's semi-annual report to the Boards of Directors of DNB ASA and DNB Bank ASA and the Audit Committee. Every year, the statutory auditor prepares a report which summarises the results of the financial audit. The report accounts for any weaknesses and deficiencies in the internal control over financial reporting. The report is sent to those who are responsible for financial reporting in the audited units and companies for comment before being considered by the Audit Committee and the Board of Directors of DNB ASA.

SECTION 11

REMUNERATION OF THE BOARD OF DIRECTORS

Remuneration paid to members of the Board of Directors, which is proposed by the Election Committee and in 2015 was approved by the Supervisory Board, is not performance-based or linked to options in DNB ASA. The Board of Directors must approve any remuneration from the company to members of the Board of Directors other than ordinary remuneration for their service on the Board of Directors, the Audit Committee, the Risk Management Committee and the Compensation Committee. Note 47 to the annual accounts for the DNB Group shows remunerations to senior executives and elected officers in DNB ASA.

No deviations from the Code of Practice.

SECTION 12

REMUNERATION OF THE EXECUTIVE PERSONNEL

Guidelines for executive pay

DNB's guidelines for determining remunerations to the group chief executive and other members of the group management team should, at all times, support prevailing strategy and values, while contributing to the attainment of the Group's targets. The total remuneration to the group chief executive and other senior executives consists of basic salary (main element), benefits in kind, variable salary, pension and insurance schemes. When determining the variable remuneration of the group chief executive and other senior executives for 2015, strong emphasis was once again placed on group measurement parameters for financial key figures, customer satisfaction and corporate reputation.

DNB's variable remuneration scheme is in accordance with the regulations on remuneration schemes in financial institutions, investment firms and management companies for mutual funds. The Group has prepared separate group guidelines for the scheme. In accordance with the guidelines, the Board of Directors' Compensation Committee determines the Group's total annual variable remuneration limit. In addition, the Group has identified senior executives, risk takers and independent control functions etc. Remuneration to the group chief executive and other senior executives is described in further detail below.

Group chief executive

The total remuneration to the group chief executive is determined on the basis of a total evaluation of target achievement and reputation, in addition to market comparisons. The remuneration should be competitive, but not market-leading.

The variable remuneration of the group chief executive is performance-based and determined on the basis of the Group's return on equity, Tier 1 capital ratio, customer satisfaction and corporate reputation, as well as an overall assessment related to the Group's values and leadership principles. The variable remuneration of the group chief executive cannot exceed 50 per cent of fixed salary. Payment of minimum 50 per cent of variable remuneration is deferred and conditional in the form of DNB shares. The remuneration paid in the form of shares is divided into three, subject to minimum holding periods (deferred and conditional), with one-third payable each year over a period of three years.

Other senior executives

The total remuneration to other senior executives is determined based on the need to offer competitive, but not market-leading terms, promote the Group's competitiveness in the labour market and enhance profitability in line with the Group's income and cost targets. The total remuneration should ensure that DNB attracts and retains senior executives with the desired skills and experience.

Variable remuneration is awarded to individual employees within limits allocated to each unit and an overall assessment of the individual's attainment of pre-determined financial and non-financial targets.

The variable remuneration scheme is performance-based without exposing the Group to unwanted risk. This is ensured by the strong correlation between individual targets and the Group's governance model. Payment of minimum 50 per cent of variable remuneration is deferred and conditional in the form of DNB shares. The remuneration paid in the form of shares is divided into three, subject to minimum holding periods (deferred and conditional), with one-third payable each year over a period of three years. Variable remuneration cannot exceed 50 per cent of fixed salary for senior executives. The level of variable remuneration in DNB is considered to be moderate relative to prevailing levels in international financial institutions and other large Norwegian groups of companies.

The Board of Directors' statement concerning executive remunerations
The Board of Directors presents a statement to the general meeting proposing guidelines for remunerations to senior executives. The statement and information about remunerations paid to the individual members of the group management team can be found in note 47 to the annual accounts for the DNB Group.

Other aspects
No employees in the DNB Group have any outstanding subscription rights etc. See also the description of the Board of Directors' Compensation Committee in Section 9 above.

No deviations from the Code of Practice.

SECTION 13

INFORMATION AND COMMUNICATIONS

The Group presents the Norwegian and international markets with extensive analytical information in connection with the quarterly reporting of financial information and presentations on particular topics. Parallel to this, the same information is made available to all interested parties on the websites of Oslo Børs and the Group.

Guidelines have been drawn up for the reporting of financial information to shareholders, investors and analysts. The guidelines also cover the Group's contact with shareholders other than through general meetings. The guidelines are based on openness and take into account the requirement for equal treatment of all participants in the market. They can be found on the Group's website dnb.no/en/about-us.

An overview of the dates for major events such as the annual general meeting, the publication of interim reports, public presentations and dividend payments is published on the Group's website.

All DNB employees have access to the guidelines for financial reporting, including requirements for the internal control over financial reporting. Group Finance holds regular meetings with units in the Group to give information about and increase the understanding of the requirements for internal control over financial reporting.

No deviations from the Code of Practice.

SECTION 14

CORPORATE TAKE-OVERS

The Board of Directors of DNB ASA will handle any take-over bids in compliance with the principle of equal treatment of shareholders. Parallel to this, the Board will help ensure that shareholders are given as complete information as possible in all situations that will affect shareholder interests. Cf. section 4, which gives an account of the Norwegian government's intention to retain its 34 per cent holding in DNB ASA, as required by the Norwegian parliament.

Deviations from the Code of Practice: The Board of Directors has chosen not to determine explicit guiding principles on how to act in the event of a take-over bid. The background for this exception is that the Norwegian government owns 34 per cent of the shares in DNB ASA, making such principles not very relevant. The Board of Directors otherwise endorses the wording in this section of the Code.

SECTION 15

STATUTORY AUDITOR

The statutory auditor annually submits a plan for the audit to the Audit Committee. Guidelines have been drawn up in respect of relations with the statutory auditor, including restrictions on what additional services can be undertaken, approval of fees and guidelines to invite tenders for external audit services. In accordance with the guidelines, the chosen audit firm and the audit partner responsible for carrying out the audit can hold this responsibility for maximum four years, with an option for a further three years. This option will be considered each year. This implies that the agreement with the audit firm will normally be renegotiated for the first time after four years, with an option for subsequent annual renegotiations for maximum two years. Tenders will normally be invited every seventh year.

The Audit Committee submits a recommendation regarding the choice of statutory auditor to the Board of Directors, which submits a recommendation to the general meeting. At least once a year, the Committee holds a meeting with the auditors at which neither the group chief executive nor any other member of the executive management is present.

The Committee submits a recommendation regarding the statutory auditor's remuneration to the Board of Directors, which presents the remuneration proposal to the Annual General Meeting for approval.

The statutory auditor must provide a report to the Audit Committee on the main features of the audit carried out in the previous accounting year, including particular mention of any material weaknesses identified in internal control relating to the financial reporting process. The auditor must also provide the committee with:

- an annual written confirmation of the auditor's independence
- information on services other than statutory audit provided to the company during the course of the financial year
- information on any threats to the auditor's independence, and documentary evidence of the measures implemented to combat such threats.

The Audit Committee evaluates the work performed by the statutory auditor on an annual basis.

No deviations from the Code of Practice.

GOVERNING BODIES IN DNB ASA

As at 31 December 2015

SUPERVISORY BOARD

Members elected by shareholders

Eldbjørg Løwer, Kongsberg (chairman) (200)
Randi Eek Thorsen, Gran (vice-chairman) (0)
Inge Andersen, Oslo (0)
Toril Eidesvik, Bergen (0)
Sondre Gravir, Bærum (0)
Camilla Marianne Grieg, Bergen (0)
Jørgen Ole Haslestad, Oslo (489)
Nalan Koc, Tromsø (0)
Tomas Leire, Kristiansand (0)
Helge Møgster, Storebø (0)
Christian Printzell, Nesøya (0)
Gudrun B. Rollefsen, Hammerfest (0)
Widar Salbuvik, Moss (0)
Torild Skogsholm, Oslo (0)
Merete Smith, Oslo (0)
Ståle Svenning, Trondheim (0)
Turid Sørensen, Sandefjord (0)
Lars Tronsgaard, Drammen (0)
Gunvor Ulstein, Ulsteinvik (0)
Gine Wang-Reese, Stavanger (0)

Deputies elected by shareholders

Erik Buchmann, Oslo (500)
Harriet Hagan, Alta (0)
Bente Hagem, Ås (0)
Liv Johannson, Oslo (3 031)
Herman Mehren, Nevlunghamn (0)
Asbjørn Olsen, Skedsmo (1 313)
Oddbjørn Paulsen, Bodø (10)
Anne Bjørg Thoen, Oslo (416)
Elsbeth Sande Tronstad, Stabekk (0)

Members elected by employees

Atle Havrevoll (0)
Mona Drønen (1 377)
Lillian Hattrem (0)
Randi Justnæs (833)
Mariell Lyngbø (122)
Irene Buskum Olsen (632)
Einar Pedersen (55)
Jørn Ramberg (1 694)
Eli Solhaug (1 443)
Viktor Sæther (0)

Deputies elected by employees

Rune Asprusten (3 946)
Terje Bakken (961)
Rune André Bernbo (0)
Gunn M. Carlsen (203)
Ronny Eikerol (2 632)
Solvor Hagen (1 125)
Svein Arne Kristoffersen (244)
Børre Lande (0)
Svein Eirik Nygaard (0)
Oddmunn Olsen (1 387)
Mia Strand (0)
Unni Strand (75)
Astrid Waaler (0)

CONTROL COMMITTEE

Members

Frode Hassel, Trondheim (chairman) (0)
Karl Olav Hovden, Kolbotn (vice-chairman) (0)
Ida Helliesen, Oslo (0)

Deputies

Ida Espolin Johnson, Oslo (0)
Ole Trasti, Oslo (0)

BOARD OF DIRECTORS

Members

Anne Carine Tanum, Rømskog (chairman) (300 000)
Tore Olaf Rimmereid, Oslo (vice-chairman) (8 111)
Jarle Bergo, Ytre Enebakk (225)
Sverre Finstad, Moelv (8 595) [1]
Carl A. Løvvik, Bergen (1 040) [1]
Vigdis Mathisen, Asker (405) [1]
Jaan Ivar Semlitsch, Stabekk (12 300)
Berit Svendsen, Oslo (0)

Deputies for the employee representatives

Jørn O. Kvilhaug, Hokksund (1 888) [1]
Marianne Haldis Steinsbu, Oslo (4 861) [1]
Hans-Kristian Sætrum, Oslo (9 828) [1]

ELECTION COMMITTEE

Eldbjørg Løwer, Kongsberg (chairman) (200)
Camilla Grieg, Bergen (0)
Karl Moursund, Oslo (0)
Mette Wikborg, Oslo (0)

AUDIT COMMITTEE
RISK MANAGEMENT COMMITTEE

Tore Olaf Rimmereid, Oslo (chairman) (8 111)
Jarle Bergo, Ytre Enebakk (225)
Jaan Ivar Semlitsch, Stabekk (12 300)
Berit Svendsen, Oslo (0)

COMPENSATION COMMITTEE

Anne Carine Tanum, Rømskog (chairman) (300 000)
Tore Olaf Rimmereid, Oslo (8 111)
Berit Svendsen, Oslo (0)

GROUP MANAGEMENT

Group chief executive
Rune Bjerke (46 156)
CFO
Bjørn Erik Næss (48 880)
Group executive vice president Personal Banking Norway
Trond Bentestuen (16 823)
Group executive vice president Corporate Banking Norway
Kjerstin Braathen (19 190)
Group executive vice president Large Corporates and International
Harald Serck-Hanssen (26 644)
Group executive vice president Markets
Ottar Ertzeid (200 000)
Group executive vice president Wealth Management
Tom Rathke (30 809)
Group executive vice president Products
Kari Olrud Moen (19 955)
Group executive vice president IT and Operations
Liv Fiksdahl (21 989)
Group executive vice president HR
Solveig Hellebust (14 329)
CRO
Terje Turnes (19 027)
Group executive vice president Corporate Communications
Thomas Midteide (5 188)

GROUP AUDIT

Tor Steenfeldt-Foss (0)

EXTERNAL AUDITOR

Ernst & Young AS

1) Not independent, see page 88 under "Corporate governance".

The figures in parentheses indicate shareholdings in DNB ASA as at 31 December 2015. Shares held by the immediate family and companies in which the shareholder has such influence as stated in Section 7-26 of the Act relating to annual accounts etc. are also included.

BUDGET AWARENESS: Teacher Anne Nyborg and the pupils in class 5A at Nordpolen School in Oslo have become money experts. Many of them now plot their pocket money budget on a graph with x and y axes.

The new money generation

"If you spend all your money and do not pay back what you borrow, you get into a lot of trouble," says Mina (10). Torbjørn Røe Isaksen, Norway's Minister of Education and Research, Rune Bjerke, head of DNB, Anne Nyborg, teacher, and all the pupils in class 5A agree.

▲ **SHARED INTERESTS:** Torbjørn Røe Isaksen, Norway's Minister of Education and Research, and Rune Bjerke, head of DNB, met during a conference about A Valuable Lesson at Nordpolen School in November 2015. They both agree that personal finance is an important topic for the younger generation.

◀ **GOOD CONNECTION:** Head of DNB, Rune Bjerke, met the pupils in 5A when A Valuable Lesson was presented at Nordpolen School. They had a lot to talk about, even though the size of their respective budgets differed quite a lot.

A Norwegian survey conducted by Respons Analyse shows that every third person between the ages of 20 and 30 buys things they cannot afford. And even worse: young adults in Norway aged between 18 and 26 have overdue debt totalling more than NOK 1 billion, which is an average of NOK 2 000 per person in this age group.

It is unlikely that Mina, a pupil at Nordpolen School in Oslo, will become one of them. Like 36 000 other children at more than 400 schools across Norway, she has just completed A Valuable Lesson, the digital learning program developed by DNB. The hope is that far fewer young people will have money problems in the future.

"We in DNB believe that all children must be given the same opportunities to increase their knowledge of personal finance. Having poor control over your own finances is often inherited from your parents and it is important that good habits are established as early as possible. This is why this subject must be included in the curriculum in primary schools," says Rune Bjerke.

Knowledge that pupils need. Anne Nyborg has been a teacher since 1999 and agrees with Bjerke that this is useful knowledge for pupils:

"Some children do not discuss money and finances at home at all. Their parents simply do not involve them in such topics and this means that the level of knowledge varies greatly. A Valuable Lesson has been both informative and very useful for the pupils. They find it fun and therefore learn much better. This also makes it more inspiring to teach," says Nyborg, adding:

"The program worked very well for some but not for all, so we will have to go through it again a couple of times to bring the class up to the same level. For example, not everyone gets pocket money and then there is not much point in making a budget. However, perhaps this learning program can inspire children to discuss personal finance with their family at home, and maybe they will get some pocket money to budget with. I think it is a good idea that parents involve their children in personal finance sooner rather than later," emphasises Nyborg.

90 per cent want to have personal finance on the school curriculum. Bjerke is not surprised that the level of knowledge among children varies:

"When so many schools and as many as 36 000 children want to learn about budgets and saving, we have undoubtedly identified a need. For DNB, this is about taking our corporate social responsibility seriously and sharing our knowledge of personal finance. Hopefully, this will result in more Norwegians having healthy finances and fewer people getting into financial difficulties," says Bjerke.

A Valuable Lesson has been developed in cooperation with education experts and the Norwegian Red Cross and is aimed at fifth to seventh graders (10-12 year olds). DNB hopes that personal finance will become part of the curriculum in Norwegian primary schools. In November, DNB presented its report "Rich and deprived? Financial literacy among children and young people." in connection with a breakfast seminar at Nordpolen School in Oslo. It turns out that nine of ten parents want to have personal finance taught in schools.

An intrigued minister. One of the participants at the conference was the Norwegian Minister of Education, Torbjørn Røe Isaksen. He left little doubt that he was very interested in the topic of personal

FACTS

A Valuable Lesson

- A Valuable Lesson has been developed by DNB in cooperation with education experts and the Norwegian Red Cross and is aimed at fifth to seventh graders (10-12 year olds). More than 400 primary schools have started to use the digital learning program.
- A Valuable Lesson is divided into "Five valuable lessons": What is money, Money in, Money out, Money left over and My money.
- Each lesson consists of a presentation, a teacher's guide, nine inspiring teaching films with consumer economist Silje Sandmæl and interactive tasks for pupils.

“A Valuable Lesson has been both informative and very useful for the pupils,”

SAYS ANNE NYBORG.

finance for the younger generation, but could not yet guarantee that personal finance would be included in the curriculum in primary schools.

“We have noted DNB’s report and will study it in further detail. At the same time, it is very positive that DNB, as Norway’s largest bank, opens up a discussion on this topic. I also think that the digital learning program in cooperation with the Norwegian Red Cross is very exciting,” emphasised Røe Isaksen.

“Business economists must be really rich!” Rune Bjerke is pleased with the signals received from the Minister of Education:

“He went as far as a politician could go. I believe that A Valuable Lesson is both important and the right thing to do, which is also confirmed by the very positive feedback we have received from teachers. When more people hear about the learning program, even more schools will offer it to their pupils, whether this becomes an official part of the curriculum or not,” says Bjerke.

Someone else who is very involved in the money problems of young people and in A Valuable Lesson is Silje Sandmæl, consumer economist and programme presenter of the Norwegian TV series “The Luxury Trap”. She also features in several of the films in the digital program, and she met class 5A at Nordpolen School to introduce A Valuable Lesson.

“The pupils of course thought it was great fun to meet a celebrity like Sandmæl,” says Anne Nyborg. “However, perhaps the funniest thing that happened was when she showed the class an overview of the annual salaries for different occupational groups. When the pupils saw what business economists earned, they were completely bowled over. They have no conception of such large sums of money so they thought that business economists must be really rich,” laughs Nyborg.

AMBASSADOR: **Silje Sandmæl, consumer economist and programme presenter of the Norwegian television series “The Luxury Trap” plays a very active role in A Valuable Lesson’s teaching material.**

A short lesson in sensible money management...

If you need a reminder, here is a short lesson in sensible money management by Mina and Moad. And best of all, it is free of charge!

What can you remember from A Valuable Lesson?
Moad (10): We have learned how to save money!
Mina (10): Yes, and not just how to spend money, but also how to save for something which is more important than what we can afford right now. Sometimes I also give advice to mum on what she should spend her money on. I also lend her cash when she just has her bank cards, but she always pays me back!
Was there anything particularly useful?
Moad: Yes! We learned about budgets, expenses and income and then we learned about the currency of other people’s money. Yesterday, I made a budget for pocket money, which I started to get this week. If I do all my chores, I get NOK 115. For example, I have to take my brother to kindergarten and fetch him, and tidy my room. I have also learned that x is expenses and y is income. If x = y, then all your expenses are paid, but you have no money left. If y is larger than x, I can afford to buy more, but if x is larger than y then I have debt and have to pay interest and that is bad!
What are you going to save towards first?
Moad: Football shoes! I will have enough if I save for 4 to 5 weeks. I am also saving so that I can take my little brother to the cinema. I like to spend any money I have left to do things together with my family.
Have you learned anything else?
Mina: I learned that if you spend all your money and do not pay back loans, you get into a lot of trouble. I also like to watch “The Luxury Trap” and follow the advice given there.
Moad: Oh, I learned that loans are the worst things to have! If I borrow NOK 5, I might have to pay NOK 10 back... This is why I never borrow money!


OLUF HOLM

6

NEW REGULATORY FRAMEWORK

New regulatory framework

Over the last few years, a number of new regulations setting requirements for the financial services industry have been introduced or announced. The Norwegian authorities have introduced stricter capital adequacy and liquidity reserve requirements and earlier implementation compared with the EU.

The financial services industry supports the principal lines in the international process to implement new and stricter banking regulation. The new requirements significantly affect Norwegian banks' operations and competitive position.

The changes are so extensive that they have a profound impact on how the financial institutions have to organise important parts of their operations. In addition, they increase costs, both because the regulations in themselves entail higher costs and because compliance with the regulations has become more complicated and requires additional resources.

The most far-reaching requirements arise from the financial crisis and reflect the authorities' ambitions to strengthen the capital adequacy, liquidity and funding of financial institutions. Overall, the framework conditions need to be balanced in order to continue to be able to offer customers good and relevant products in a financially sustainable manner. It is important that the introduction of such changes is transparent, thus enabling investors, customers and other stakeholders to understand the effects of the regulations. Moreover, it is critical that changes in the individual countries are implemented in step with international developments to ensure uniform framework conditions and equal competitive terms.

NEW CAPITAL AND LIQUIDITY REQUIREMENTS

The EU capital requirements regulations, called the CRR/CRD IV regulations, entered into force on 1 January 2014. CRR is the regulation, while CRD IV is the directive. The regulations are based on the Basel Committee's recommendations from December 2010 on new and stricter capital and liquidity standards, Basel III. The CRR/CRD IV regulations entail significantly higher own funds requirements and new requirements for long-term funding and liquidity reserves. The regulations are intended to apply to all banks and investment firms within the EEA and will be implemented gradually up to 2019.

CAPITAL ADEQUACY REQUIREMENTS FOR BANKS

Due to the agreement on European Supervisory Authorities, the CRR/CRD IV regulations have not been included in the EEA agreement. Read more about this below. Nevertheless, Norway introduced new capital requirements as of 1 July 2013 as the first step in the adaptation to CRR/CRD IV. The capital requirements in Norway imply a gradual increase in the formal capital requirements up till 1 July 2016. In addition, Finanstilsynet (the Financial Supervisory Authority of Norway) has communicated its expectations in the form of so-called Pillar 2 requirements.

The capital adequacy requirements for banks consist of two pillars. Pillar 1 encompasses minimum requirements and buffer requirements determined by the political authorities. The minimum primary capital requirement is 8 per cent of risk-weighted assets, of which 4.5 per cent must represent common equity Tier 1 capital while 1.5 per cent may be hybrid capital and maximum 2 per cent may be Tier 2 capital. The banks will be required to hold significantly more capital than the minimum requirement in the form of various buffers. Under particularly unfavourable market conditions, the banks may draw on the buffers, while under normal market conditions, they will be required to maintain these additional buffers while meeting the minimum requirements. These buffers must consist of common equity Tier 1 capital.

The counter-cyclical capital buffer is part of the Pillar 1 buffer requirements. This buffer may range between 0 and 2.5 per cent, reflecting economic developments. Based on advice from Norges Bank, the Ministry of Finance has introduced a 1 per cent counter-cyclical buffer requirement as of 30 June 2015. This requirement will increase to 1.5 per cent as of 30 June 2016. The Ministry of Finance has asked Finanstilsynet to consider how an institution-specific counter-cyclical buffer rate can be implemented in Norway. According to the EU rules, the institution-specific counter-cyclical buffer rate shall be the weighted average of the counter-cyclical buffer requirements that apply in the countries where the relevant credit exposures of the institution are located. As DNB has large exposures outside Norway, the introduction of EU rules will entail a lower counter-cyclical buffer requirement than if the Norwegian requirement were to apply to all credit exposures.

If the maximum counter-cyclical buffer requirement is applied, the total capital requirement will represent 18 per cent of risk-weighted assets. Of this, 8 percentage points represents the minimum primary capital requirement, while the buffer requirements that must be met exclusively by common equity Tier 1 capital constitute 10 percentage points. As of 1 July 2015, the minimum common equity Tier 1 capital requirement, including the buffer requirements, is 12 per cent for the three banks which the Norwegian authorities have defined as domestic systemically important, O-SIIs (DNB, Nordea Bank Norge and Kommunalbanken), and 11 per cent for other banks. As of 1 July 2016, this minimum requirement will increase to 13.5 per cent for the O-SIIs and to 11.5 per cent for the other banks.

The Pillar 2 requirement comes in addition to the other requirements and is intended to reflect institution-specific capital requirements relating to risks which are not covered, or are only partly covered, by Pillar 1. This requirement may vary between banks, depending on the risk factors of the individual bank. In its Pillar 2 assessments, Finanstilsynet has, among other things, indicated the common equity Tier 1 targets the individual banks should have at year-end 2016. The Pillar 2 requirement for DNB is set at 1.5 per cent common equity Tier 1 capital. In consequence of stricter buffer requirements in 2016, the total common equity Tier 1 capital requirement for DNB will thus be 15 per cent at year-end 2016. DNB will fulfil this requirement through retained earnings and capital efficiency measures.

Finanstilsynet's Pillar 2 dialogue with the individual banks will be based on the capital adequacy requirement the banks are expected to observe at any time, though no orders will be issued. Binding orders are issued only in cases where a bank does not take

Finanstilsynet's expectations into account or in cases where there are serious weaknesses in the bank's operations. Failure to comply with the expected Pillar 2 capital adequacy requirement will not automatically result in restrictions on the allocation of the bank's profits, including payments of dividends and interest on other Tier 1 capital. However, the bank is expected to explain the reason for the situation in writing and to present an action plan to increase capital adequacy or reduce the risk level. This is in line with the regulations in other countries.

On 15 January 2016, the Ministry of Finance sent a letter to Finanstilsynet regarding the practical implementation of Pillar 2. The Ministry asked Finanstilsynet to make the Pillar 2 requirements more predictable and transparent for the affected banks and for the market. In addition, the Ministry is of the opinion that the Pillar 2 requirements should be formulated as an order (individual decision) and as far as possible be made public. This entails that the requirements must be justified and that the institutions are given the opportunity to raise complaints. In the Ministry's view, this will not affect the rules for automatic restrictions when the combined capital requirements are not observed. Automatic restrictions will still enter into force only when the Pillar 1 requirements (the sum of the minimum capital requirement and the capital buffer requirement) are violated. The Ministry of Finance also emphasises that Pillar 2 requirements should not be set when the risk is already reflected in the Pillar 1 requirements.

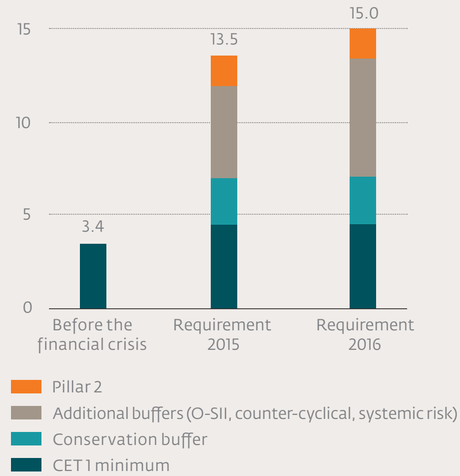
Just like the EU, the Norwegian authorities have chosen to retain the so-called Basel I floor as a security mechanism to ensure that the banks' capital level does not become too low. In the capital adequacy regulations, the Ministry of Finance has specified that the Basel I floor in Norway is a floor for calculating risk-weighted assets. In the EU regulation, however, the Basel I floor is unambiguously defined as a minimum level of own funds, which is also reflected in the European Commission's common reporting standard for banks in the EU/EEA. This supervisory practice implies that Norwegian banks appear more weakly capitalised than if the EU's version of the Basel I floor definition had been used.

As a supplement to the risk-weighted capital requirements and as a measure to counter creative adjustments and gaps in the regulations, a non-risk based capital requirement, "leverage ratio", will also be introduced. The final requirement is still under consideration internationally, but the proposed minimum requirement implied is 3 per cent. By year-end 2016, the European Commission will propose a leverage ratio which will take effect in the EU as from 2018.

In order to be prepared for a possible implementation of future new EU regulation, the Ministry of Finance has asked Finanstilsynet to prepare a consultation paper and regulations on a non-risk based capital requirement in Norway, including definitions of the numerator and the denominator in the capital equation. Finanstilsynet has also been asked to consider the most appropriate capital level for Norwegian banks, mortgage institutions and parent companies in financial undertakings, including whether such levels should be differentiated, given that a non-risk based capital requirement will be introduced without replacing other capital requirements. Finanstilsynet's deadline is 31 March 2016.

Common equity Tier 1 capital requirement for DNB

Per cent



Finanstilsynet has previously recommended that Norwegian banks' non-risk based capital requirement should be at a considerably higher level than 3 per cent. In addition, Finanstilsynet has emphasised that the numerator in the capital equation should consist of common equity Tier 1 capital, even though there are plans to include hybrid capital in the EU regulation.

Norges Bank recommends the introduction of a non-risk based capital requirement to replace the Basel I floor, stating that the Basel I floor has been retained for a greater number of years than originally planned, and that the rule is practised more strictly in Norway than in other European countries. It is also emphasised that without the Basel I floor, it will be easier to compare the capital adequacy levels of banks in different countries. According to Norges Bank's recommendation, the total requirement should be high enough to ensure that the banks, as a minimum, retain the current non-risk based capital ratio of approximately 6 per cent.

LENGTHY NEGOTIATIONS ON EUROPEAN SUPERVISORY AUTHORITIES

Due to a stipulation in the Norwegian Constitution on limited access to transfer powers to international organisations, it has not been possible to incorporate the EU regulations establishing the European supervisory authorities into the EEA agreement. As a result of this, more than 100 relevant EU legislative acts in the area of financial services, granting the supervisory authorities the competence to exercise direct supervisory powers over enterprises, have not been included in the EEA agreement. The situation has gradually caused great inconveniences in the form of lack of harmonisation and reduced competitive strength for Norwegian market players. In the autumn of 2014, Norway and the EU agreed on a solution. According to the agreement, the EFTA Surveillance Authority, ESA, will be granted competence to make legally binding decisions addressed to national supervisory authorities and individual institutions in Norway, Liechtenstein and Iceland. Decisions will be based on drafts prepared by the relevant EU supervisory authority. The agreement also entails that the EFTA Surveillance Authority and the national supervisory authorities in the three EEA/EFTA states shall participate, without voting rights, in the EU's three European supervisory authorities, EBA, ESMA and EIOPA. Also, the EU supervisory authorities shall participate, without voting rights, in the work of the EFTA Surveillance Authority and its preparatory bodies in this field. The EU supervisory authorities will be competent to issue recommendations, that is non-binding decisions, vis-à-vis EEA-EFTA national authorities and enterprises.

According to the Norwegian government, is has proved time-consuming to get into place the specific technical adaptions to the EU legislation which are necessary in order to include the EU regulations establishing the European supervisory authorities into the EEA agreement, The government aims to submit a proposition to Stortinget, the Norwegian parliament, on the European supervisory authorities and some important related legislative acts for consideration in the spring of 2016. The required legislative amendments will probably enter into force on 1 July 2016. Since competence will be transferred to an EEA body, a three-quarter majority will be required in Stortinget. Parallel to this, the government is working to incorporate the remaining legislation on financial services in the course of 2016.

LIQUIDITY REQUIREMENTS FOR BANKS

The EU capital requirements regulations include stipulations on two quantitative liquidity requirements, the Liquidity Coverage Ratio, LCR, and the Net Stable Funding Ratio, NSFR.

The LCR requires that banks hold sufficient eligible liquid assets to cover, as a minimum, total net payments over a 30-day period under stressed conditions. Net payments thus reflect a possible loss of deposits from customers, public entities and central banks. This requirement was introduced on 1 October 2015, with a gradual increase to full effect as of 1 January 2018.

In Norway, the Ministry of Finance has decided to introduce the LCR ahead of the EU schedule. The O-SIIs are required to meet the 100 per cent LCR requirement as early as from 31 December 2015. For other banks, the requirement will be phased in by 70 per cent as of 31 December 2015, 80 per cent as of 31 December 2016 and 100 per cent as of 31 December 2017.

The LCR requirement in itself applies only at an aggregate level. In addition, the banks must report LCR for significant currencies if liabilities denominated in that currency amount to more than 5 per cent of the bank's total liabilities. For Norwegian banks, Norwegian kroner will be a significant currency. Due to generally limited access to funding in Norwegian kroner, a potential requirement to meet the LCR in Norwegian kroner may have unintended consequences for the market and the individual bank. The Ministry has nevertheless asked Finanstilsynet to consider whether an LCR requirement in significant currencies should be introduced, including Norwegian kroner, at a later date. Finanstilsynet will also follow up on this in Pillar 2 and possibly stipulate individual requirements.

The NSFR requires banks to have an amount of stable funding which, as a minimum, corresponds to the so-called "required amount of stable funding". Banks are thus required to use stable funding to finance their assets, such as loans and securities. Stable funding is defined as deposits and funding with residual maturities of minimum 12 months or longer. There are weighting rules for both assets and deposits which reflect the items' liquidity characteristics.

According to the proposal, the NSFR requirement must be met by 1 January 2018. It has not been decided how the Net Stable Funding ratio should be implemented in the EU, or whether a minimum NSFR requirement should be introduced. By year-end 2016, the European Commission is expected to submit a legislative proposal to the Parliament and the Council. In its recommendation to the Ministry of Finance, Finanstilsynet states that the NSFR should be introduced as a minimum requirement for the O-SIIs and other enterprises with total assets in excess of NOK 20 billion as soon as a final decision on the NSFR has been reached in the EU. Until the NSFR has been introduced in Norway, Finanstilsynet will continue to use liquidity indicator 1 when monitoring the bank's long-term funding. Liquidity indicator 1 resembles the NSFR.

WINDING-UP AND CRISIS MANAGEMENT REGULATIONS FOR BANKS

The financial crisis demonstrated the need for better solutions for the winding-up and restructuring of banks. On 1 January 2015, the EU introduced extensive regulations in this field, the Bank Recovery and Resolution Directive, BRRD. The directive is also relevant to the EEA, but has not yet been included in the EEA agreement due to the agreement on European Supervisory Authorities.

The purpose of the directive is to establish a crisis management system which ensures financial stability by giving banks and the authorities the tools required to prevent and handle crises at an early stage. The crisis management system shall ensure that large banks can be wound up without threatening financial stability while deposits and public funds are protected.

Resolution fund and deposit guarantee fund

Under the BRRD, each country will establish a national resolution fund. In accordance with the revised Deposit Guarantee Directive, each country must also have a deposit guarantee fund. Norway already has one of the best capitalised deposit guarantee funds in Europe with total capital that is well above the combined EU requirements to the deposit guarantee fund and the resolution fund of 1.8 per cent of guaranteed deposits.

The Norwegian deposit guarantee scheme currently covers NOK 2 million. In consequence of the revised Deposit Guarantee Directive, Norway will have to lower its guarantee to EUR 100 000. There is a transitional period up until year-end 2018 for countries with a higher guaranteed coverage level.

Bail-in

A key element in the proposed directive is that any losses in connection with a bank failure shall be borne by the bank's investors and not by the taxpayers. Thus, the directive opens up for so-called "bail-in" of banks' liabilities, which means that unsecured creditors may experience, as part of a crisis solution, that their debt is written down and/or converted into equity. The bail-in rules became effective in the EU as of 1 January 2016. The purpose is to ensure the continued operation of the most important bank functions. In such a situation, investors cannot demand that a bank be wound up in accordance with general liquidation rules, and thus lose leverage with the authorities in cases where the continued operation of a bank is considered to be important to financial stability and the economy.

According to the BRRD, bail-in should be the final alternative, and such measures should not be initiated until the bank is close to insolvency. An underlying principle is that investors, as a minimum, should receive the same financial return as if the bank had been liquidated according to normal insolvency proceedings. It follows from the directive that banks are required to maintain a minimum level of equity and liabilities which can be written down or converted into equity when a bank is in distress. Deposits covered by the deposit guarantee shall normally be protected from losses. The EBA has prepared a proposal for a technical standard for determining minimum requirements for own funds and liabilities that can be converted into equity (Minimum Requirement for Own Funds and Eligible Liabilities, MREL). The Standard is under consideration by the European Commission.

Crisis plans

The Crisis Management Directive sets a number of other requirements to the institutions. Among other things, banks must prepare recovery plans describing how they will strengthen their capital adequacy and improve their liquidity and funding if their position is significantly impaired. The plans must be approved by the national supervisory authorities. The authorities, on the other hand, must prepare resolution plans for the banks. This will be resource-demanding for the finance industry and entail new, extensive processes vis-à-vis the supervisory authorities.

Since Norway is a member of the EEA, the implementation of the BRRD and the revised deposit guarantee directive will require extensive changes in the Norwegian crisis solution system, including the rules on public administration and the role of the Norwegian Banks' Guarantee Fund. The Banking Law Commission is considering how the directives can be implemented in Norwegian law. This process and the work on draft legislation will probably be finalised in the course of the first half of 2016.

NEW PAYMENT SERVICES DIRECTIVE AND REGULATION ON INTERCHANGE FEES FOR CARD-BASED PAYMENT TRANSACTIONS

The EU has approved a regulation on interchange fees for card-based payment transactions, Interchange Fee Regulation (IFR), and a revised Payment Services Directive (PSD2). The legislative acts will have a profound impact on the regulatory framework for the payment transfer market.

Interchange fees are fees paid by acquiring banks (banks that process transactions for the payment recipient) to issuing banks on all transactions using international credit or debit cards. The fees are designed to cover the costs of complaints handling and compensate for the risk assumed by the issuing bank by guaranteeing payment to the acquiring bank. The IFR introduces maximum fees of 0.3 per cent for credit cards and 0.2 per cent for debit cards. The maximum rates will result in reduced income for banks from the use of international payment cards.

The legislative acts go a long way in defining new rules for payment services providers. In accordance with PSD2, third party payment service providers that do not offer accounts themselves, but base their services on customers' existing bank accounts, shall have direct access to account information. Thus, it will become easier for an increasing number of providers to offer payment services to the general public. The EBA has been given a mandate to prepare guidelines on security measures when customers initiate payments through third parties. The final wording of these guidelines could be of great significance to public confidence in the payment services and the security of the funds in their accounts.

The IFR will gradually enter into force in the EU up until the summer of 2016. PSD2 will probably enter into force no earlier than in 2018. Both the directive and the regulation are EEA relevant and could have financial consequences for the Norwegian financial services industry, but also offer new opportunities.

The Ministry of Finance has circulated for public comment a draft proposal for the implementation of the IFR. It has been recommended that the maximum rates for interchange fees be introduced as of 1 July 2016. The introduction of PSD2 is being considered by Finanstilsynet.

REGULATORY FRAMEWORK FOR LIFE INSURANCE COMPANIES

The regulatory framework for Norwegian life insurance companies has been subject to review over the past few years. Clarifications have now been made in key areas, such as Solvency II and the rules for occupational pensions in the private sector. In response to both the amended regulatory framework and customer preferences, guaranteed return products are being converted to products where customers can choose between different investment profiles. This trend can be seen in the occupational pension market, where most large companies have phased out or are considering to close, completely or partially, their contribution-based pension schemes.

SOLVENCY II

On 1 January 2016, new solvency regulations for European insurance companies called Solvency II were implemented. The Solvency II Directive specifies how the solvency capital requirement should be calculated and how technical insurance reserves and the companies' solvency capital should be determined.

The new solvency regulations will be based on a three-pillar structure:

Pillar 1 encompasses valuations of assets and insurance liabilities, capital and capital requirements. A key principle in the directive is that both assets and liabilities should be measured at fair value. Traditionally, liabilities have been discounted on the basis of a guaranteed interest rate. According to the new regulations, the valuation of insurance liabilities will be based on a discount rate representing the risk-free interest rate, which is a new principle for Norwegian insurance companies. In the current low interest rate environment, and as the discount rate will also be subject to stress, new calculations will give an increase in insurance liabilities, with a subsequent requirement for higher solvency capital.

Pillar 2 includes rules for risk management and internal control, as well as supervisory review and evaluation. A key principle is to identify responsibility for risk management at three levels. At the first level, the operative line organisation, through senior management, has ownership of and responsibility for identifying, monitoring and adjusting risk in accordance with the unit's pre-defined risk appetite. At the second level, an independent risk management unit monitors and measures risk. In addition, the risk management unit helps develop effective risk management systems and reports risk to relevant managers and supervisory bodies. At the third level, Group Audit reports the quality of first and second line risk management to the company's management and Board of Directors.

Pillar 3 deals with the requirements for public disclosure and supervisory reporting.

Capital requirements will increase under Solvency II, especially with regard to long-term financial guarantee insurance contracts. In consequence of this, the Norwegian authorities established transitional rules in the autumn of 2015 with the following key elements:

■ **16-year phase-in period for insurance provisions**
The rules open up for a16-year linear phase-in of insurance provisions based on Solvency II methodology.. During the transitional period, liabilities are be valued according to the Solvency I regulations, with a gradual transition to Solvency II methodology. This will have significant effects in a low interest rate environment, while the effects will decrease as interest rates rise. DNB Livsforsikring AS has been given permission by Finanstilsynet to use the transitional rules for insurance provisions.

■ **Reduced capital requirement for equities**
When Solvency II is fully implemented, equity investments will be assigned solvency capital based on the assumption that the value of the equities could decline by 39 per cent. In accordance with European guidelines, the Ministry of Finance has determined a seven-year phase-in period for the solvency capital requirement for equities, from 22 to 39 per cent. The transitional rule will apply only to listed shares in the EEA/OECD and only to shares held by the companies as at 1 January 2016.

CHANGES IN THE PRODUCT RULES

In consequence of the Norwegian pension reform, significant changes have been made to National Insurance retirement pensions. A key element is that pension entitlements will be calculated based on all years of service, which supports the target that more people should work longer. In addition, earned pension rights will be reduced to reflect higher projected life expectancy. Changes in the product rules have been approved and new products have been introduced for life insurance companies to better support the changes made to the National Insurance scheme. The new products are also better adapted to life insurance companies' capital requirements under Solvency II.

The following significant rule changes have been implemented over the past few years:

■ **Paid-up policies with investment choice**
Entitlements under defined-benefit occupational pension schemes in the private sector, paid-up policies, have thus far only been managed by life insurance companies in common portfolios with guaranteed rates of return. Due to high guaranteed rates of return and low interest rate levels, capital requirements for paid-up policies will increase considerably once Solvency II is implemented. In line with the solvency regulations, paid-up policies will be managed by investing in long-term fixed-income securities and have a low equity exposure. This indicates low expected returns and limited upward adjustments of pension benefits.

It is now possible to convert paid-up policies to investment choice with no return guarantee, whereby the policyholder can choose the proportional allocation among different assets. Investment choice will help ensure better management of pension funds in addition to reducing life insurance companies' interest rate risk. Initially, the investment choice will apply up until the start of the pension payment period. During the payment period, customers may choose whether their funds are to be managed with or without a return guarantee. The conversion of paid-up policies to investment choice is based on customer consent, and the law stipulates strict guidance requirements.

■ **Higher contribution rates for defined-contribution pensions**
In 2015, new maximum contribution rates were determined for defined-contribution pensions which are harmonised with the new occupational pension product and represent 7 per cent for sala- ▶

ries up to 7.1G and 25.1 per cent for salaries between 7.1G and 12G. New maximum contribution rates for defined-contribution pensions have long been called for, and a relatively large number of companies have increased their contribution rates since the change was implemented.

New disability pension

The National Insurance Scheme's disability pension rules were amended with effect from 1 January 2015. As a rule, members of the National Insurance Scheme who become disabled are entitled to a disability pension corresponding to 66 per cent of salary, where the basis of calculation is limited to 6G. The new rules make it easier to combine income and disability pension. Disability pension recipients retain their degree of disability and can also receive income from employment based on their working capacity. The disability pension will be reduced when their income exceeds a set limit.

Disability pensions that are insured and disbursed by the life insurance companies will be harmonised with the National Insurance Scheme rules. In the new product, up to 9 per cent of salary can be insured by life insurance companies to supplement national insurance payments, whereby the total disability pension will represent up to 75 per cent of salary prior to the disability onset date. The level of the disability pension that can be insured is degressive, whereby the total disability pension from the National Insurance Scheme and the occupational pension schemes cannot exceed 71.1 per cent of salary prior to the disability onset date. The Act entered into force on 1 January 2016. Transitional rules have been approved for a period of one year, and all companies must adapt to the new rules in the course of 2016.

Private pension savings

Due to lower benefits from the National Insurance Scheme, combined with the fact that a number of companies have unfavourable occupational pension schemes for their employees, there will be a greater need for private pension savings. Over the past few years, private saving through insurance-based schemes has been limited. This is because the incentives for tax-motivated pension schemes are not good enough as deduction limits are low and the income tax on pension payments is higher than the tax deduction for premium payments. The life insurance industry has repeatedly presented proposals on higher tax deductions and the introduction of symmetry between the tax allowance and tax on pension payments. In addition, the industry has proposed changes in the rules for individual savings under occupational pension schemes to enable wage-earners to save in a flexible and simple manner within tax deduction limits that are not utilised by the company. The Norwegian government has previously announced that the rules for private pension savings will be amended, though nothing has been implemente thus far.

IMPORTANT IFRS AMENDMENTS

A number of new International Financial Reporting Standards, IFRSs, have been proposed over the past few years. Some of the standards have already been approved by the standard-setting body, the International Accounting Standards Board, IASB, as described under the accounting principles to the annual accounts, item 21 Approved standards and interpretations that have not entered into force. The amendments will become effective for Norwegian listed companies, including companies issuing listed bonds, after being endorsed by the European Commission and the Norwegian authorities.

Future amendments to IFRS which are expected to have the most pronounced impact for Norwegian financial institutions are new accounting requirements for insurance contracts.

NEW ACCOUNTING REQUIREMENTS FOR INSURANCE CONTRACTS

In July 2010, the IASB published an exposure draft for a revised IFRS 4 Insurance Contracts, which represented the first extensive proposal from the IASB on the accounting treatment of insurance contracts. Subsequent to this, a number of amendments to the original exposure draft have been proposed. As a consequence, a revised exposure draft was presented in 2013. Subsequent to this, the IASB has held a number of meetings to discuss further details in the accounting requirements.

The existing exposure draft proposes that insurance liabilities be measured at the present value of the cash flows arising from the insurance contracts, including a risk margin and a service margin. The effects of changes in estimated cash flows and the discount rate, respectively, shall be recognised in profit or loss or in other comprehensive income according to special rules. The new proposal is expected to result in greater complexity in preparing and presenting the financial statements. Under the current standard, liabilities are measured according to requirements which are further defined in the Act on Insurance Activity, and changes in insurance liabilities are recognised in profit or loss.

The final requirements are expected to be published in the course of 2016, and the new standard is expected to enter into force in 2018 at the earliest. It has been pointed out that insurance companies should be able to synchronise the adoption of IFRS 9 and the forthcoming IFRS 4. Special transitional rules for insurance companies relating to IFRS 9 are being discussed in the event that the effective date for the new IFRS 4 is moved beyond 2018.

TAXES AND FEES FOR THE FINANCIAL SERVICES INDUSTRY

BEPS

BEPS (Base Erosion and Profit Shifting) is a political project initiated by the G20 countries and headed by the OCED to gain better insight into the global structures of multinational enterprises and ensure that tax is paid where income is "created". The hypothesis is that companies take advantage of asymmetries in domestic and international tax rules and tax agreements to erode the tax base (base erosion) or establish structures and transactions that transfer untaxed profits between countries (profit shifting). The final recommendations from the OECD to the G20 countries in the BEPS project were presented on 5 October 2015. Norway supports the OECD's work on the recommended solutions. Some of the proposals in the Norwegian National Budget and Report to the Storting no. 4 (2015-2016) "Better Taxation" are in line with the recommendations. As an example, country-by-country reporting for multinational enterprises will have to be implemented by DNB.

NATIONAL BUDGET 2016 AND THE TAX REFORM

In the National Budget for 2016 and Report to the Storting no. 4 (2015-2016) "Better Taxation", the Norwegian government follows up some of the proposals from "Official Norwegian Report (NOU) 2014:13 – Capital Taxation in an International Economy" (the Scheel Committee). The main proposals and approved legal amendments are presented below.

Reduced corporate tax rate

The current model for the taxation of companies will be retained, but the tax rate has been reduced from 27 to 25 per cent from 2016. As part of the tax reform, a further reduction in the corporate tax rate to 22 per cent towards / up to 2018 has been proposed.

Taxation of the financial sector

The Scheel Committee highlighted a weakness in the current tax system, whereby customer assets managed by subsidiaries etc. are included in the insurance company's deductions for provisions. The Ministry has announced that a total review of the tax rules for insurance companies is required, but that new rules on income recognition will enter into force as from 2017 at the earliest.

The government is following up the Scheel Committee's recommendation to introduce fees on financial services. The Ministry will review and circulate for public comment a proposal to introduce value-added tax on services provided in return for a specific consideration and a fee on margin-based income. Extensive technical legal work must be completed, and it will not be relevant to introduce only one type of fee. The Ministry has announced that any changes will become effective in 2017 at the earliest.

Changes in the interest deduction limitation rule

With effect from 2014, a rule limiting the right to deduct interest paid to close associates, and to others if collateral is provided by close associates. As from 2016, the maximum allowable interest expense has been reduced from 30 to 25 per cent of pre-tax operating profits before depreciation and impairment losses. The government has announced that it will make a further review of whether this stipulation should also include external interest paid out of the country.

New rules for taxation of mutual funds

New rules have been approved for the taxation of mutual funds. The distinction between equity funds and fixed-income funds has been removed, and harmonised rules have been introduced for all mutual funds. The new rules entered into force on 1 January 2016.

There used to be different tax rules for equity funds and fixed-income funds. Funds investing in one or more equities were defined as equity funds. The taxation of equity funds was adapted to the tax rules for capital gains, including the tax exemption method, while the taxation of fixed-income funds was adapted to the rules for fixed-income instruments. The main reason for the changes was the wish to avoid tax adjustments for balanced funds and to counteract a certain economic double taxation of interest.

Changes in the tax exemption method (hybrid instruments)

Dividends paid from another country which have been exempt from tax in the country where the company distributing the dividend is domiciled, will not be encompassed by the tax exemption method in Norway.

Withholding tax on interest paid out of Norway

The government will review a proposal to introduce withholding tax on cross-border interest payments and aims to submit a consultation paper on this subject. Withholding tax on cross-border interest payments will be a Norwegian tax on international creditors.

Increased tax for shareholders on dividends, capital gains and loans

With effect from 2016, dividend payments and capital gains for private individuals in excess of a shielding deduction will be adjusted by a factor of 1.15, which will give an effective tax rate of 28.75 per cent. The change applies to dividends from both limited companies and partnerships. There are corresponding adjustments for gains and losses. It has been proposed to increase the factor to 1.44 as from 2018, which will correspond to a tax rate of approximately 32 per cent. There will be a corresponding deduction for losses.

Higher tax on dividends provides greater incentives to borrow money from one's own company rather than withdraw dividends. Thus, it has been decided that loans in excess of the shielding deduction under the shareholder model shall be taxed as dividends for personal shareholders. This change will be effective for loans raised or extended on 7 October 2015 or later.

BSU home savings scheme for young people

The maximum amount in the BSU scheme has been increased from NOK 200 000 to NOK 300 000 from 2016.

FACTS

SalMar

Norwegian producer of farmed salmon, established in 1991

100

100 licences and some 1 200 employees

7.3

Turnover in 2015: NOK 7.3 billion

In the process of developing a new type of net pen for ocean fish farming, so-called offshore net pens.

A growth industry emerging from the shadows

Fish farming has gone from being a source of subsidiar income to becoming Norway's second largest export industry. However, it took a crisis to make it happen.

It was in the 1970s that things really got going, after an important invention in 1969 turned a dream into reality. No, we are not referring to Norway's biggest Christmas present ever, when oil was discovered in the North Sea on 23 December 1969. We are referring to when the Grøntvedt brothers put smolt into floating net pens off the coast of Hitra in Sør-Trøndelag that same year. This was to be the start of an industry which, after various sporadic attempts in the 1950s and 60s, was now starting to take shape, and has grown to become Norway's second largest export industry.

According to Statistics Norway, Norway exported fish and fish products for a total value of NOK 72 billion in 2015. Two thirds was from fish farming, with salmon as the clearly dominant fish species. The net pens are located all along the Norwegian coast, and if we zoom in on Frøya, the neighbouring island to Hitra, we find the fish-farming producer SalMar. The SalMar group sold salmon for NOK 7.3 billion in 2015, representing a tenth of total Norwegian fish exports. Since it was founded in 1991, SalMar has grown fast and steadily, from starting with one operating licence to the current 100 licences and some 1 200 employees. Its fish-farming activities take place along the Norwegian coast, from Romsdal in the west to Finnmark in the north.

"No other companies have grown as rapidly in this industry in Norway," says chief executive officer Leif Inge Nordhammer. Growth has been achieved by buying small and medium-sized fish-farming companies along the Norwegian coast.

"Throughout history, fish farming has been regarded as a source of subsidiary income, alongside traditional fishing and agriculture. Norway's licensing policy has not helped the further development of this industry. In a sense, we can say that SalMar's expansion has been possible despite this policy," says Nordhammer.

FACTS

Seafood in DNB

▸ DNB's involvement in the seafood industry has been built up over many years and constitutes an important part of the bank's international initiatives.

35

▸ DNB's industry exposure totals approximately NOK 35 billion.

Founded on the back of a crisis. It was actually because of a crisis in fish farming that SalMar was established. In an attempt to regulate the salmon market, the Norwegian Fish Farmers' Sales Organisation (Fiskeoppdretternes Salgslag) FOS, introduced a massive freezing programme for salmon. However, there was not a sufficient market for the frozen salmon, and this culminated in the bankruptcy of FOS in 1991 and thousands of tons of frozen salmon in stock, the so-called "salmon mountain". That same year, entrepreneur Gustav Witzøe, together with another fish-farming company, acquired a fish-processing plant on the island of Frøya that had gone into liquidation and had one fish-farming licence. This was the start of SalMar.

"The crisis forced the whole industry to change its way of thinking. Until then, most Norwegian farmed salmon had been sold abroad unprocessed, and then processed in lower-cost countries. Now we started to look into how we could make better use of our salmon. Therefore, since the very start, SalMar was a processing business, not just a fish-farming company," explains the CEO of SalMar.

Today, SalMar is in charge of the whole value chain, from genetics to the sale of the finished product. A few years ago, they invested in one of the world's most modern and effective harvesting and processing plants. Capacity has been increased and every year approximately 130 000 tons of salmon are harvested on Frøya. SalMar's large-scale operations also benefit the local community.

“We need more space if the industry is to continue to grow and contribute more to meeting the world’s needs for protein.”

LEIF INGE NORDHAMMER, CEO OF SALMAR

“We wish to have a thriving local community around us, not just on Frøya, but in all the coastal communities where we have operations. This is why we recruit locally. We build up local expertise and support various local cultural events, sports activities and other causes. Important supplier and service companies are also established in connection with the fish-farming industry, providing us with everything from packaging to equipment services,” says Nordhammer.

Under the bank’s open umbrella. Even though fish farming is a growth industry, it is also a very volatile industry. Biological production is, by its very nature, unpredictable, and this is reinforced by the weather and elements. The price of salmon varies, which can make new investments and innovation a challenge. Under such conditions, having a good bank is vital.

“It is a prerequisite for us that the bank has expertise in our field and understands the industry’s challenges, while having confidence in us. We need someone who does not stop holding their umbrella over us when it starts to rain. DNB meets these criteria, and they have a long-term perspective, which is important for us,” says Nordhammer.

DNB is SalMar’s main bank and has been an agent for the company since 2010, when they arranged financing in connection with an acquisition.

“Fish farming is a capital-intensive industry and often needs large loans quickly. We have some 30 employees in DNB who work with this industry in various ways, and we are probably the world’s largest bank within seafood, with an exposure totaling NOK 35 billion,” says Anne Hvistendahl, head of Foods and Seafood in DNB.

ADVANTAGE: “I have blind faith in the fish-farming industry and believe that we are moving in the right direction based on the comparative advantages Norway has,” says Leif Inge Nordhammer, CEO of the fish-farming group SalMar.

A PRIORITY INDUSTRY: “Seafood is a small industry in DNB’s portfolio, but DNB is a large player in this industry,” says Anne Hvistendahl, head of Foods and Seafood in DNB.

“This is a volatile industry, but when it becomes more industrialised, which SalMar is a good example of, it also becomes more stable and predictable. Moreover, fish farming is a counter-cyclical industry which actually benefits from low oil prices. Salmon, as a raw material, is priced in Norwegian currency, and consequently, it is easier to sell when the price of oil is low and the Norwegian krone is weak,” says Hvistendahl.

Wants to feed the world. SalMar is celebrating this year. Its CEO, Leif Inge Nordhammer, is proud to head a group which can look back on 25 years in a business which is constantly improving and becoming more competent, for example with respect to its sustainability and carbon footprint.

“I believe that sustainability is intertwined with society and the economy. There are few other foods which can be produced in a more sustainable manner than salmon, and it’s healthy. We produce a fantastic product in a good way.”

The chief executive looks into the future and is both innovative and ambitious on behalf of SalMar:

“As we know that fresh water is a scarce resource in the world, the future lies in producing food in the sea. However, a challenge facing us in the Norwegian fish-farming industry is having enough space. If the industry is to continue to grow and contribute more to meeting the world’s needs for protein, we will need more space.

In order to face this challenge, we are developing an offshore net pen which can withstand harsher weather, such as stronger winds and higher waves than today’s net pens. We have now been granted a licence and will be able to have fish in offshore net pens by the summer of 2017.

7

THE DNB SHARE

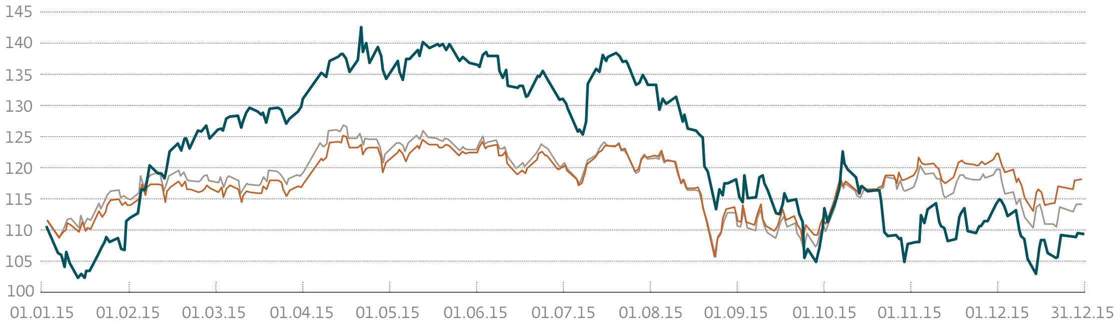
The DNB share

Stock markets were strong in the first half of 2015, followed by uncertainty relating to the Chinese economy and a new fall in oil prices, whereby the upturn was practically reversed in the second half of the year. In early 2015, the DNB share outperformed Oslo Børs, the Oslo Stock Exchange, and was listed at its highest price ever, NOK 142.20, in late April. After Finanstilsynet announced stricter capital requirements in late October, dividend expectations were restrained. In addition, there was a further reduction in oil prices, which was a contributing factor to the decline in the share price. The total return on the DNB share in 2015 was lower than the OBX index on Oslo Børs.

Relative share price development 2015

DNB compared with OBX and OSEFX

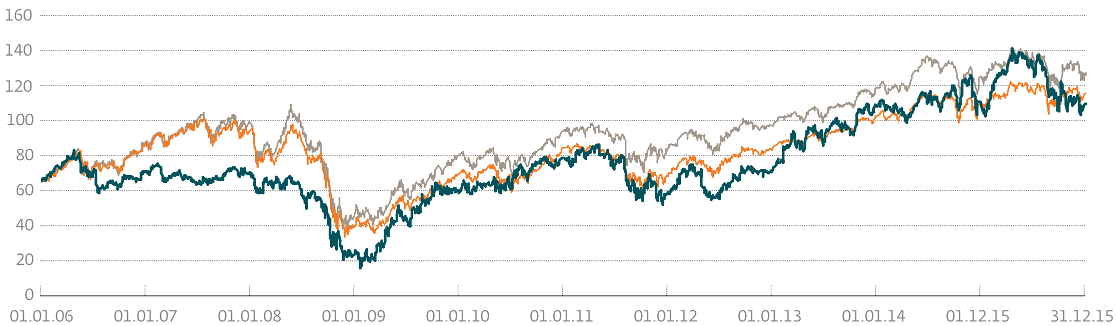
Local currency. 1 January 2006 = NOK 110.70 = DNB opening price in 2015



Relative share price development last 10 years

DNB compared with OBX and OSEFX

Local currency. 1 January 2006 = NOK 65.29 = DNB opening price in 2006



1) Index comprising the 25 most traded shares on Oslo Børs.
2) The Oslo Børs mutual fund index is a value-weighted version of OSEBX, the Oslo Børs benchmark index.

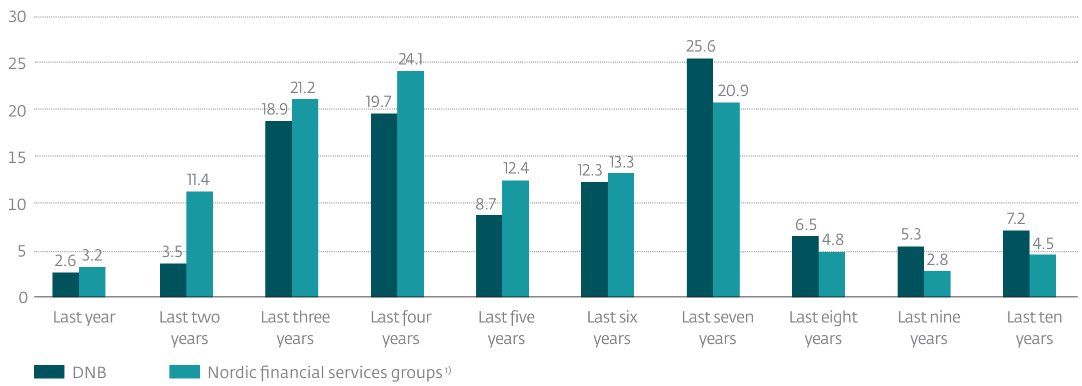
Source: DNB, Oslo Børs

RETURN AND SHARE PRICE DEVELOPMENT

The total return on the DNB share, including dividends, was 2.6 per cent in 2015, while the Oslo Børs benchmark index rose by 5.9 per cent. The price of oil, which fell towards the end of 2014, stabilised and rose towards the summer to almost USD 70 a barrel. The oil price dropped during the second half of the year and stood at just over USD 37 a barrel at end-December. Worries about rising unemployment, lower growth in the mainland economy and higher impairment losses on loans had a negative effect on DNB's share price. Returns in other Nordic banks varied in 2015, and DNB's share price performance was somewhat weaker than the average return for other Nordic financial services groups.

Total annual return as at 31 December 2015

Per cent



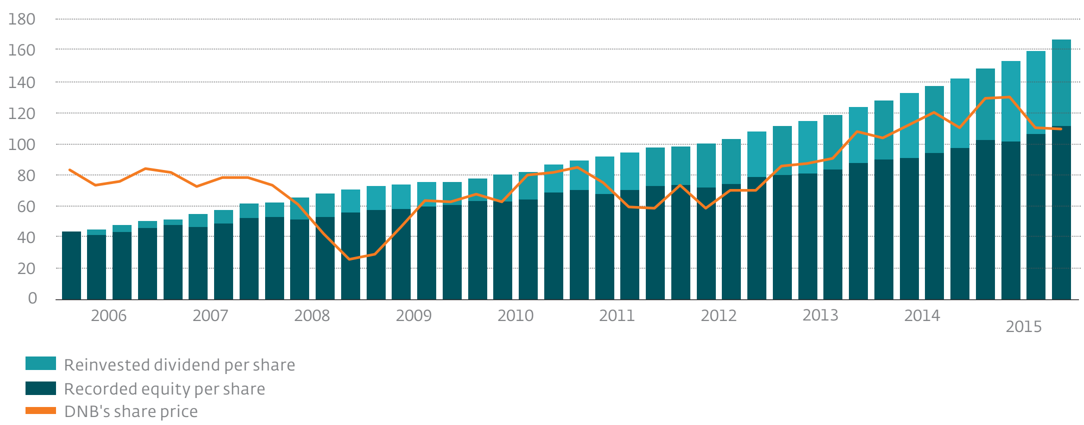
1) Unweighted average in local currency of Nordic bank shares (Nordea, Svenska Handelsbanken, SEB, Swedbank and Danske Bank).

Source: DNB, Oslo Børs, Nasdaq OMX Nordic

Over the past ten years, the DNB share has been priced higher than the Group's recorded equity. This was not the case during the financial crisis in late 2008 and early 2009, nor towards the end of 2011 and throughout 2012, when there was an increase in impairment losses on loans and guarantees. Towards the end of 2015, the share was traded only marginally below recorded equity.

Development in DNB's share price and recorded equity per share including reinvested dividend 1)

NOK

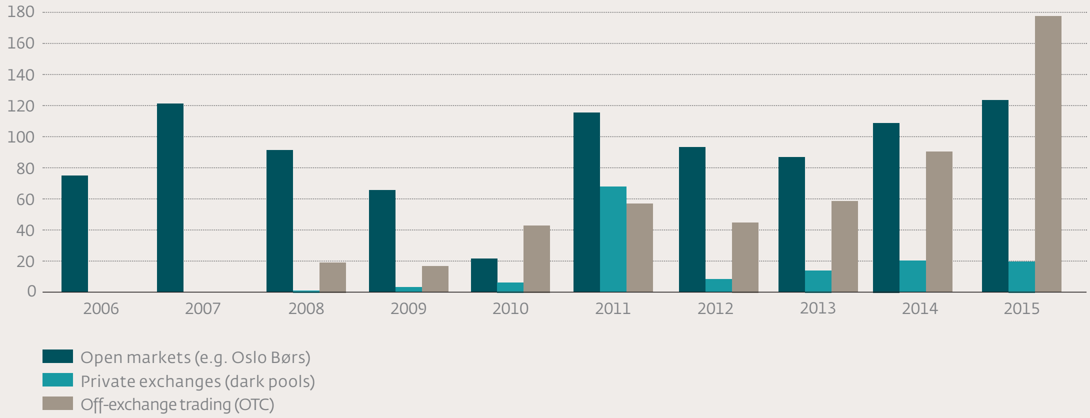


1) Recorded equity and the share price for the period 2006-2009 have been adjusted for the share issue in the autumn of 2009. Return on equity, which is used to calculate reinvested dividends, has not been adjusted for the share issue.

Source: DNB, Oslo Børs

Trading volume per market [1)]

NOK billion



1) Including other market places than Oslo Børs in Europe as of 1 May 2008 and from outside Europe as of 26 July 2010.

Source: DNB, Oslo Børs, Fidessa

Key figures

	2015	2014	2013	2012	2011
Number of shares at year-end (million)	1 629	1 629	1 629	1 629	1 629
Number of shares traded (million)	2 555	2 011	1 740	2 242	2 500
Total value of shares traded per day (NOK million)	1 277	886	643	584	721
Share of total value traded on public market places, e.g. Oslo Børs (%)	38.6	49.4	54.5	63.6	63.3
Share of total value traded in dark pools (%)	6.0	9.6	9.0	5.6	5.4
Share of total value traded over-the-counter (OTC) (%)	55.4	41.1	36.5	30.8	31.3
Average number of shares traded per day (million)	10.2	8.0	6.9	8.9	10.0
No. of trading days	251	250	249	251	253
Earnings per share (NOK)	14.98	12.67	10.75	8.48	7.98
Return on equity (%)	14.5	13.8	13.1	11.7	11.4
Share price at year-end (NOK)	109.80	110.70	108.50	70.40	58.55
Highest closing price (NOK)	142.20	126.50	110.80	74.80	90.65
Lowest closing price (NOK)	102.90	98.90	71.00	54.00	51.25
Price/earnings ratio	7.3	8.7	10.1	8.3	7.3
Price/book value	0.98	1.14	1.25	0.90	0.81
Dividend per share (NOK)	4.50	3.80	2.70	2.10	2.00
Payout ratio (%)	30.0	30.0	25.1	24.8	25.1
Dividend yield (%)	4.10	3.16	2.49	2.98	3.42
Equity per share including allocated dividend at year-end (NOK)	111.57	97.45	87.15	78.11	72.33

MARKET CAPITALISATION AND TURNOVER

DNB was the third largest primary listed company on Oslo Børs at year-end 2015 and the sixth largest financial services group in the Nordic region, with a market capitalisation of NOK 179 billion, down NOK 1 billion from end-December 2014.

Trading volume in the DNB share rose significantly in 2015, which was the second year with an increased turnover rate. The total trading volume in 2015 increased by 27 per cent to 2 555 million shares, which corresponded to just over ten million shares per day. More than 55 per cent of this represented off-exchange trading (OTC or "over-the-counter"), which is a shift from open markets and private exchanges. Trading on open market places, mainly Oslo Børs, continued to increase and was up 13 per cent. There was a slight decline in trading on private exchanges ("dark pools").

The value of all traded DNB shares rose by just over NOK 99 billion to NOK 320.6 billion, of which almost 90 per cent stemmed from trading between parties outside open market places and private exchanges. The value of OTC trading increased significantly from NOK 91 billion to NOK 177.5 billion, an increase of 14.3 percentage points to 55.4 per cent. There was also an increase on open markets, such as Oslo Børs, from NOK 109 billion to NOK 123.7 billion. These market places' share of total trading continued to decline and was down 10.8 percentage points to 38.6 per cent. Trading on private exchanges was reduced by NOK 2 billion to NOK 19.1 billion, which represented 6 per cent of total trading.

INDICES

At the beginning of 2016, the DNB share was weighted on all relevant Oslo Børs indices, with 9.81, 11.40, 13.94 and 8.87 per cent, respectively, on the benchmark, all-share, OBX and mutual fund indices. DNB was also represented on global indices, but with relatively low weights.

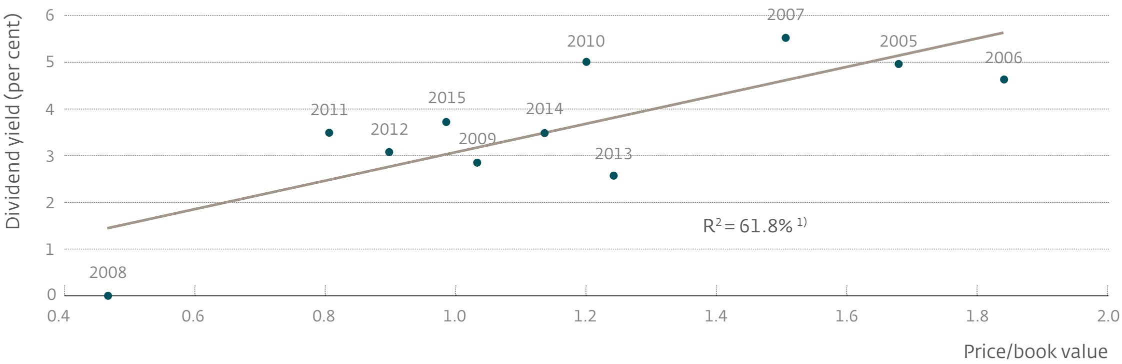
DIVIDEND POLICY

DNB's Board of Directors has approved a dividend policy which aims to create value for shareholders through both increases in the share price and dividend payments. Overall, this will ensure an attractive and competitive return. All shareholders are treated equally and have the same opportunity to exert influence based on the principle one share – one vote.

The Group's long-term dividend policy is to have a dividend payout ratio of more than 50 per cent of net annual profits. Dividends will be determined on the basis of expected profit levels in a normalised market situation, external parameters, lending growth ambitions and the need for Tier 1 capital, including statutory capital requirements.

The Group's aim is to achieve a common equity Tier 1 capital ratio, calculated according to the transitional rules, of minimum 15 per cent no later than at year-end 2016, and minimum 15.5 per cent at year-end 2017. Until the Group reaches the targeted level, the need to strengthen capital adequacy will determine the dividend payout ratio.

Dividend yield relative to P/B



Source: DNB, Oslo Børs

20 largest shareholders as at 31 December 2015 1)

	Number of shares in 1 000	Ownership in per cent	Change from 2014
Norwegian Government/Ministry of Trade, Industry and Fisheries	553 792	34.00	0.00
DNB Savings Bank Foundation	152 564	9.37	(0.11)
Folketrygdfondet	98 912	6.07	(0.12)
Fidelity International Limited (FIL)	39 221	2.41	1.19
BlackRock	38 129	2.34	0.75
MFS Investment Management	37 574	2.31	0.61
The Vanguard Group	25 872	1.59	0.30
Henderson Global Investors	25 375	1.56	0.70
The People's Bank of China (SAFE Investment)	24.955	1.53	(0.09)
Schroder Investment	23 347	1.43	0.59
T. Rowe Price Group	22 332	1.37	0.33
Newton Investment Management / BNY Mellon	20 509	1.26	0.42
State Street Global Advisors	20 262	1.24	New among top 20
DNB Asset Management	16 047	0.99	(0.25)
BNP Paribas Investment / Alfred Berg	15 613	0.96	0.05
Handelsbanken Asset Management	15 564	0.96	New among top 20
KLP Asset Management	15 273	0.94	(0.02)
Danske Capital	14 384	0.88	New among top 20
JPMorgan Asset Management	14 353	0.88	New among top 20
Saudi Arabian Monetary Agency	14 243	0.87	(0.21)
Other shareholders	440 479	27.04	(3.88)
Total	**1 628 799**	**100.00**	

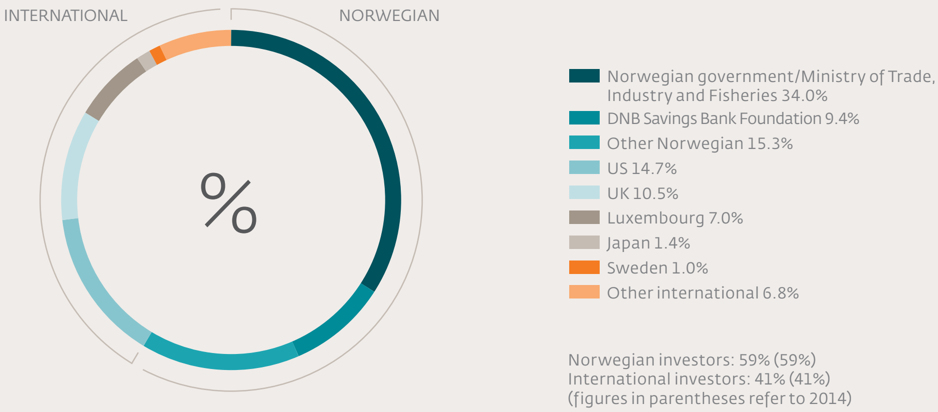
1) The beneficial owners of shares in nominee accounts are determined on the basis of analyses and discretionary assessments

Source: DNB, Norwegian Central Securities Depository, Nasdaq

Ownership according to investor category

as at 31 December 2015

Per cent



Norwegian investors: 59% (59%)
International investors: 41% (41%)
(figures in parentheses refer to 2014)

Source: DNB, Norwegian Central Securities Depository, Nasdaq

SHARE CAPITAL AND SHAREHOLDER STRUCTURE

At end-December 2015, the share capital of the company was NOK 16 288 million divided into 1 628 798 861 shares, each with a nominal value of NOK 10. DNB has approximately 42 800 private and institutional shareholders, of which the two largest are the Norwegian government, represented by the Ministry of Trade, Industry and Fisheries, and Sparebankstiftelsen DNB (the DNB Savings Bank Foundation). A further description of the government's ownership can be found in the chapter "Corporate governance", section 4, about equal treatment of shareholders. The object of the Savings Bank Foundation is to manage its long-term ownership interests in DNB and support the company in its efforts to continue the savings bank tradition. The Foundation may donate a portion of annual profits to non-profit causes. The Foundation's governing body is the general meeting, with members elected among the bank's depositors and by county councils in eastern Norway. The general meeting has elected a board with six members.

ANALYST COVERAGE

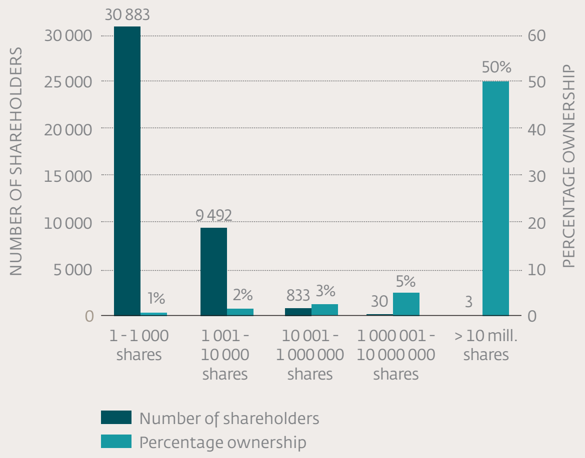
It is in the interests of DNB that high-quality equity analyses are published on a regular basis, reflecting the information that is distributed to the stock market. The DNB share is covered by 35 brokerage houses, of which 13 are Nordic-based. Emphasis is thus placed on providing relevant and complete information and on ensuring that all analysts receive equal treatment at all times. A list of analysts following the share can be found on dnb.no/investor-relations. Daily contact with investors and analysts is handled by the Investor Relations department.

Early in 2015, analyst price targets for the DNB share were significantly higher than the actual share price. After the summer, however, the share and the price target became better matched as an increasing number of analysts downgraded their expectations for the share. There was a predominance of buy recommendations in early 2015, while around the middle of the year, the hold recommendations for the share outnumbered the buy recommendations. Due to the stock market decline and the fall in oil prices towards the end of 2015, the DNB share was once again traded at a lower price than average estimates from analysts.

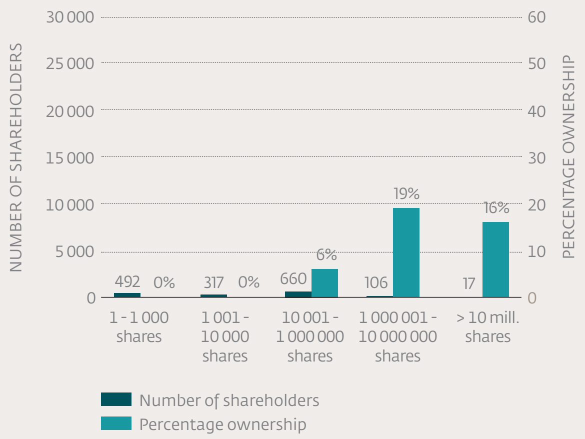
INVESTOR RELATIONS

DNB Investor Relations provides information to and communicates with capital market participants, including shareholders, potential investors, analysts, portfolio managers, investment banks and others that are interested in the company's shares. Investor relations activity is primarily aimed at giving the market a correct picture of the company's activities and future prospects. In 2015, DNB Investor Relations arranged more than 300 meetings with investors and analysts. All price-sensitive information must be given simultaneously to

Norwegian shareholders



International shareholders



Source: DNB, Norwegian Central Securities Depository.

all market participants. DNB thus complies with Oslo Børs' recommendation on the reporting of IR information issued in June 2014.

In connection with the release of DNB's quarterly financial results, Investor Relations arranges presentations to help promote greater understanding of the Group's business operations. In addition, the department holds meetings, with or without representatives from group management, with existing and potential investors in and outside Norway. Investor Relations maintains contact with investors in both equity and debt capital markets. Presentations used in meetings with individual investors are not different from the ones that have previously been published by the Group. Nor are individual investors given verbal information that is not disclosed to the rest of the market. Information about events of a price-sensitive nature which will have an extraordinary impact on profits, must be released when it is known to ensure that all market participants receive the information at the same time.

Investor Relations helps the Group ensure that the company's shares are priced effectively on the stock exchange, manage market expectations with respect to share price performance and ensure sound liquidity.

A further description of equal treatment of shareholders can be found in the chapter "Corporate governance", section 4 on page 87.

FUNDING AND RATING

There are two companies in the DNB Group that issue commercial paper. DNB Bank ASA issues senior and subordinated loans, while the subsidiary DNB Boligkreditt AS issues covered bonds. Norwegian regulations require that covered bonds are issued by a separate legal entity.

As the Norwegian capital market is of limited size, DNB has to cover parts of its total funding requirement in international capital markets. The Group obtains a significant share of its international funding in the euro market, but has also established funding programmes in the US, Australia and Japan.

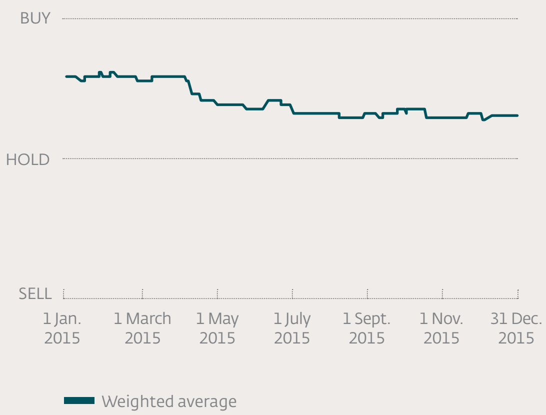
DNB continuously seeks to improve the bank's credit rating. This is important, as a higher credit rating will result in lower funding costs over time.

The creditworthiness of DNB Bank ASA is assessed by the rating agencies Moody's, Standard & Poor's and DBRS (Dominion Bond Rating Service). DNB Bank ASA had the following ratings as at 31 December 2015: Aa3 from Moody's, A+ from Standard & Poor's and AA (low) from DBRS. The ratings from Moody's and DBRS had a stable outlook, while the rating from Standard & Poor's had a negative outlook. In 2015, the rating from Moody's was upgraded from A1 to Aa3, the rating from DBRS was downgraded from AA to AA (low), while the rating from Standard and Poor's was changed from "stable outlook" to "negative outlook".

Covered bonds issued by DNB Boligkreditt are rated AAA by Standard & Poor's and Aaa by Moody's, both with a stable outlook.

Average analyst recommendations in 2015

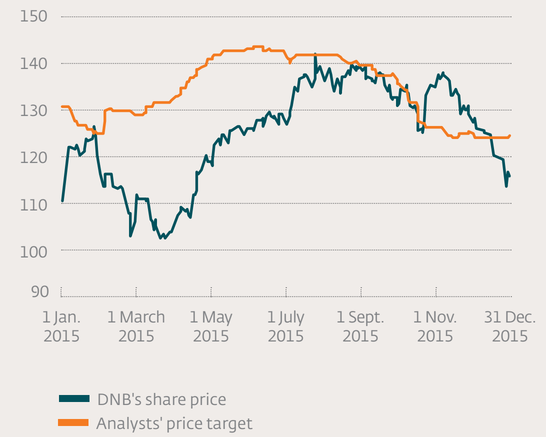
Recommendation



Source: DNB, Oslo Børs, Bloomberg

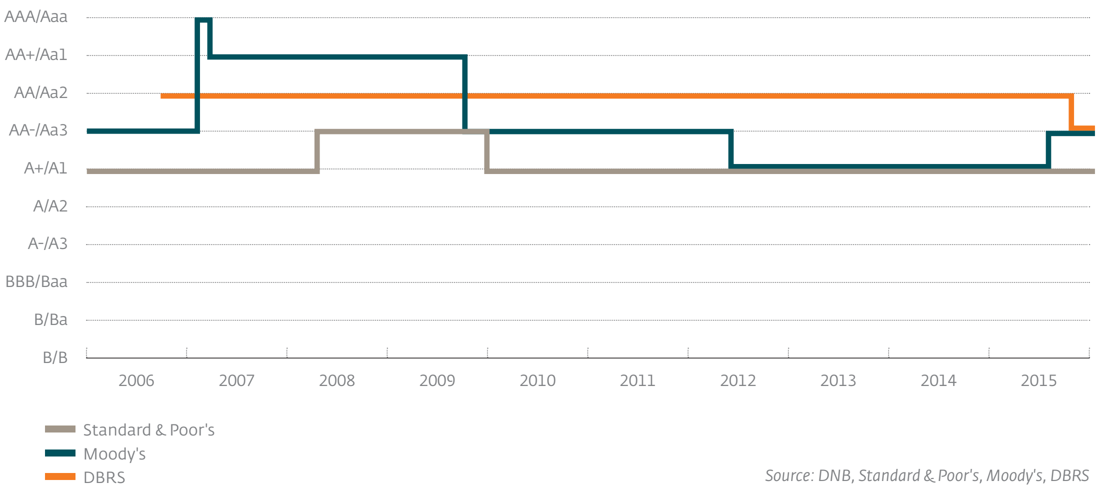
Average price targets and share price development in 2015

NOK



Source: DNB, Oslo Børs, Bloomberg

Credit ratings for DNB Bank ASA



Source: DNB, Standard & Poor's, Moody's, DBRS

Taxation of shareholders according to Norwegian law for the 2015 income year

Limited liability companies and corresponding companies as shareholders
The tax exemption method, cf. Section 2-38 of the Norwegian Taxation Act, implies that shareholders organised as limited companies etc. as a rule are exempt from tax on dividends received and capital gains on shares, mutual fund holdings and financial instruments with shares comprised by the tax exemption method as underlying assets. Losses on the sale of shares and holdings comprised by the tax exemption method are not tax deductible. With respect to dividends comprised by the tax exemption method and dividends from businesses assessed as partnerships, 3 per cent of such income is liable to tax.

Natural persons as shareholders
The shareholder model applies to shareholders who are natural persons resident in Norway. This implies that dividends on shares and gains on the sale of shares in excess of a shielded amount (the shielding deduction) are taxed at a rate of 27 per cent, with a corresponding deduction right for losses on the sale of shares.

The shielding rules shall ensure that an amount of income corresponding to the normal return on a shareholder's investment in a company is not taxed as dividends. Each year, a shielding deduction is computed, forming the basis for the dividend personal shareholders can receive free of tax. The annual shielding deduction is calculated by multiplying the shielding basis for the share by a shielding interest. The shielding basis represents the amount the shareholder has paid for the share, with the addition of any unused shielding deduction carried forward from previous years.

Foreign shareholders
Gains/losses on the sale of shares are, as a rule, taxable in the country where the shareholder is resident for tax purposes.

As a general rule, dividends received by foreign shareholders are subject to tax in Norway if the dividends are distributed by a limited company domiciled in Norway (withholding tax).

For shareholders who are natural persons resident outside Norway, withholding tax should be assessed and deducted. The company distributing the dividends is
responsible for making advance tax deductions to cover the income tax on such dividends at a rate of 25 per cent. However, Norway has entered into tax treaties with a number of countries, whereby the withholding tax rate is often reduced, normally to 15 per cent. Shareholders who are tax resident in other EEA countries are entitled to a shielding deduction. If the deducted tax is higher than the tax payable on dividends after the shielding deduction, the shareholder may advance a claim for a refund of excess withholding tax. All such matters must be handled by the Central Tax Office for Foreign Tax Affairs.

Dividends paid to companies that are eligible for exemption according to the tax exemption method and domiciled in an EEA country will as a rule be exempted from withholding tax in Norway. The tax exemption is conditional on the company being the real beneficial owner of the share dividends.

Changes from the 2016 income year
The tax rate for ordinary income has been reduced from 27 to 25 per cent as from 2016. The effect for personal shareholders is reduced as the tax rate on dividends and capital gains on shares etc. has been increased. However, this change is symmetrical and also applies to losses on shares etc. The tax rate is increased by applying an upward adjustment factor of 1.15 to the dividends/gain or loss, which corresponds to an increase in the tax rate to 28.75 per cent.

8

DIRECTORS' REPORT AND ANNUAL ACCOUNTS

Directors' report

OPERATIONS IN 2015

DNB recorded profits of NOK 24 762 million in 2015, an increase of NOK 4 145 million from 2014. Adjusted for the effect of basis swaps, there was a rise in profits of NOK 2 472 million.

The improved profit performance mainly reflected an increase in net interest income and net other operating income and a reduction in costs.

Higher volumes and wider deposit spreads had a positive effect on net interest income in 2015, which was largely attributable to exchange rate movements. Other operating income was NOK 1 758 million higher than in 2014, reflecting the effect of basis swaps and an increase in gains on other financial instruments.

Operating expenses were reduced by NOK 765 million from 2014, mainly due to a reduction in wage costs related to the transition from a defined-benefit to a defined-contribution pension scheme. Impairment losses on loans and guarantees increased by NOK 631 million compared with 2014, reflecting a rise in individual impairment in the shipping and offshore segments. There was also a rise in collective impairment, partly stemming from less favourable economic conditions in some industries.

DNB's common equity Tier 1 capital increased by NOK 20.8 billion from end-December 2014 to year-end 2015. Calculated according to the transitional rules, the common equity Tier 1 capital ratio rose from 12.7 per cent to 14.4 per cent, conditional on a dividend payout ratio of 30 per cent. Return on equity increased from 13.8 per cent to 14.5 per cent during the same period. Adjusted for the effect of basis swaps, return on equity declined from 13.6 to 13.3 per cent. DNB is well capitalised, but will continue to build capital organically in order to meet the statutory requirements.

The digitalisation of the banking industry and changes in customer behaviour characterised 2015. During the year, DNB's mobile bank was used more than 156 million times and consolidated its position as Norway's most used banking service.

DNB launched "Home Journey" in early January, a concept which means that the Group will advise on all aspects of the home purchase process, both as a bank, a real estate agent and an insurance company.

In late May, DNB launched the new payment solution called Vipps. After one month, there were already approximately 236 000 registered Vipps users, increasing to more than 986 000 at end-December 2015.

Early in the third quarter, DNB introduced the concept "A Valuable Lesson" with support from the Red Cross. "A Valuable Lesson" is a free digital educational program for use in schools which gives children a basic understanding of money, income and spending, what their financial rights are and good saving habits.

In late September, DNB signed an agreement with Lindorff Capital AS to sell portfolios of non-performing loans in Norway. The sale had a positive pre-tax effect of approximately NOK 1.1 billion in 2015.

In DNB Livsforsikring, large parts of the risk equalisation fund were transferred to the policyholders' premium reserve to increase reserves for higher life expectancy, effective in 2015. In this connection, the Group's income statement was charged with NOK 980 million.

Towards the end of 2015, DNB decided to change the defined-benefit pension scheme for its employees in Norway to a defined-contribution scheme. This had an impact on profits of approximately NOK 2 billion in 2015.

DNB cut interest rates several times during 2015 based on reductions in the key policy rate undertaken by Norges Bank (the central bank of Norway). At year-end 2015, home mortgage rates were at historically low levels.

Prospera ranked DNB Markets as best in Norway within equity brokerage in 2015. DNB Markets got the highest score for overall performance in the categories domestic equity execution and domestic equity corporate access and the second highest score for research and advisory.

The engagement index in the employee survey declined slightly by 1 point from 2014, to 84 points in 2015. This paints a picture of a robust organisation that has coped well through extensive restructuring, but is naturally affected by the reorganisation processes in the Group. Sickness absence in DNB's Norwegian operations was 4.4 per cent in 2015, a reduction from 4.5 per cent in 2014. The special follow-up of units with high sickness absence rates continued.

The authorities have introduced stricter capital requirements over the past few years, and several of these entered into force or were increased during 2015.

As a systemically important bank, O-SII, a separate capital buffer requirement of 2 per cent was levied on DNB Bank with effect from 1 July 2015.

In the second quarter, the Ministry of Finance decided to increase the level of the counter-cyclical capital buffer for banks to 1.5 per cent as of 30 June 2016. It had previously been decided to set the requirement at 1.0 per cent as of 30 June 2015.

In late October, the Pillar 2 requirement for DNB was set at 1.5 percentage points. The total common equity Tier 1 capital requirement will thus be 15 per cent by year-end 2016.

DNB presented new financial ambitions at its Capital Markets Day in November, including a plan for how to reach the common equity Tier 1 capital requirement. During the fourth quarter of the year, a number of capital efficiency measures were implemented, which included selling individual loans, entering into guarantee contracts and selling property.

The Board of Directors has proposed a dividend for 2015 of NOK 4.50 per share, which corresponds to 30 per cent of profits. When considering the dividend proposal, the Board of Directors has taken the regulatory capital adequacy requirements into account. The Group's long-term dividend policy remains unchanged, targeting a dividend payout ratio of more than 50 per cent once the capital adequacy target has been reached.

The Board of Directors would like to thank all employees for their dedication and hard work in 2015.

STRATEGY AND FINANCIAL TARGETS

DNB's vision and values are about putting the customers in focus. Parallel to this, DNB aims to be the leading bank throughout Norway and a leading international player within selected customer segments, products and geographic areas.

The aim to achieve strong customer orientation throughout the Group is reflected in DNB's vision: "Creating value through the art of serving the customer".

DNB is organised to enable the Group to quickly and effectively adapt to changes in customer behaviour and develop products and services that meet the needs in the various customer segments. DNB's corporate culture should be characterised by change capacity, engagement, good leadership and effective communication. Strong cooperation between various units in the Group will ensure customers access to DNB's total product range.

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

At the Group's Capital Markets Day in November 2015, the ambition to achieve a return on equity above 12 per cent was retained in spite of the fact that stricter capital requirements and the prolonged low interest rate level will make it more challenging to reach this level.

A competitive return on equity is required to ensure that DNB is attractive in the market. In addition, the operations of the Group are conditional on adequate capitalisation. After the authorities requirements were clarified, DNB raised its common equity Tier 1 capital ratio target to 15 per cent at year-end 2016. The long-term target is to have a common equity Tier 1 capital ratio of 15.5 per cent from year-end 2017, including a buffer of 0.5 percentage points which comes in addition to the statutory requirements. Cost-efficient operations are a prerequisite for fulfilling the Group's return on equity target, and the Group aspires to have a cost/income ratio below 40 per cent towards 2018. The Group's long-term dividend policy is to have a payout ratio of more than 50 per cent of annual profits.

Until the Group has achieved its capital adequacy targets, the need to strengthen capital adequacy will determine the dividend payout ratio.

Developments through 2015 show that DNB is well on the way to fulfilling the targets. Return on equity was 14.5 per cent in 2015, and the Group achieved a common equity Tier 1 capital ratio of 14.4 per cent at year-end 2015 calculated according to the transitional rules, an increase of 1.7 percentage points from year-end 2014 and well above the statutory requirement of 13.5 per cent. The Group's cost/income ratio was 36.9 per cent. A dividend payout ratio of 30 per cent has been proposed for 2015.

The significant build-up of capital through 2015 increases the probability of a rise in the dividend payout ratio up to a level above 50 per cent for 2017.

REVIEW OF THE ANNUAL ACCOUNTS

In accordance with the provisions of the Norwegian Accounting Act, the Board of Directors confirms that the accounts have been prepared on a going concern basis and that the going concern assumption applies.

Pursuant to Section 3-9 of the Norwegian Accounting Act, DNB prepares consolidated annual accounts in accordance with IFRS, International Financial Reporting Standards, approved by the EU. The statutory accounts of DNB ASA have been prepared in accordance with Norwegian IFRS regulations.

Net interest income

Amounts in NOK million	2015	Change	2014
Net interest income	35 358	2 871	32 487
Exchange rate movements		1 813	
Lending and deposit volumes		1 086	
Other net interest income		353	
Lending and deposit spreads		(87)	
Equity and non-interest bearing instruments		(131)	
Long-term funding costs		(164)	

Net interest income rose by NOK 2 871 million from 2014. The increase was mainly attributable to exchange rate movements and higher lending and deposit volumes. Average lending spreads narrowed by 0.18 percentage points from 2014 to 2015, while deposit spreads widened by 0.23 percentage points. There was an average increase of NOK 125.0 billion in the healthy loan portfolio, while average deposits rose by NOK 96.8 billion compared with 2014.

Net other operating income

Amounts in NOK million	2015	Change	2014
Net other operating income	18 635	1 758	16 877
Basis swaps		2 291	
Net gains on other financial instruments		1 988	
Net financial and risk result from DNB Livsforsikring 1)		(19)	
Other operating income		(185)	
Net gain on the sale of loans		(424)	
Nets investment		(913)	
Use of the risk equalisation fund		(980)	

1) Guaranteed returns and allocations to policyholders deducted.

Net other operating income increased by NOK 1 758 million from 2014. Adjusted for the effect of basis swaps, there was a NOK 533 million decline in income. There was a decline in operating profits from DNB Livsforsikring of NOK 980 million, reflecting a transfer from the risk equalisation fund to the policyholders' premium reserve to increase reserves for higher life expectancy. There were sound underlying profits in DNB Livsforsikring. The increase in net gains on other financial instruments was primarily attributable to income from customer trading in fixed-income and currency instruments.

Operating expenses

Amounts in NOK million	2015	Change	2014
Operating expenses excluding non-recurring effects	(21 068)	(616)	(20 452)
Of which:			
Exchange rate effects for units outside Norway		(507)	
Currency-adjusted operating expenses	(20 560)	(109)	(20 452)
Operating expenses excluding non-recurring effects	(21 068)	(616)	(20 452)
Income-related costs			
Ordinary depreciation on operational leasing		(81)	
Expenses related to operations			
Other costs		251	
Properties/premises		177	
Fees		(77)	
Pension expenses		(187)	
Salaries and other personnel expenses		(191)	
Exchange rate effects for units outside Norway		(507)	
Non-recurring effects	1 157	1 380	(223)
Restructuring costs – employees	(390)	(150)	(239)
Other restructuring costs and non-recurring effects	1 781	1 695	86
IT restructuring	(234)	(164)	(70)
Operating expenses	(19 910)	764	(20 675)

Total operating expenses were down 3.7 per cent from 2014. Sizeable non-recurring effects had a positive impact on costs, resulting in an overall cost reduction of NOK 1 380 million. The decline was mainly due to the transition from a defined-benefit to a defined-contribution pension scheme for the Group's employees. Adjusted for non-recurring effects, operating expenses were up 3.0 per cent. Exchange rate movements gave a NOK 507 million increase in costs. Implemented restructuring measures will result in lower costs in the longer term through reductions in both the number of employees, the number of branch offices and the number of production units. The number of employees was reduced by 224 from 2014 to 2015.

IMPAIRMENT OF LOANS AND GUARANTEES

Impairment losses on loans and guarantees totalled NOK 2 270 million in 2015, up NOK 631 million from 2014.

There was an increase in individual impairment losses in the shipping and offshore segments, while there was a reduction of NOK 1 060 million in the personal customer segment from 2014. This was mainly a consequence of the sale of portfolios to Lindorff in the third quarter of 2015. Net individual impairment losses were virtually unchanged from 2014 to 2015.

Collective impairment losses rose by NOK 597 million, to NOK 255 million in 2015. Relative to net loans, there was an increase from 0.12 per cent in 2014 to 0.15 per cent in 2015.

Net non-performing and doubtful loans and guarantees amounted to NOK 14.0 billion at end-December 2015, down from NOK 17.3 billion at year-end 2014. Net non-performing and doubtful loans and guarantees represented 0.76 per cent of the loan portfolio, a reduction of 0.20 percentage points from end-December 2014.

TAXES

The DNB Group's tax expense for 2015 was NOK 7 045 million, representing 22.1 per cent of pre-tax operating profits. The tax rate was down 1.7 percentage points from 2014. The tax rate was lower than the anticipated rate of 25 per cent, mainly due to the sale of investment properties through equity sales under the tax exemption model and a reduction in the tax rate for estimating deferred taxes from 27 to 25 per cent.

FUNDING, LIQUIDITY AND BALANCE SHEET

The short-term funding markets were generally sound in 2015 for banks with high credit ratings. As US money market funds need to adapt to upcoming regulations, long-term maturities were not as attractive as they used to be. Combined with increasing demand for long-term investments among borrowers, this resulted in an increase in prices in the second half of the year. DNB had ample access to short-term funding throughout the year.

In the long-term funding markets, there was also a healthy supply of capital in the first half of the year. However, as the unrest in Greece increased as summer approached, the level of activity in the market dropped significantly, accompanied by rising prices on new issues. In September, the level of activity picked up, though margins widened. There was a general increase in margins for both covered bonds and ordinary senior debt through the second half of 2015. DNB had good access to long-term funding throughout 2015, but the cost of new long-term funding is expected to be higher as 2016 progresses.

Debt securities issued by the Group totalled NOK 805 billion at end-December 2015 and NOK 812 billion a year earlier. The average remaining term to maturity for the debt securities was 3.8 years at end-December 2015, compared with 4.3 years at year-end 2014.

In order to keep the Group's liquidity risk at a low level, short-term and long-term limits have been established. These are consistent with the Basel III/CRD IV calculation methods. Among other things, this implies that customer loans are generally financed through customer deposits, long-term debt securities and primary capital. The Group stayed well within the liquidity limits throughout 2015. A gradual adaptation to the liquidity requirements within the time limits stipulated by the Basel Committee and the Norwegian authorities is being planned.

At end-December 2015, total combined assets in the DNB Group were NOK 2 901 billion, down from NOK 2 936 billion at end-December 2014. Total assets in the Group's balance sheet were NOK 2 599 billion as at 31 December 2015 and NOK 2 649 billion a year earlier. Of this, total assets in DNB Livsforsikring came to NOK 288 billion and NOK 287 billion, respectively.

Net loans to customers increased by NOK 104 billion or 7.2 per cent from end-December 2014. Customer deposits were up NOK 3 billion or 0.3 per cent during the corresponding period. The ratio of customer deposits to net loans to customers was reduced from 65.4 per cent at end-December 2014 to 61.2 per cent a year later.

CORPORATE GOVERNANCE

The management of DNB is based, inter alia, on the Norwegian Accounting Act, the Limited Liability Companies Act, and the Norwegian Code of Practice for Corporate Governance. Read more about the Group's corporate governance principles and practice on page 84 in the Governance chapter.

RISK AND CAPITAL ADEQUACY

ORGANISATION AND MONITORING

The Board of Directors continually monitors the Group's capital situation and aims for DNB Bank to maintain an AA level rating for ordinary long-term debt.

DNB's group policy for risk management serves as a guide for the Group's overall risk management and describes the ambitions for, attitudes to and work on risk. The Group aims to maintain a low risk profile and will only assume risk which is comprehensible and possible to follow up, and which will not harm its reputation. The Group's corporate culture shall be characterised by transparent methods and processes which promote sound risk management. All managers are responsible for risk within their own area of responsibility. Responsibility for entering into agreements which entail risk for the Group will be delegated to the organisation through personal authorisations and limits. Risk management functions and the development of risk management tools are organised in units which are independent of the units that engage in business operations.

The risk appetite concept has become best practice in the financial services industry, better enabling financial institutions to make risk an integral part of their strategy and planning processes and thus react more swiftly to changing surroundings. DNB's risk appetite framework represents an operationalisation of the Group's risk policy and guidelines to ensure that risk is managed and integrated in the Group's other governance processes. The framework is owned by the Board of Directors and will be reviewed at least once a year. The actual risk level that is measured in accordance with the framework is reported on a monthly basis.

The group guidelines for risk management and annual limits for liquidity risk and market risk are approved in a joint meeting of the Boards of Directors of DNB and DNB Bank. Market risk reflects equity, property, currency, interest rate and commodity exposure. DNB's Board of Directors has a separate Risk Management Committee. The Boards of Directors of the other operative companies in the Group, including DNB Livsforsikring, set limits for relevant risks pertaining to their operations.

The group management meetings are attended by the group executive vice presidents in charge of the business areas and staff and support units. A number of advisory bodies have been established to assist in preparing documentation and carrying out follow-ups and controls within various specialist areas.

The Asset and Liability Committee, ALCO, is an advisory body for the chief financial officer, CFO, and the chief risk officer, CRO, and handles matters relating to the management of market and funding risk, risk modelling, capital structure and return targets.

The Group's specialist units within risk management are organised in the support unit Group Risk Management. This unit is headed by the CRO, who reports directly to the group chief executive. Underlying divisions have group-wide responsibility for credit risk, market and liquidity risk, operational risk, risk quantification, validation, risk reporting and analysis, and compliance. In order to ensure that the DNB Group complies with anti-money laundering and sanctions regulations, the AML Sanctions division has been established.

The Group Advisory Credit Committee advises the group chief executive and the Board of Directors in connection with large individual credit proposals and other special credits and approves large credits to borrowers that are customers of more than one business area.

Advisory Group Operational Risk, AGOR, is an advisory committee for the CRO. AGOR has group-wide authority and its mandate is to develop the Group's work and solutions within operational risk management.

The Forum for AML and International Sanctions is an advisory body headed by the CRO. In order to ensure broad endorsement of the Group's work on anti-money laundering and sanctions compliance, several group executive vice presidents and the group general counsel attend the forum.

DEVELOPMENTS IN 2015

The prospects for the Norwegian economy have weakened, and there are signs that the falling oil prices and the decline in oil investments are spreading to sectors where growth thus far has been sustained. There are less favourable growth prospects for most Norwegian industry sectors. The rate of unemployment is still increasing, mainly in oil-dominated regions. Analysts nevertheless believe in low, but positive GDP growth in Mainland Norway in 2016 and 2017.

Developments in the global economy were mixed and varied from country to country towards the end of 2015. In early 2016, there was a severe stock market downturn, triggered by new uncertainty relating to economic developments in China. The geopolitical situation and the turbulence in the Middle East added to the uncertain future outlook.

DNB quantifies risk by measuring risk-adjusted capital requirements. The capital requirement declined by NOK 10.3 billion from year-end 2014, to NOK 75.7 billion in 2015.

Risk-adjusted capital requirement for the DNB Group

Amounts in NOK billion	31 Dec. 2015	31 Dec. 2014
Credit risk	55.5	58.8
Market risk	7.1	9.5
Market risk in life insurance	8.3	15.7
Insurance risk	2.0	2.0
Operational risk	11.2	10.7
Business risk	7.1	6.8
Gross risk-adjusted capital requirement	91.2	103.5
Diversification effect [1]	(15.5)	(17.4)
Net risk-adjusted capital requirement	75.7	86.0
Diversification effect in per cent of gross risk-adjusted capital requirement [1]	17.0	16.8

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.

The risk-adjusted capital requirement for credit declined by NOK 3.3 billion in 2015, reflecting a reduction in credit volumes in the large corporate portfolio towards the end of the year. There was continued sound and stable credit quality in most portfolios. However, some sectors showed a negative trend in 2015, mainly oil service and offshore, but also energy and some shipping segments. The reduction in oil and gas investments had the most pronounced effect on oil service companies. A number of companies now struggle with tight liquidity and reduced debt servicing capacity. ▶

In addition to the sectors that are directly exposed to oil prices, the prolonged low oil prices are expected to have ripple effects on other sectors and particularly exposed geographical areas in Norway. At year-end 2015, the price of oil was USD 37 per barrel, which was the lowest price since 2004.

As expected, there were continuing challenges in the dry bulk shipping segment throughout 2015. Freight rates were at historically low levels, and there are weak prospects for this segment. The container segment also showed a sluggish trend, and there is considerable excess supply in this market.

The quality of the Group's loan portfolio within Norwegian commercial property is considered to be sound, though the financing of commercial property entails increasing risk. Lower activity levels in the oil and offshore sector result in higher unemployment and falling rental prices in oil-dominated regions as well as in Lysaker and in Asker and Bærum.

The slowdown in the Norwegian economy has caused a slight increase in the rate of unemployment and reduced consumer confidence. On a national basis, the housing market slackened in the fourth quarter of 2015. The number of housing sales remained stable at a high level in 2015, though regional differences increased throughout the year. This trend is expected to prevail in 2016.

The risk-adjusted capital requirement for market risk in DNB Livsforsikring declined by NOK 7.4 billion during the year. The reduction was a consequence of the sale of properties for a total of NOK 11.6 billion and a lower equity exposure. The freed-up capital was reinvested in home mortgages and fixed-income securities, which entail lower market risk. The company strengthened its solvency capital by NOK 6.6 billion in 2015 through retained earnings, an increase in subordinated loan capital, changes in unrealised gains on financial assets and provisions for higher life expectancy. DNB Livsforsikring's solvency margin according to Solvency II was 113 per cent at year-end 2015.

DNB's market risk exposure in operations other than life insurance was also reduced during 2015, reflecting the sale of property investments and the transition from a defined-benefit to a defined-contribution pension scheme for the Group's employees. A further reduction is expected in 2016 as a result of a scheduled sale of equity and property investments. Trading limits for currency and interest rate risk for 2016 have been reduced.

The operational risk situation in 2015 was satisfactory, and there was a low level of losses. During the year, DNB completed "MoveIT", a very extensive project whereby the IT infrastructure was upgraded and the Group's data processing centres were moved to a single location. Comprehensive measures were initiated to achieve optimal operational security and reduce the risk related to the project. Again in 2015, information technology was identified as one of the key risk areas for the Group in light of the rapidly increasing pace of change within digital services and products.

Calculated according to the transitional rules, risk-weighted assets increased by NOK 9 billion from year-end 2014, to NOK 1 129 billion. The common equity Tier 1 capital ratio was 14.4 per cent, while the capital adequacy ratio was 17.8 per cent.

Read more about risk and capitalisation in the Group's Pillar 3 report on dnb.no/investor-relations.

SEGMENTS

Financial governance in DNB is adapted to the different customer segments. The follow-up of total customer relationships and segment profitability are important dimensions when making strategic priorities and deciding where to allocate the Group's resources. Reported figures reflect the Group's total sales of products and services to the relevant segments.

PERSONAL CUSTOMERS

This segment includes the Group's 2.1 million personal customers in Norway. There was a stable profit trend in 2015, and pre-tax operating profits before impairment were on a level with the previous year. Net reversals on impairment losses in consequence of the sale of a portfolio of non-performing consumer loans gave an 11 per cent increase in pre-tax operating profits from 2014.

			Change	
Income statement in NOK million	**2015**	**2014**	**NOK mill.**	**%**
Total income	18 593	18 213	379	2,1
Operating expenses	(8 877)	(8 492)	(385)	(4.5)
Pre-tax operating profit before impairment	9 716	9 721	(6)	(0.1)
Net gains on fixed and intangible assets	0	(3)	3	(100.1)
Impairment of loans and guarantees	939	(110)	1 049	
Pre-tax operating profit	10 655	9 608	1 047	10.9
Profit for the year	7 780	7 014	766	10.9
Average balance sheet items in NOK billion				
Net loans to customers	690.5	660.7	29.8	4.5
Deposits from customers	381.6	356.8	24.8	7.0
Key figures in per cent				
Return on allocated capital 1)	23,0	23,7		

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

Even though 2015 was characterised by strong competition for home mortgage customers, net loans to customers showed satisfactory growth. A portfolio of fixed-rate loans amounting to just under NOK 20 billion was sold from DNB Boligkreditt to DNB Livsforsikring in November 2015. Adjusted for this transaction, average loan volumes were up 4.8 per cent from 2014. The customers are still served by the bank, though the loans are included in DNB Livsforsikring's portfolio as an investment that yields a stable return for the company.

Growth in volumes and wider deposit spreads compensated for narrower lending spreads and ensured a rise in net interest income from 2014. Volume-weighted interest rate spreads contracted by 0.04 percentage points from the previous year.

There was a positive trend in net interest income, reflecting higher income from real estate broking, insurance, equities and foreign exchange products. Due to increased digitalisation and discount schemes linked to card use, there was a decline in income from payment services, while reduced prices resulted in a weaker income trend for long-term savings products in the second half of the year.

The rise in expenses from 2014 was mainly a consequence of the restructuring of the branch network, which gave an increase in provisions for severance packages and higher IT costs, and the impairment of capitalised systems development. A high level of activity in DNB Eiendom during the year also contributed to increasing costs.

Net impairment losses on loans reflected the sale of a portfolio of non-performing consumer loans, which resulted in reversals of NOK 990 million in 2015. Adjusted for this reversal, net impairment losses came to NOK 51 million or 0.01 per cent of average loans. There is low risk in the home mortgage portfolio, and there were net reversals on previous impairment losses in 2015. There was also a stable level of impairment on consumer loans throughout the year.

The market share of credit to households stood at 25.6 per cent at end-November 2015, down from 26.0 per cent at end-December 2014. The market share of total house¬hold savings was 32.3 per cent. DNB Eiendom had a market share of 18.7 per cent at end-December 2015 and is the market leader in Norway.

DNB aspires to achieve continued profitable growth in the personal customer segment and is working to adapt products, service concepts and cost levels to the banking market of the future. As a result of a higher self-service ratio, a total of 20 branch offices in Norway were closed in 2015, and staff levels were reduced by 200 full-time positions, mainly through natural attrition. DNB will continue the process to streamline its branch structure, and the number of branch offices serving personal customers will be reduced from 116 to 57 during the first half of 2016. This will entail further staff cuts of approximately 500 full-time positions in the course of 2016. Parallel to this, the innovation of new, digital services, such as Vipps, will be strengthened. Impairment losses on loans are expected to remain stable at a low level.

SMALL AND MEDIUM-SIZED ENTERPRISES

This segment includes sales of products and advisory services to the Group's small and medium-sized corporate customers in Norway. Higher income and relatively stable operating expenses helped raise pre-tax operating profits by 9 per cent from 2014 in spite of an increase in impairment losses on loans.

			Change	
Income statement in NOK million	**2015**	**2014**	**NOK mill.**	**%**
Total income	7 860	7 292	568	7,8
Operating expenses	(3 078)	(3 042)	(36)	(1.2)
Pre-tax operating profit before impairment	4 782	4 250	532	12.5
Net gains on fixed and intangible assets	(2)	42	(44)	(104.1)
Impairment of loans and guarantees	(1 068)	(869)	(199)	(22.9)
Profit from repossessed operations	3	(23)	25	112.5
Pre-tax operating profit	3 715	3 401	314	9.2
Profit for the year	2 712	2 482	229	9.2
Average balance sheet items in NOK billion				
Net loans to customers	216.0	206.6	9.5	4.6
Deposits from customers	171.4	159.8	11.6	7.2
Key figures in per cent				
Return on allocated capital [1]	12.7	12.4		

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

Average net loans to customers rose by 4.6 per cent from 2014, while deposits were up 7.2 per cent during the same period. Higher volumes and wider deposit spreads contributed to strong growth in net interest income compared with 2014.

Net other operating income showed a satisfactory trend from 2014. Demand for both currency and interest rate hedging products was at a satisfactorylevel and contributed to high income. Other product areas also showed a positive trend.

There was a moderate rise in expenses from 2014, mainly stemming from impairment related to IT projects and restructuring costs. Greater cross-sales also gave an increase in costs.

Net impairment of loans increased by NOK 199 million and totalled NOK 1 068 million in 2015. Relative to average net loans, impairment losses rose from 0.42 per cent in 2014 to 0.49 per cent in 2015. Impairment losses in 2015 related primarily to a small number of customers, and impairment losses on loans in the mining sector represented the major part. No general deterioration has been observed in the quality of DNB's portfolio of other loans to small and medium-sized corporate customers. Portfolio quality is considered to be satisfactory, and close follow-up of customers and preventive measures are vital to retaining the level of quality. Developments in oil-related sectors and the regions which are most seriously affected, are being closely monitored.

As the growth prospects for the general Norwegian economy have been revised downward, more moderate credit growth is anticipated in the market. DNB expects lending growth in this segment on a level with the expected domestic credit growth in the corporate customer segment.

LARGE CORPORATES AND INTERNATIONAL CUSTOMERS

This segment includes the Group's largest Norwegian corporate customers and international customers, including all customer segments in the Baltics and Poland. Rising volumes and stable spreads ensured healthy growth in net interest income from 2014, though rising costs and higher impairment losses on loans contributed to a small reduction in profits.

			Change	
Income statement in NOK million	**2015**	**2014**	**NOK mill.**	**%**
Total income	21 280	19 271	2 009	10.4
Operating expenses	(8 053)	(7 264)	(789)	(10.9)
Pre-tax operating profit before impairment	13 227	12 007	1 220	10.2
Net gains on fixed and intangible assets	53	21	33	157.7
Impairment of loans and guarantees	(2 108)	(674)	(1 435)	(213.0)
Profit from repossessed operations	(67)	(102)	35	(34.4)
Pre-tax operating profit	11 105	11 252	(147)	(1.3)
Profit for the year	7 885	7 766	119	1.5
Average balance sheet items in NOK billion				
Net loans to customers	568.1	496.2	71.9	14.5
Deposits from customers	393.0	373.6	19.3	5.2
Key figures in per cent				
Return on allocated capital [1]	11.1	13.9		

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

The weakened Norwegian krone strongly affected lending growth, and average net loans to customers were up 14.5 per cent from

2014. From year-end 2014 to year-end 2015, however, lending growth was 5.3 per cent. Adjusted for exchange rate movements, there was an underlying decline in the portfolio of 4.5 per cent during the year, partly in reflection of measures to reduce risk-weighted assets. During 2015, especially in the fourth quarter, DNB sold certain loans and entered into guarantee contracts relating to other exposures to help strengthen the Group's capital adequacy ratios. In the period ahead, portfolio management will also help improve profitability as capital can be reallocated to the segments with the highest returns. Average customer deposits increased by 5.2 per cent from 2014, while deposit volumes were unchanged from year-end 2014 to year-end 2015. Adjusted for exchange rate movements, there was a 7.7 per cent decline in deposits during the year.

Due to increasing loan volumes combined with unchanged lending spreads and wider deposit spreads, there was a rise in net interest income from 2014. Volume-weighted spreads increased from 1.18 per cent in 2014 to 1.25 per cent in 2015.

In consequence of continued high volatility through 2015, there was strong demand for foreign exchange and interest rate and commodity hedging products, which generated increasing income. In addition, there was a high level of activity in arranging debt capital issues and within syndication. Costs and losses related to measures to reduce risk-weighted assets had a negative impact on income towards the end of the year.

The depreciation of the Norwegian krone gave an estimated rise in operating expenses at the Group's international units of approximately NOK 500 million from 2014, measured in Norwegian kroner.

There was an increase in net impairment losses on loans compared with 2014, partly due to the exposure to oil-related industries. Net impairment represented 0.37 per cent of average loans in 2015, up 0.24 percentage points from the previous year. There was a 0.13 percentage point rise in individual impairment losses, to 0.33 per cent in 2015. Higher collective impairment losses accounted for the rest of the increase, reflecting weaker economic conditions. Net non-performing and doubtful loans and guarantees amounted to NOK 9.5 billion at end-December 2015, compared with NOK 11.6 billion a year earlier.

DNB aims to raise profitability in spite of strong competition for the most profitable customers. Competitive conditions are affected by different capital requirements for banks. Profitability will be achieved through active portfolio management and by giving priority to the right customers, where there is a potential for selling a broad range of the bank's products and services. DNB aspires to become a strategic adviser for a greater number of customers by capital-ising on the bank's industry expertise and adapting products and services to customers' overall financial needs. In order to achieve an attractive position as a primary bank, DNB must ensure that its full range of financial services is competitive

In consequence of stricter capital requirements combined with expectations of higher impairment losses, 2016 will be a challenging year for the large corporate segment in DNB. However, a positive trend is anticipated in interest rate spreads, and new loan transactions are expected to give a higher return on allocated capital in a longer-term perspective. Through its close relations with leading companies, DNB is well-positioned to increase its share of non-lending products and services within, for example, investment banking, trade finance and defined-contribution pensions.

TRADING

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

			Change	
Income statement in NOK million	**2015**	**2014**	**NOK mill.**	**%**
Total income	1 592	2 013	(421)	(20.9)
Operating expenses	(505)	(513)	8	1.5
Pre-tax operating profit	1 087	1 500	(413)	(27.6)
Profit for the year	804	1 095	(291)	(26.6)

Key figures in per cent		
Return on allocated capital [1]	11.2	16.1

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

Wider credit spreads reduced the market value of the bond portfolio during 2015, and income from market making and proprietary trading was thus lower than in the previous year. The decline in market values was partly offset by a rise in income from Norwegian fixed-income instruments and reduced provisions for counterparty risk on derivatives.

TRADITIONAL PENSION PRODUCTS

This segment comprises the portfolio of traditional defined-benefit pension products in DNB Livsforsikring. DNB no longer offers such products to new customers.

			Change	
Income statement in NOK million	**2015**	**2014**	**NOK mill.**	**%**
Upfront pricing of risk and guaranteed rate of return	535	647	(112)	(17.3)
Owner's share of administration result	203	128	75	58.7
Owner's share of risk result	257	275	(18)	(6.7)
Owner's share of interest result	(1 350)	(490)	(859)	175.3
Return on corporate portfolio	500	652	(152)	(23.4)
Pre-tax operating profit	145	1 212	(1 067)	(88.0)
Profit of the year	912	1 113	(201)	(18.1)

Key figures in per cent		
Cost/income ratio	76.7	34.2
Return on allocated capital [1]	5.1	6.6

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

There was a healthy profit trend in 2015, though operating profits were reduced by NOK 980 million due to a transfer from the risk equalisation fund to the policyholders' premium reserve. Adjusted for this transfer and the owner's contribution to the provisions for higher life expectancy, there was a rise in profits compared with the previous year.

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 and property investments. In addition, DNB Livsforsikring has purchased a portfolio of fixed-rate home mortgages from DNB Boligkreditt. The structure of the portfolios will help ensure that returns will cover the guaranteed rate of return over the next few years. In addition, DNB Livsforsikring has adapted its operations by winding up public sector operations as well as the sale of defined-benefit pensions and paid-up policies with guaranteed rates of return.

Each quarter, DNB Livsforsikring carries out a test to assess whether the company has adequate premium reserves. In the test, insurance provisions calculated on the basis of market rates and insurance liabilities calculated on the basis of the contracts' base rate (guaranteed rate of return) are compared. The test showed positive margins at end-December 2015.

In consequence of higher life expectancy, it will be necessary to strengthen the premium reserve for group pension insurance.

At end-December 2015, reserves for higher life expectancy totalled NOK 9.5 billion, while the total required increase in reserves is estimated at NOK 11.6 billion. Finanstilsynet (the Financial Supervisory Authority of Norway) has approved DNB Livsforsikring's escalation plan, whereby the risk equalisation fund will be used to cover parts of policyholders' share of the provisions. The income statement for 2015 was thus charged with NOK 980 million, which represents the transfer of a large part of the risk equalisation fund to the policyholders' premium reserve. The remaining required increase in reserves of NOK 2.1 billion will be financed during the period up to and including 2020. The owner will have to cover NOK 0.8 billion of this, while the remainder may be financed by the policyholders' interest result, provided that the return is adequate to cover both the rate of return guaranteed in the contracts and the required increase in reserves for higher life expectancy.

The fact that DNB Livsforsikring had already covered more than 80 per cent of the required increase in reserves for higher life expectancy at year-end 2015 gives the company a sound basis for providing its owner with strong profits also in the coming years.

CORPORATE SOCIAL RESPONSIBILITY

As Norway's largest bank, DNB wants to promote sustainable value creation by integrating ethical, environmental and social aspects into its business operations. DNB's policy and appurtenant guidelines for corporate social responsibility set the standards for all of the Group's work on both the observance and the further development of sustainable business operations. Read more about social responsibility and DNB's impact on the external environment in the chapter Responsible operations on page 48 and at dnb.no/en/about-us.

EMPLOYEES

Adapting to the new banking reality, with stricter capital adequacy requirements and rapid changes in customer behaviour, characterised organisational and leadership development in 2015. Systematic efforts were made within recruitment, employee development and mobility across organisational boundaries. Read more about this work and about the working environment, equality and diversity in the chapter Employees on page 66 and in note 22 Salaries and other personnel expenses in the annual accounts.

NEW REGULATORY FRAMEWORK

AGREEMENT ON EUROPEAN SUPERVISORY AUTHORITIES

Due to a stipulation in the Norwegian Constitution on limited access to transfer powers to international organisations, it has not been possible to incorporate the EU regulations establishing the European supervisory authori¬ties, CRR/CRD IV, and a number of other legislative acts into the EEA agreement and Norwegian legislation. In the autumn of 2014, Norway and the EU agreed on a solution, but it has proved time-consuming to implement the specific technical adaptations to the EU legislation. The government aims to submit a proposition to Stortinget, the Norwegian parliament, on the European supervisory authorities and some important related legislative acts for consider¬ation in the spring of 2016. The required legislative amendments will probably enter into force on 1 July 2016. Parallel to this, the government is working to incorporate the remaining legislation on financial services in the course of 2016.

NEW CAPITAL AND LIQUIDITY REQUIREMENTS

Norway introduced new capital requirements as of 1 July 2013 as the first step in the adaptation to the EU capital requirements regulations, CRR/CRD IV. The capital requirements in Norway imply a gradual increase in the formal capital requirements up till 1 July 2016. As of 1 July 2015, the minimum common equity Tier 1 capital requirement, including the buffer requirements, is 12 per cent for the three banks which the Norwegian authorities have defined as domestic systemically important, O-SIIs, and 11 per cent for other banks. As of 1 July 2016, this minimum requirement will increase to 13.5 per cent for the SIBs and to 11.5 per cent for the other banks.

The capital adequacy requirements for banks consist of two pillars. Pillar 1 encompasses minimum requirements and buffer requirements determined by the political authorities. Finanstilsynet's expectations in the form of Pillar 2 requirements come in addition to this and will reflect institution-specific capital requirements relating to risks which are not covered or only partly covered by Pillar 1. The Pillar 2 requirement for DNB has been set at 1.5 per cent. The total common equity Tier 1 capital requirement for DNB will thus be 15 per cent at year-end 2016. DNB will fulfil this requirement through retained earnings and capital efficiency measures.

In order to be prepared for a possible implementation of future new EU regulations, the Ministry of Finance has asked Finanstilsynet to prepare prospective rules on a non-risk based capital requirement in Norway, including definitions of the numerator and the denominator in the capital equation. Finans-tilsynet has also been asked to consider the most appropriate capital level for Norwegian banks, mortgage institutions and parent companies in financial undertakings, including whether such levels should be differentiated, given that a non-risk based capital requirement will be introduced without replacing other capital requirements. Finanstilsynet's deadline is 31 March 2016.

The EU capital requirements regulations include stipulations on the Liquidity Coverage Ratio, LCR. In Norway, the Ministry of Finance has decided to introduce the LCR ahead of the EU schedule. The O-SIIs are required to meet the 100 per cent LCR requirement as early as from 31 December 2015. For other banks, the requirement will be phased in by 70 per cent as of 31 December 2015, 80 per cent as of 31 December 2016 and 100 per cent as of 31 December 2017.

NEW CRISIS MANAGEMENT REGULATIONS

On 1 January 2015, the EU introduced regulations for the winding-up and restructuring of banks, the Bank Recovery and Resolution Directive, BRRD. The directive will also apply to Norway through the EEA agreement. The purpose of the BRRD is to facilitate the winding-up of even the largest banks without an injection of government funds. The continuity of systemically important functions will be ensured through the recapitalisation of the entire or parts of a bank by writing down or converting into share capital the bank's subordinated loans and unsecured senior debt (bail-in).

Under the BRRD, each country will establish a national resolution fund. In accordance with the revised Deposit Guarantee Directive, each country must also have a deposit guarantee fund. Norway already has one of the best capitalised deposit guarantee funds in Europe with funds that are well above the combined EU requirements for the deposit guarantee fund and the resolution fund of 1.8 per cent of guaranteed deposits.

The implementation of the BRRD and the revised deposit guarantee directive will require extensive changes in the Norwegian crisis solution system, including the rules on public administration and the role of the Norwegian Banks' Guarantee Fund. The Banking Law Commission is considering how the directives can be implemented in Norwegian law. This process and the work on draft legislation will probably be finalised in the course of the first half of 2016.

CARD-BASED PAYMENT TRANSACTIONS

The Ministry of Finance has circulated for comment proposed rules to be implemented in Norwegian law corresponding to the EU regulation on interchange fees for card-based payment transactions ("interchange"). For debit card purchases, banks will not be allowed to charge a fee exceeding 0.2 per cent of the transaction value, while the maximum fee for credit card purchases will be 0.3 per cent. This will result in a reduction in banks' income from payment card transactions. Finanstilsynet recommends that the maximum rates for interchange fees be introduced in Norway as of 1 July 2016. In the EU, the rules were approved in April 2015, and the maximum fees became effective in December 2015.

SOLVENCY II

As of 1 January 2016, new solvency regulations for European insurance companies called Solvency II will be implemented. The Solvency II Directive specifies both how the solvency capital requirement should be calculated and how insurance provisions and the companies' solvency capital should be determined. Capital requirements will increase under Solvency II, especially with regard to long-term financial guarantee insurance contracts. Transitional rules have thus been proposed. The transitional rules for Norwegian life insurance companies were adopted in the autumn of 2015 and include rules whereby there will be a 16-year phase-in period for insurance provisions and a reduced capital requirement for equities. DNB Livsforsikring has been given permission by Finanstilsynet to use the transitional rules for insurance provisions.

MACROECONOMIC DEVELOPMENTS

Economic growth in the industrialised countries was 1.8 per cent in 2015, which was approximately on a level with 2014. While GDP rose by 2.5 per cent in the United States and the United Kingdom, it increased by only 0.75 and 1.5 per cent in Japan and the eurozone, respectively. Growth rates in smaller countries ranged from zero in Finland to well over 3 per cent in Sweden and 6 per cent in Ireland.

Unemployment in the United States and the United Kingdom is close to record low levels, while many countries in the eurozone still have high unemployment rates. The Federal Reserve has started its planned interest rate hike cycle, and the Bank of England is expected to follow suit later this year. It will probably be several years before the European Central Bank (ECB) raises interest rates.

2015 was an eventful year for China. Growth dropped to just below 7 per cent, the stock market bubble burst, capital flowed out of the country, and the exchange rate depreciated. However, the feared economic hard landing did not materialise. The service industry remained stable and household consumption expenditure was not significantly affected by the financial turmoil. Even though the situation is expected to remain relatively unchanged in 2016, there will still be considerable uncertainty surrounding developments in China, and this has influenced the financial markets since the start of 2016.

During the second half of 2015, the situation in Brazil worsened. On an annual basis, GDP is expected to decline by almost 4 per cent. Unemployment levels are rising rapidly, inflation is escalating, and real wages are falling. Government finances have deteriorated considerably, and the political situation is very challenging. GDP may fall as much in 2016 as in 2015.

The drop in oil prices and the sanctions resulting from the Ukraine crisis have had a serious negative impact on Russia. Export and government revenues have fallen, the rouble has plunged and inflation has spiralled. Rising interest rates, reduced purchasing power and a negative economic outlook have reduced domestic demand, particularly investment. GDP has dropped for five consecutive quarters. The recession in Russia has also had a negative impact on the Baltic States, where GDP growth decreased sharply in 2015. The effects are probably temporary. Exporters are already looking towards new markets, while sound fundamental conditions are bolstering domestic demand. In addition, government finances are solid.

Growth in the Norwegian economy was almost halved in 2015, primarily due to lower demand from the petroleum sector. The fall in the price of oil has exacerbated the decline in petroleum investments, dampened the rise in costs in the supplier industry, curbed optimism among companies and households, and reduced government and private revenues. Unemployment rose to 4.6 per cent in 2015, but with large regional and occupational variations. Even if oil prices recover in 2016, further reductions in oil investments are expected. Moreover, lower activity in countries such as Brazil is affecting suppliers. However, the Norwegian economy has buffers that limit the negative economic impact. Budget policy has become more expansionary, and there is still ample manoeuvrability. With respect to monetary policy, interest rates have been lowered and the Norwegian krone has depreciated. Further interest rate cuts are expected. The employers' and employees' organisations cooperate well and have succeeded in taking many different considerations into account. Mainland growth in 2016 is forecast at 1.2 per cent, roughly on a level with 2015.

Housing prices rose by 7.2 per cent in 2015, with slightly slower growth throughout the year. Oil-intensive areas, such as Stavanger, experienced a fall in housing prices, whereas housing prices in

Oslo rose by 11 per cent. Increasing unemployment and lower income growth will put pressure on housing prices in several regions in Norway. Lower interest rates, reduced housebuilding activity and rising population growth will contribute to sustaining housing prices.

FUTURE PROSPECTS

Economic forecasts for 2016 indicate moderate global economic growth. In particular, it looks as though the United States will experience renewed growth, followed by the United Kingdom. In Norway, reduced petroleum activity in consequence of the falling oil prices will dampen investment activity in a number of mainland companies, make households more cautious and contribute to moderate wage settlements. Nevertheless, slight economic growth is expected in Norway. A weaker Norwegian krone will be positive for Norwegian export sectors, while budget policy has become more expansionary.

DNB presented its updated financial ambitions at the Capital Markets Day in November 2015. The principal target is still to achieve a return on equity above 12 per cent. Parallel to this, the Group has to attain a common equity Tier 1 capital ratio of minimum 15 per cent from year-end 2016. In addition, the Group aspires to have a cost/income ratio below 40 per cent towards 2018 and a dividend payout ratio of more than 50 per cent once the capital adequacy target has been reached. Several factors will help DNB meet these targets. Strong emphasis on profitability through strict cost control, dynamic management of the credit portfolio and an increased focus on capital-light products will form the basis for a positive profit trend.

Stable volume-weighted spreads are anticipated in 2016, while lending volumes are expected to rise at an annual rate of 2 to 3 per cent. DNB aims to increase commission and fee income by minimum 3 per cent per year. Average impairment losses are expected to be roughly at normalised levels during the 2016-2019 period. However, impairment losses will vary from year to year and from quarter to quarter and may be somewhat above the normalised level at the start of the period. The tax rate is expected to be 24 per cent in 2016 and 2017 and 21 per cent in 2018. DNB is well capitalised, but will continue to build Tier 1 capital organically in accordance with the authorities' requirement of 15 per cent by year-end 2016. The significant build-up of capital through 2015 increases the probability of an increase in the dividend payout ratio to a level above 50 per cent for 2017.

DIVIDENDS AND ALLOCATION OF PROFITS

DNB's Board of Directors has approved a dividend policy which aims to provide an attractive and competitive return for shareholders through a combination of increases in the share price and dividend payments. DNB is well capitalised, but will continue to build Tier 1 capital organically in order to meet the statutory require-ment of 15 per cent by year-end 2016. The significant build-up of capital through 2015 increases the probability of an increase in the dividend payout ratio to a level above 50 per cent for 2017.

When considering the dividend proposal for 2015, the Board of Directors has taken the regulatory capital adequacy requirements for the coming years into account. The Board of Directors has thus proposed a dividend for 2015 of NOK 4.50 per share. The proposed dividend gives a dividend yield of 4.1 per cent based on a share price of NOK 109.80 as at 31 December 2015 and implies that DNB ASA will distribute a total of NOK 7 330 million in dividends for 2015. The payout ratio represents 30 per cent of profits. A dividend of NOK 3.80 per share was paid for 2014.

In connection with the satisfactory attainment of the Group's financial targets, the Board of Directors has decided to make allocations of NOK 246 million to the Group's employees.

Allocations

Profits for 2015 in DNB ASA came to NOK 5 916 million, compared with NOK 6 438 million in 2014. The profits for 2015 attributed mainly to the transfer of group contributions from subsidiaries.

Amounts in NOK million	**2015**	**2014**
Profit for the year	5 916	6 438
Proposed dividend per share (NOK)	4.50	3.80
Share dividend	7 330	6 189
Transfers to other equity	(1 414)	249
Total allocations	**5 916**	**6 438**

In addition, the Board of Directors proposes allocating a group contribution of NOK 1 500 million before tax to DNB Livsforsikring AS, which represents NOK 1 095 million after tax. At the same time, DNB ASA will receive a group contribution of NOK 1 095 million from DNB Livsforsikring AS.

The DNB Group's capital adequacy ratio as at 31 December 2015 was 17.8 per cent, while the common equity Tier 1 capital ratio was 14.4 per cent. In the opinion of the Board of Directors, following allocations, DNB ASA will have adequate financial strength and flexibility to provide sufficient support to operations in subsidiaries and meet the Group's expansion requirements and changes in external parameters.

Oslo, 16 March 2016
The Board of Directors of DNB ASA

Anne Carine Tanum
(chairman)

Tore Olaf Rimmereid
(vice-chairman)

Jarle Bergo

Carl A. Løvvik

Vigdis Mathisen

Jaan Ivar Semlitsch

Berit Svendsen

Rune Bjerke
(group chief executive)

CONTENTS – ANNUAL ACCOUNTS

DNB Group

DNB ASA

INCOME STATEMENT

			DNB Group
Amounts in NOK million	Note	2015	2014
Total interest income	18	57 532	61 445
Total interest expenses	18	(22 174)	(28 959)
Net interest income	18	**35 358**	**32 487**
Commission and fee income etc.	20	11 963	11 565
Commission and fee expenses etc.	20	(3 101)	(2 597)
Net gains on financial instruments at fair value	21	8 683	5 317
Net financial result, DNB Livsforsikring		(1 251)	(79)
Net risk result, DNB Livsforsikring		861	688
Net insurance result, DNB Forsikring		521	491
Profit from investments accounted for by the equity method	37	(72)	226
Net gains on investment property	36	269	82
Other income		762	1 182
Net other operating income		**18 635**	**16 877**
Total income		**53 993**	**49 363**
Salaries and other personnel expenses	22	(9 822)	(10 872)
Other expenses	23	(7 790)	(7 645)
Depreciation and impairment of fixed and intangible assets	24	(2 298)	(2 158)
Total operating expenses		**(19 910)**	**(20 675)**
Pre-tax operating profit before impairment		**34 083**	**28 689**
Net gains on fixed and intangible assets		45	52
Impairment of loans and guarantees	9, 10	(2 270)	(1 639)
Pre-tax operating profit		**31 858**	**27 102**
Tax expense	26	(7 045)	(6 463)
Profit from operations held for sale, after taxes		(51)	(22)
Profit for the year		**24 762**	**20 617**
Portion attributable to shareholders		24 388	20 617
Portion attributable to additional Tier 1 capital holders		374	
Profit for the year		**24 762**	**20 617**
Earnings/diluted earnings per share (NOK)	49	14.98	12.67
Earnings per share for operations held for sale (NOK)	49	(0.03)	(0.01)
Earnings per share for continuing operations excluding operations held for sale (NOK)	49	15.01	12.68

COMPREHENSIVE INCOME STATEMENT

		DNB Group
Amounts in NOK million	2015	2014
Profit for the year	**24 762**	**20 617**
Actuarial gains and losses, net of tax	673	(2 101)
Property revaluation	(204)	191
Elements of other comprehensive income allocated to customers (life insurance)	204	(191)
Other comprehensive income that will not be reclassified to profit or loss, net of tax	673	(2 101)
Currency translation of foreign operations	9 612	7 149
Hedging of net investment, net of tax	(6 203)	(4 526)
Other comprehensive income investments according to the equity method	889	
Other comprehensive income that may subsequently be reclassified to profit or loss, net of tax	4 298	2 623
Other comprehensive income for the year	**4 972**	**522**
Comprehensive income for the year	**29 734**	**21 138**

1) DNB has 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 December 2015 a gain of NOK 889 million was recognised in other comprehensive income. On the realisation date, the increase in value of other comprehensive income will be recorded in profit and loss as "Profit from investments accounted for by the equity method". See note 37.

BALANCE SHEET

Amounts in NOK million	Note	DNB Group 31 Dec. 2015	 31 Dec. 2014
Assets			
Cash and deposits with central banks	27, 28, 29	19 317	58 505
Due from credit institutions	6, 7, 27, 28, 29, 30	301 216	373 409
Loans to customers	6, 7, 27, 28, 29, 30	1 542 744	1 438 839
Commercial paper and bonds at fair value	27, 29, 33	289 695	268 302
Shareholdings	27, 29, 31, 33	19 341	26 870
Financial assets, customers bearing the risk	27, 29, 34	49 679	42 866
Financial derivatives	15, 27, 29, 30	203 029	235 736
Commercial paper and bonds, held to maturity	27, 28, 35	105 224	118 667
Investment property	36	16 734	30 404
Investments accounted for by the equity method	37	9 525	5 866
Intangible assets	38	6 076	6 286
Deferred tax assets	26	1 151	1 213
Fixed assets	39	8 860	13 830
Assets held for sale		200	692
Other assets	41	25 739	27 855
Total assets		**2 598 530**	**2 649 341**
Liabilities and equity			
Due to credit institutions	27, 28, 29, 30	161 537	214 214
Deposits from customers	27, 28, 29, 30, 42	944 428	941 534
Financial derivatives	15, 27, 29, 30	154 663	184 971
Debt securities issued	27, 28, 29, 43	804 928	812 025
Insurance liabilities, customers bearing the risk	17, 34	49 679	42 866
Liabilities to life insurance policyholders in DNB Livsforsikring	17	208 949	216 799
Insurance liabilities, Forsikring	17	2 085	1 964
Payable taxes	26	2 093	1 723
Deferred taxes	26	7 556	6 018
Other liabilities	27, 45	37 675	31 908
Liabilities held for sale		71	100
Provisions		1 285	1 172
Pension commitments	25	2 549	6 006
Subordinated loan capital	27, 28, 29, 44	30 953	29 319
Total liabilities		**2 408 451**	**2 490 619**
Share capital		16 257	16 273
Share premium		22 609	22 609
Additional Tier 1 capital		8 353	
Other equity		142 860	119 841
Total equity	46	**190 078**	**158 723**
Total liabilities and equity		**2 598 530**	**2 649 341**
Off-balance sheet transactions and contingencies	51		

Due to changes in principles, some comparative figures have been restated. See note 1 Accounting principles.

STATEMENT OF CHANGES IN EQUITY

DNB Group

Amounts in NOK million	Share capital [1]	Share premium	Additional Tier 1 capital	Actuarial gains and losses	Currency translation reserve	Net investment hedge reserve	Other equity [1]	Total equity [1]
Balance sheet as at 31 December 2013	**16 278**	**22 609**		**(1 147)**	**1 404**	**(1 119)**	**103 918**	**141 944**
Profit for the period							20 617	20 617
Other comprehensive income				(2 101)	7 149	(4 526)	191	713
OCI allocated to customers (life insurance)							(191)	(191)
Comprehensive income for the period				(2 101)	7 149	(4 526)	20 617	21 138
Currency translation reserve taken to income					118		(29)	89
Dividends paid for 2013 (NOK 2.70 per share)							(4 398)	(4 398)
Net purchase of treasury shares	(5)						(45)	(50)
Balance sheet as at 31 December 2014	**16 273**	**22 609**		**(3 247)**	**8 671**	**(5 645)**	**120 063**	**158 723**
Profit for the period			374				24 388	24 762
Other comprehensive income				673	9 612	(6 203)	685	4 767
OCI allocated to customers (life insurance)							204	204
Comprehensive income for the period			374	673	9 612	(6 203)	25 276	29 734
Defined-benefit pension scheme discontinued [2]				2 049			(2 049)	
Currency translation reserve taken to income					34		4	38
Additional Tier 1 capital issued			8 053				(31)	8 023
Interest payments additional Tier 1 capital			(75)					(75)
Dividends paid for 2014 (NOK 3.80 per share)							(6 189)	(6 189)
Net purchase of treasury shares	(16)						(157)	(173)
Balance sheet as at 31 December 2015	**16 257**	**22 609**	**8 353**	**(525)**	**18 317**	**(11 848)**	**136 916**	**190 078**

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

	Share capital	Other equity	Total equity
Balance sheet as at 31 December 2014	*(15)*	*(142)*	*(157)*
Net purchase of treasury shares	*(16)*	*(157)*	*(173)*
Reversal of fair value adjustments through profit and loss		*(2)*	*(2)*
Balance sheet as at 31 December 2015	*(31)*	*(313)*	*(345)*

2) *In the fourth quarter of 2015 DNB decided to change the Group's pension scheme from a defined-benefit to a defined contribution scheme with effect from 31 December 2015. The change includes the majority of its employees in Norway who were members of the Group's closed defined-benefit scheme.*

CASH FLOW STATEMENT

		DNB Group
Amounts in NOK million	2015	2014
Operating activities		
Net payments on loans to customers	(50 866)	(50 439)
Interest received from customers	51 476	54 878
Net receipts/payments on deposits from customers	(37 827)	32 530
Interest paid to customers	(7 391)	(14 050)
Net receipts/payments on loans to credit institutions	18 246	(224 864)
Interest received from credit institutions	1 618	1 788
Interest paid to credit institutions	(1 359)	(2 120)
Net receipts/payments on the sale of financial assets for investment or trading	(2 479)	85 913
Interest received on bonds and commercial paper	4 719	5 654
Net receipts on commissions and fees	8 871	8 962
Payments to operations	(19 934)	(21 127)
Taxes paid	(2 575)	(2 993)
Receipts on premiums	19 233	21 291
Net payments on premium reserve transfers	(14 415)	(24 668)
Payments of insurance settlements	(14 820)	(14 601)
Other receipts/payments	4 411	(3 720)
Net cash flow from operating activities	**(43 092)**	**(147 566)**
Investment activities		
Netreceipts/payments on the acquisition/sales of fixed assets	2 979	(2 512)
Net receipts, investment property	2 833	566
Receipts on the sale of long-term investments in shares	76	463
Payments on the acquisition of long-term investments in shares		(50)
Dividends received on long-term investments in shares	6	172
Net cash flow from investment activities	**5 894**	**(1 360)**
Funding activities		
Receipts on issued bonds and commercial paper (see note 43)	3 142 451	1 463 719
Payments on redeemed bonds and commercial paper (see note 43)	(3 145 857)	(1 423 956)
Interest payment on issued bonds and commercial paper	(15 129)	(12 446)
Receipts on the raising of subordinated loan capital (see note 44)	3 805	
Redemptions of subordinated loan capital (see note 44)	(4 604)	
Interest payments on subordinated loan capital	(1 029)	(1 053)
Receipts on issued additional Tier 1 capital	8 023	
Interest payments on additional Tier 1 capital	(75)	
Dividend payments	(6 189)	(4 398)
Net cash flow from funding activities	**(18 604)**	**21 867**
Effects of exchange rate changes on cash and cash equivalents	**14 670**	**19 269**
Net cash flow	**(41 132)**	**(107 791)**
Cash as at 1 January	64 371	172 162
Net payments of cash	(41 132)	(107 791)
Cash as at 31 December *)	23 239	64 371

**)*	*Of which:* *Cash and deposits with central banks*	*19 317*	*58 505*
	Deposits with credit institutions with no agreed period of notice [1)]	*3 922*	*5 866*

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

The cash flow statement shows receipts and payments of cash and cash equivalents during the year. The statement has been prepared in accordance with the direct method. Cash flows are classified as operating activities, investment activities or funding activities. Balance sheet items are adjusted for the effects of exchange rate movements. Cash is defined as cash and deposits with central banks, and deposits with credit institutions with no agreed period of notice.

NOTE 1 Accounting principles

Corporate information
DNB ASA is a Norwegian public limited company listed on the Oslo Stock Exchange (Oslo Børs). The consolidated financial statements for 2015 were approved by the Board of Directors on 16 March 2016.

The DNB Group offers banking services, securities and investment services and insurance and asset management services in the Norwegian and international retail and corporate markets.

The visiting address to the Group's head office is Dronning Eufemias gate 30, Bjørvika, Oslo, Norway.

Basis for preparation
DNB has prepared the consolidated financial statements for 2015 in accordance with International Financial Reporting Standards (IFRSs), as issued by the International Accounting Standards Board (IASB) and endorsed by the European Union (EU).

The consolidated financial statements are based on the historic cost principle, with the following exceptions: financial assets and liabilities measured at fair value, investment properties and owner-used properties. The consolidated financial statements are presented in Norwegian kroner. Unless otherwise specified, all amounts are rounded to the nearest million.

The Group's consolidated balance sheets are primarily based on an assessment of the liquidity of the assets and liabilities.

Consolidation
The consolidated financial statements for DNB ASA ("DNB") include DNB Bank ASA, DNB Livsforsikring AS, DNB Asset Management Holding AS and DNB Forsikring AS, all including subsidiaries.

The accounting principles are applied consistently when consolidating ownership interests in subsidiaries and are based on the same reporting periods as those used for the parent company.

When preparing the consolidated financial statements, intra-group transactions and balances, along with gains and losses on transactions between group units, are eliminated.

Subsidiaries
Subsidiaries are defined as companies in which DNB, directly or indirectly, has control. Control over an entity is evidenced by the Group's ability to exercise its power in order to affect any variable returns that the Group is exposed to through its involvement with the entity. When assessing whether to consolidate an entity the Group evaluates a range of control factors, including

- the purpose and design of the entity,
- the relevant activities and how these are determined,
- whether the Group's rights result in the ability to direct the relevant activities
- whether the Group has exposure or right to variable returns
- whether the Group has the ability to use its power to affect its return

Where voting rights are relevant, the Group is deemed to have control where it holds, directly or indirectly, more than half of the voting rights in an entity, unless there is evidence that another investor has the practical ability to unilaterally direct the relevant activities. With respect to companies where the Group's holding represent less than half of the rights, DNB makes an assessment of whether other factors indicate de facto control. Subsidiaries are fully consolidated from the date on which control is obtained and until control ceases.

The non-controlling interests that do not meet the definition of equity are classified as financial liabilities in the balance sheet (Other liabilities).

<u>Consolidation of structured entities</u>
The Group engages in various business activities with structured entities which are designed to achieve a specific business purpose. A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity. An example is when voting rights relate to administrative tasks only, and the relevant activities are directed by means of contractual arrangements.

DNB (represented by DNB Livsforsikring) invests in both investment funds where DNB Asset Management is the fund manager and investment funds managed by unrelated asset managers. The principal uses of structured entities are to provide customers with access to specific portfolios of assets, especially in the insurance business. Fund managers apply various investment strategies to accomplish their respective investment objectives. Most of the investment funds finance their operations by issuing redeemable shares which are redeemable at the holder's option and entitle the holder to a proportional stake in the respective fund's net assets. DNB's investment strategy entails trading in funds on a regular basis, with the objective to achieve long-term capital growth.

Structured entities are consolidated when the substance of the relationship between the Group and the structured entities indicate that the structured entities are controlled by the Group due to contractual arrangements.

See Note 31 Shareholdings for information about unconsolidated structured entities.

NOTE 1 Accounting principles (continued)

Associated companies and joint arrangements

Associated companies are companies in which DNB has a significant influence, that is the power to participate in the financial and operating policy decisions of the companies, but is not in control or joint control of the companies. DNB assumes that significant influence exists when the Group holds between 20 and 50 per cent of the voting share capital or primary capital in another entity. Associated companies are recognised in the consolidated financial statements according to the equity method.

Joint arrangements are classified as either joint ventures or joint operations. When accounting for joint ventures, the equity method is applied. For joint operations, the parties recognise their rights to assets and liabilities in their balance sheets and recognise their share of income and costs incurred jointly in their income statements. DNB has assessed its joint arrangements and determined them to be joint ventures.

Under the equity method of accounting, the investment is recognised at cost at the time of acquisition and is adjusted for subsequent changes in the Group's share of equity in the associated company or joint venture. Any goodwill is included in the acquisition cost. The Group's share of profits or losses is recognised in the income statement and added to the cost price of the investment along with other changes in equity which have not been reflected in the income statement. The Group's share of losses is not reflected in the income statement if the carrying amount of the investment will be negative, unless the Group has taken on commitments or issued guarantees for the commitments of the associated company or joint venture.

At the end of each reporting period the Group assess whether any indication of impairment exists. If such indication exists, the investment will be tested for impairment. The carrying value of the investment will be compared with the recoverable amount (the higher of fair value less costs to sell and value in use). If necessary, the carrying value will be written down to the recoverable amount.

The Group's share of unrealised gains on transactions between the Group and its associated companies or joint ventures is eliminated. The same applies to unrealised losses unless the transaction indicates an impairment of the transferred assets.

Conversion of transactions in foreign currency

The presentation currency in the Group's consolidated financial statements is Norwegian kroner. The most significant subsidiary in the Group, DNB Bank ASA, has Norwegian kroner as its functional currency. Balance sheet items of foreign branches and subsidiaries in other functional currencies are translated into the presentation currency, Norwegian kroner, according to the exchange rates prevailing on the balance sheet date, while profit or loss items are translated according to exchange rates on the transaction date. Changes in net assets resulting from exchange rate movements are recognised in other comprehensive income.

Monetary assets and liabilities in foreign currency are translated into the entities' functional currency at the exchange rates prevailing on the balance sheet date. Changes in the carrying amount of such assets due to exchange rate movements between the transaction date and the balance sheet date, are recognised in the income statement.

Segment information

Financial governance in DNB is adapted to the different customer segments. The follow-up of total customer relationships and segment profitability are two important dimensions when making strategic priorities and deciding where to allocate the Group's resources. Reported figures for the various segments reflect the Group's total sales of products and services to the specific segment.

The segment information has been prepared on the basis of internal financial reporting to the group management team (chief operating decision-making body) for an assessment of developments and the allocation of resources. Figures for the operating segments are based on DNB's management model and the Group's accounting principles. The figures are based on a number of assumptions, estimates and judgmental distribution.

According to DNB's management model, the operating segments are independent profit centres that are fully responsible for their profit after tax and for achieving the targeted returns on allocated capital. All of the Group's customer activities are divided among the operating segments, along with the related balance-sheet items, income and expenses.

Excess liquidity and liquidity deficits in the operating segments are placed in or borrowed from the Group Treasury at market terms, where interest rates are based on duration and the Group's financial position.

When operating segments cooperate on the delivery of financial services to customers, internal deliveries are based on market prices.

Services provided by group services and staff units are charged to the operating segments in accordance with service agreements. Joint expenses which are indirectly linked to activities in the operating segments, are charged to the operating segments on the basis of distribution formulas.

A number of key functions and profits from activities not related to the operating segments' strategic operations are presented within the Group units. This item comprises income and expenses relating to the Group's liquidity management, income from investments in equity instruments not included in the trading portfolio, interest income assigned to the Group's unallocated capital, ownership-related expenses and income from the management of the bank's real estate portfolio.

Net profits from repossessed operations which are fully consolidated in the Group are presented as "Profit from repossessed operations" in the segment reporting. The effect of consolidation of the repossessed companies is presented within the Group units.

Return on capital is estimated on the basis of internal measurement of risk-adjusted capital requirements. See note 2 Segments for further information about the principles for allocation of capital.

NOTE 1 Accounting principles (continued)

Recognition in the income statement and in other comprehensive income

Interest income is recognised using the effective interest method. This implies that interest is recognised when incurred, with the addition of amortised front-end fees and any other fees which are regarded as an integral part of the effective interest rate.

The effective interest rate is set by discounting contractual cash flows based on the expected life of the asset. Cash flows include front-end fees and direct transaction costs which are not paid directly by the customer.

Interest is recognised according to the effective interest method with respect to both balance sheet items carried at amortised cost and balance sheet items carried at fair value in the income statement, with the exception of front-end fees on loans at fair value, which are recognised when earned. Interest on impaired loans corresponds to the effective interest rate on the book value, net of impairment.

Interest income on financial instruments presented as lending is recognised in "Net interest income".

"Net other operating income" includes, among others, fees and commissions relating to money transfers, asset management, including success fees, credit broking, real estate broking, corporate finance, securities services, insurance products and lease income from investment properties. Credit broking commissions include syndication income in the form of fees and commissions from transactions where DNB arranges the loans without retaining parts of the loan itself or participates in a loan syndicate and receives compensation in excess of the effective interest received by the other participants. Fees which are not included in effective interest rate calculations, as well as commissions, are recognised during the period when the services are rendered or the transactions are completed.

Success fees are recognised when the fees with a high degree of certainty have been earned and can be measured in a reliable manner.

Fees that are incurred when establishing financial guarantees are recognised over the term of the contract within the line item "Net gains on financial instruments at fair value".

Dividends on investments are recognised from the date the dividends are approved at the general meeting.

Income from net profit on financial instruments carried at fair value through profit or loss is described under Financial instruments while net income from investment property is described under Investment property and fixed assets.

Items of income and expense in other comprehensive income are grouped based on whether or not they can be reclassified to the income statement, at a future date.

Financial instruments

Recognition and derecognition

Recognition of assets and liabilities

Financial assets and liabilities are recognised in the balance sheet on the trading date, i.e. the date that the Group becomes a party to the contractual provisions of the financial instrument.

Derecognition of financial assets

Financial assets are derecognised when the right to receive and retain cash flows from the asset has expired or been transferred. The Group enters into certain transactions where it transfers assets recognised on its balance sheet, but retains either all or parts the risks and rewards of the transferred asset. If all or substantially all of the risks and rewards are retained, the transferred financial asset is not derecognised from the balance sheet, but reclassified to separate assets or liabilities reflecting the rights and obligations created or retained in the transfer. Such transactions could entail the transfer of a loan portfolio where the Group retains the risks and returns associated with the transferred portfolio by guaranteeing for all risks in the portfolio or entering into a total return swap.

Derecognition of financial liabilities

Financial liabilities are derecognised when the contractual obligations have been discharged, cancelled or have expired.

Repurchase and reverse repurchase agreements

Securities purchased under agreements to resell are generally not recognised in the financial statements as the risk and returns are normally not taken over by the Group. This is done irrespective of whether the Group has the right to sell or repledge the securities. Upon the sale of securities received, the Group recognises an obligation in the balance sheet. For more information, see note 33 Securities received which can be sold or repledged.

Securities sold under agreements to repurchase are generally not derecognised as the risk and returns are normally not transferred. This is done irrespective of whether the recipient is entitled to sell or repledge the securities. These securities are presented as securities in the Group's balance sheet and are specified in note 32 Transferred assets or assets with other restrictions.

Securities borrowing and lending agreements

Transactions mainly include equity borrowing or lending. Agreements on securities borrowing and lending are generally based on collateral in the form of cash or securities.

Equities which have been received or transferred in such transactions, are generally not recognised or derecognised, as risks and returns associated with ownership of the assets are normally not taken over or transferred.

NOTE 1 Accounting principles (continued)

Equities received, including equities received as collateral, are registered off the balance sheet irrespective of whether the Group has the right to sell or repledge the securities. Upon the sale of securities received, the Group will recognise an obligation in the balance sheet. For more information, see note 33 Securities received which can be sold or repledged.

Transferred equities and collateral which the recipient is entitled to sell or repledge, are presented as equities or securities in the Group's balance sheet and are specified in note 32 Transferred assets or assets with other restrictions.

Classification and presentation

On initial recognition financial assets are classified in one of the following categories according to the type of instrument and the purpose of the investment:

- financial assets held for trading and derivatives carried at fair value with changes in value recognised in profit or loss (trading portfolio)
- financial assets designated as at fair value with changes in value recognised in profit or loss
- financial derivatives designated as hedging instruments
- loans and receivables, carried at amortised cost
- held-to-maturity investments, carried at amortised cost
- financial assets available for sale carried at fair value with changes in value recognised in other comprehensive income

On initial recognition financial liabilities are classified in one of the following categories:

- financial liabilities held for trading and derivatives carried at fair value with changes in value recognised in profit or loss (trading portfolio)
- financial liabilities designated as at fair value with changes in value recognised in profit or loss
- financial derivatives designated as hedging instruments
- other financial liabilities carried at amortised cost

Guidelines for classification in the various portfolios of the DNB Group are given below.

<u>Financial assets and liabilities in the trading portfolio</u>
Financial instruments in the trading portfolio are initially recognised at fair value. See the paragraph below on determining fair value at subsequent valuation.

Changes in the fair value of the financial instruments are presented within "Net gains on financial instruments at fair value" in the income statement. Interest income and interest expenses from interest-bearing securities are presented within "Net interest income".

Changes in the fair value of financial instruments within life insurance are presented within the line item "Net financial result, DNB Livsforsikring".

Financial derivatives are presented as an asset if the fair value is positive and as a liability if the fair value is negative.

The trading portfolio mainly includes financial assets and liabilities in Markets and financial derivatives not used for hedge accounting purposes. In addition, the portfolio includes securities borrowing and deposits that are used actively in interest rate and liquidity management and have a short remaining maturity.

<u>Financial assets and liabilities designated as at fair value with changes in value recognised in profit or loss</u>
Financial instruments in the portfolio are recognised at fair value. See the paragraph below on determining fair value at subsequent valuation. Financial instruments are classified in this category if one of the following criteria is fulfilled:

- The classification eliminates or significantly reduces measurement or recognition inconsistency that would otherwise arise from measuring financial assets or liabilities or recognising the gains and losses on them on different bases
- The financial instruments are part of a portfolio that is managed and evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.

Changes in fair value of the financial instruments are presented within "Net gains on financial instruments at fair value" in the income statement. Interest income and interest expenses on loans designated as at fair value and other fixed-income securities are presented within "Net interest income".

Changes in fair value of financial instruments within life insurance are presented within the line item "Net financial result, DNB Livsforsikring".

The portfolios include commercial paper, bonds, equities, fixed-rate loans in Norwegian kroner, financial assets - customers bearing the risk, current financial assets within life insurance, fixed-rate securities issued in Norwegian kroner, such as index-linked bonds and equity-linked bank deposits and other fixed-rate deposits in Norwegian kroner.

<u>Financial derivatives designated as hedging instruments</u>
The Group enters into hedging transactions to manage interest rate risk on long-term borrowings and deposits in foreign currencies. These transactions are recognised as fair value hedges. See item Hedge accounting.

NOTE 1 Accounting principles (continued)

Loans and receivables carried at amortised cost

Loans and receivables carried at amortised cost are recognised at the transaction price plus direct transaction expenses. Recognition and subsequent measurement follow the effective interest method. The effective interest method is described under Recognition in the income statement and in other comprehensive income. Upon subsequent measurement, amortised cost is set at the net present value of contractual cash flows based on the expected life of the financial instrument, discounted by the effective interest rate.

Interest income on financial instruments classified as lending is presented within "Net interest income" using the effective interest method.

A decrease in value on the balance sheet date based on objective indications of impairment for loans valued at amortised cost and in the portfolios of fixed-rate loans measured at fair value, are presented within "Impairment of loans and guarantees".

Other changes in value of the portfolios of fixed-rate loans measured at fair value, and changes in value of loans included in the trading portfolio are presented within "Net gains on financial instruments at fair value".

Held-to-maturity investments carried at amortised cost

Held-to-maturity investments are carried at amortised cost and recognised at the transaction price plus direct transaction expenses. Recognition and subsequent measurement follow the effective interest method. The effective interest method is described under Recognition in the income statement and in other comprehensive income.

Upon subsequent measurement, amortised cost is set at the net present value of contractual cash flows based on the expected life of the financial instrument, discounted by the effective interest rate.

Interest income relating to the instruments is presented within "Net interest income".

This category mainly comprises the international bond portfolio in DNB Markets and investments in bonds in DNB Livsforsikring.

Financial assets available for sale carried at fair value with changes in value recognised in other comprehensive income

Financial assets in the available for sale category are recognised at fair value with the subsequent change in fair value presented in other comprehensive income. See the paragraph below about the determination of fair value. At the time of realisation the change in fair value shall be included as a part of the gain that is presented in the income statement. Financial assets are classified in this category due to the fact that they do not meet the criteria for being classified in any of the other categories presented above.

Other financial liabilities carried at amortised cost

Financial liabilities carried at amortised cost are recognised at the transaction price plus direct transaction expenses.

Interest expenses on such instruments are presented within "Net interest income" using the effective interest method.

This category includes deposits from customers and credit institutions, commercial paper issued, bonds, subordinated loan capital and perpetual subordinated loan capital securities.

Issued financial guarantees

Contracts resulting in the Group having to reimburse the holder for a loss incurred because a specific debtor fails to make payment when due, are classified as issued financial guarantees.

On initial recognition, issued financial guarantees are recognised at the consideration received for the guarantee.

Issued financial guarantees are subsequently measured at the higher of the consideration received for the guarantee excluding any amortised amounts recognised in the income statement and the best estimate of the consideration due if the guarantee is honoured.

When issuing financial guarantees, the consideration for the guarantee is presented within the line item "Provisions" in the balance sheet. Changes in the carrying amount of financial guarantees are recognised within the line item "Net gains on financial instruments at fair value", except for changes related to guarantees which are part of loans which are individually impaired. Changes in the value of such guarantee contracts are recognised within the line item "Impairment of loans and guarantees".

Financial instruments with the characteristics of equity

Issued additional Tier 1 capital instruments are instruments where DNB has a unilateral right not to repay interest or the principal to the investors. As a consequence of these terms, the instruments do not meet the requirements for a liability and are therefore presented on the line Additional Tier 1 capital within the Group's equity. Transaction expenses and accrued interest are presented as a reduction in Other equity, while the advantage of the tax deduction for the interest will give an increase in Other equity.

Equity in foreign currency shall be converted to Norwegian kroner based on the exchange rate on the transaction date and is not subject to subsequent revaluation.

Offsetting

Financial assets and financial liabilities are offset and presented net in the balance sheet when the Group has a legally enforceable right to offset recognised amounts and has agreed to settle the balances on a net basis or to realise the asset and settle the liability simultaneously. Master netting agreements or similar agreements give the right to offset in the event of default. Such agreements reduce the Group's exposure in the event of default, but do not on their own qualify for offsetting in accordance with IFRS, as there also needs to be an intention to settle the contractual cash flows net on an ongoing basis. See note 30 Offsetting for details about the financial assets and financial liabilities subject to offsetting agreements.

NOTE 1 Accounting principles (continued)

Determination of fair value

Fair value is the price that would be received by selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Financial assets and liabilities in active markets are measured at the price within the bid-ask spread that is most representative of the fair value at the measurement date. In most cases bid or asking prices for these instruments are the most representative price for assets and liabilities respectively. Derivatives which are carried net are recognised at midmarket prices at the balance sheet date.

Financial instruments measured at fair value are valued on a daily basis with the exception of a few financial instruments that are valued on a monthly or quarterly basis. As far as possible, directly observable market prices are used. Valuations of the various types of financial instruments are based on well-acknowledged techniques and models. The prices and input parameters used are controlled and assessed based on established routines and control procedures.

The control environment for fair value measurement of financial instruments is an integrated part of the company's financial reporting. A number of controls are carried out on a daily basis, including controls of the day-one results on traded positions and controls of the key input parameters in the valuation. At the end of each month and quarter, extended controls are carried out to ensure that the valuations are consistent with the accounting policy for fair value including variation analyses. Special emphasis is placed on valuations in the level 3 in the valuation hierarchy, where the effects may be significant or particularly challenging. In addition, a description of valuation principles, quarterly effects and valuation challenges is prepared for key assets in this category and presented to the group management team, the Group Audit and the Audit Committee.

<u>Instruments traded in an active market</u>
With respect to instruments traded in an active market, quoted prices are used, obtained from a stock exchange, a broker or a price-setting agency.

A market is considered active if it is possible to obtain external, observable prices, exchange rates or interest rates and these prices represent actual and frequent market transactions.

Some investments in equities and commercial paper and bonds are traded in active markets.

<u>Instruments not traded in an active market</u>
Financial instruments not traded in an active market are valued according to different valuation techniques and are divided into two categories:

Valuation based on observable market data:

- recently observed transactions in the relevant instrument between informed, willing and independent parties
- instruments traded in an active market which are substantially similar to the instrument that is valued
- other valuation techniques where key parameters are based on observable market data.

Valuation based on other factors than observable market data:

- estimated cash flows
- valuation of assets and liabilities in companies
- models where key parameters are not based on observable market data
- possible industry standards

When using valuation techniques, the estimated fair values of financial OTC derivatives are adjusted for the counterparty's credit risk (CVA) or the Group's own credit risk (DVA). The Group estimates CVA as a function of a simulated expected positive exposure, the counterparty's probability of default and loss given default. The majority of the Group's derivative counterparties have no market-implied credit spread and no external rating. Internal ratings are therefore combined with historical credit default swap (CDS) spreads as well as current CDS indices to arrive at estimated CDS spreads. This means that the Group exploits its own credit models and their discriminatory power, but calibrates against pricing levels for similar credit risk among market participants. The DVA is based on the same approach, using an assessment of DNB's credit spread.

For financial instruments measured by using valuation techniques, a gain or loss might from time to time occur at initial recognition when the estimated fair value is different from the actual transaction price. When the measurement is based on non-observable input parameters (level 3), the gain or loss is deferred and therefore not recognised at day one. Fair value changes in later period are only recognised to the extent the change is caused by factors that market participants would take into account.

Impairment of financial assets

At end of each reporting period, the Group considers whether any objective evidence of impairment exists. A financial asset or group of financial assets is impaired if there is any objective evidence of impairment. Objective evidence of impairment includes:

- serious financial problems on the part of the debtor,
- non-payment or other serious breaches of contract,
- the probability that the debtor will enter into debt negotiations or
- other special circumstances that have occurred.

Renegotiation of loan terms to ease the position of the borrower qualifies as objective indications of impairment.

NOTE 1 Accounting principles (continued)

Individual impairment of loans
If objective evidence of impairment exists, impairment on loans are calculated as the difference between the carrying amount and the net present value of estimated future cash flows discounted by the original effective interest rate.

Individual impairment of loans reduces the carrying amount of loans and guarantees. Impairment during the period is recognised as "Impairment of loans and guarantees" in the profit or loss.

Collective impairment of loans
Loans which are not individually impaired are assessed collectively for impairment. The assessment is based on whether objective evidence of impairment exists that can be related to a group of financial assets.

Loans are grouped on the basis of similar credit risk characteristics and in accordance with the division of customers into sectors or industries and risk categories. Impairment is estimated per group of financial assets based on estimates of the general economic situation and loss experience for the respective groups.

Collective impairment reduces the carrying amount of the line item “Loans to customers” in the balance sheet. Changes during the period are recognised within the line item "Impairment of loans and guarantees" in the income statement. Like individual impairment, collective impairment is discounted. The discount factor is based on statistics derived from individual impairment. Interest is calculated on loans subject to collective impairment according to the same principles and experience base as for loans evaluated on an individual basis.

Repossession of assets
Assets which are repossessed as part of the management of non-performing and impaired loans are recognised at fair value at the time of acquisition. Such assets are recognised in the balance sheet according to the nature of the asset. Any difference between the carrying amount of the loan and the fair value of the asset is presented within the line item “Impairment of loans and guarantees” in the income statement. Subsequent valuations and presentation of the impact to the income statement follow the principles for the relevant balance sheet item.

Hedge accounting
When instruments are individually hedged, there is a clear, direct and documented correlation between changes in the value of the hedged item resulting from the hedged risk and changes in the value of the financial derivative (hedging instrument).

Upon entering into the hedging relationship, the correlation between the hedged item and the hedging instrument is documented. In addition, the underlying risk management objective and strategy are documented. Changes in fair value related to the hedged risk of the hedged item and instrument are evaluated periodically to ensure the necessary hedge effectiveness. Hedging instruments are recognised at fair value in the financial statements and changes in the fair value are presented within "Net gains on financial instruments at fair value" in the income statement.

Changes in the fair value of the hedged item attributable to the hedged risk will be recognised as an addition to or deduction from the balance sheet value of financial liabilities and assets and presented within "Net gains on financial instruments at fair value" in the income statement.

If the hedge relationship ceases or adequate hedge effectiveness cannot be verified, the accumulated change in fair value of the hedged item is amortised over the remaining maturity.

The Group undertakes hedging of investments in foreign subsidiaries to eliminate the currency risk on the invested amount. Hedging transactions are in the form of currency swaps or long-term borrowings in foreign currency. In the consolidated financial statement, the hedge relationships are presented as hedging of net investments in international operations.

Investment property and fixed assets
Properties held to generate profits through rental income or for an increase in value, are presented in the balance sheet as investment property. Properties which are mainly used for own operations, are presented as owner-used properties.

Other tangible assets are presented as fixed assets in the balance sheet.

On initial recognition, investment properties and owner-used properties are measured at cost including acquisition costs.

In subsequent periods, investment properties are measured at fair value. No annual depreciation is made on an investment property. Investment properties are valued at fair value using well-acknowledged valuation techniques. Internal and external expertise is used for valuations. A selection of external appraisals are obtained and compared with internal valuations for control purposes. In addition, analyses are made of changes from the previous period, as well as sensitivity analyses of key assumptions which are included in the overall evaluation of the fair value measurement. Providers of valuations are also followed up on an ongoing basis through dialogue and enquiries concerning the valuation of individual properties. A memo is prepared each quarter, describing the valuation of key investment properties. The memo is presented to the group management team, the Group Audit and the Audit Committee. Changes in fair value of investment property within life insurance are recognised within the line item "Net financial result, DNB Livsforsikring". Changes in fair value of other investment property in the Group are presented within the line item "Net gains on investment property" in the income statement.

NOTE 1 Accounting principles (continued)

Buildings which are owned by DNB Livsforsikring as part of the company's common portfolio and used by the Group, are recognised according to the revaluation model. The Group's return and risk on these buildings are different than for other buildings and are thus considered to be in a separate class with respect to accounting treatment. The buildings are depreciated on an ongoing basis and are measured at fair value at the end of the period. The fair value measurement of these buildings follows the same principle as for investment properties. Increases in the value of buildings for own use are recognised in other comprehensive income as a revaluation reserve. An impairment of the buildings' value is initially recognised towards a revaluation reserve which includes former positive revaluations of the relevant building. If the impairment loss exceeds the revaluation reserve, the remaining amount is recognised in the income statement.

Other tangible assets are measured at cost less accumulated depreciation and impairment losses. Cost includes expenses directly related to the acquisition of the asset. Subsequent expenses are capitalised on the relevant assets when it is probable that future economic benefits associated with the expenditure will flow to the Group and can be measured reliably. Expenses for repairs and maintenance are recognised in the income statement as they occur.

The residual values and useful lives of the assets are reviewed annually and adjusted if required. Gains and losses on the sale of fixed assets are recognised within the line item "Net gain on fixed and intangible assets" in the income statement.

Intangible assets

Goodwill

Goodwill is initially measured at the acquisition date, as the excess of the aggregate of the consideration transferred and the amount recognised for any non-controlling interest over the fair value of the identifiable assets acquired and liabilities assumed in a business combination. Goodwill acquired is allocated to each cash generating unit, or group of units, expected to benefit from the combination's synergies. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Development of IT systems and software

Acquired software is recognised at cost with the addition of expenses incurred to make the software ready for use. Identifiable costs for internally developed software controlled by the Group where it is probable that economic benefits will cover development expenses at the balance sheet date, are recognised as intangible assets. When assessing balance sheet values, the economic benefits are evaluated on the basis of profitability analyses. Development expenses include expenses covering pay to employees directly involved in the project, materials and a share of directly related overhead expenses. Expenses relating to maintenance of software and IT systems are charged to the income statement as they occur. Software expenses recognised in the balance sheet are depreciated according to a straight line principle over their expected useful life, usually five years. The assessment for whether there is a need for impairment is considered according to the principles described below.

Impairment of fixed and intangible assets

At end of each reporting period the Group considers whether any indication of impairment of fixed or intangible assets exists. If such indication exists, the recoverable amount of the asset is calculated to estimate possible impairment. Goodwill and intangible assets with an indefinite useful life are tested for impairment minimum once a year even if no indication of impairment exists. DNB has chosen to perform this annual test in the fourth quarter.

The recoverable amount represents the higher of an asset's fair value less costs to sell and its value in use. If the asset's carrying amount exceeds the estimated recoverable amount, the asset is written down to its recoverable amount. See note 38 Intangible assets for description of impairment testing.

The following relevant criteria are considered when assessing whether indications of impairment exists:

- a decline in the asset's market value
- changes in the long-term return requirement which may affect the discount rate used in the calculation of the asset's value in use
- plans to restructure or liquidate the asset
- the asset generates less income than anticipated.

When performing impairment tests for goodwill, the assessment of the appropriate cash-generating unit is based on where it is possible to identify and separate independent cash inflows relating to operations. A cash-generating unit may include goodwill from several transactions, and the impairment test of the unit includes all goodwill allocated to the unit.

Calculations of value in use are based on historical results and plan figures approved by management. On the basis of plan figures for the cash-generating units, a future cash flow is estimated, defined as the potential return to the owner. The return includes profits from operations adjusted for the need to build sufficient capital to meet expected future capital adequacy requirements. Higher capital requirements due to expanded operations could make it necessary to retain part of the profits or to inject more capital from the owner, if profits from operations are not adequate to build the necessary capital. Beyond the plan period, which is three years, cash flow trends are assumed to reflect market expectations for the type of operations carried out by the cash-generating unit. Future expected cash flows are established for a ten year period where the Gordons growth formula is used to estimate the terminal value to be included.

The required rate of return is based on an assessment of the market's required rate of return for the type of operations carried out by the cash-generating unit. The required rate of return reflects the risk of the operations. Goodwill from the acquisition of companies generating cash flows in foreign currencies is translated at exchange rates at the balance sheet date.

NOTE 1 Accounting principles (continued)

Liabilities to policyholders

Products offered by DNB Livsforsikring include group pension insurance, group association insurance, individual endowment insurance, individual annuity and pension insurance, products with a choice of investment profile, group life insurance and occupational injury insurance. In addition, DNB Livsforsikring offers individual risk non-life insurance, mainly statutory occupational injury insurance and appurtenant coverage.

Technical insurance reserves in life insurance

Technical insurance reserves, as defined in the Act on Insurance Activity, include the premium reserve, additional allocations, the market value adjustment reserve, the claims reserve, the risk equalisation fund and other technical reserves. In addition, the premium fund, deposit fund and the pensioners' surplus fund are included in insurance pro-visions. Apart from the risk equalisation fund, which is classified as equity, all insurance provisions are classified as liabilities to policyholders.

The premium reserve is a reserve to secure future insurance liabilities to policyholders and insured persons. The premium reserve represents the technical cash value, i.e. the net present value, of the company's total insurance liabilities including costs, less the cash value of future agreed premiums.

Additional allocations are a conditional allocation to policyholders where changes during the year are recognised in the income statement. The Insurance Act includes stipulations on the use and volume of additional allocations. According to these stipulations, maximum additional allocations per contract cannot exceed 12 per cent of the premium reserve for the contract. Actual allocations for the individual years are determined in connection with year-end adjustments. Additional allocations can be used to cover any rate-of-return shortfall if the annual return is lower than the guaranteed return.

The market value adjustment reserve represents the sum total of unrealised gains on current financial assets included in the common portfolio. If the portfolio of current financial assets shows a net unrealised loss, the market value adjustment reserve is set at zero. Unrealised gains and losses arising from exchange rate movements on derivatives used for currency hedging of properties, loans and held-to-maturity bonds in foreign currency are not included in the market value adjustment reserve.

The claims reserve shall cover the company's anticipated indemnity payments for insurance claims which have not been settled or advanced against the company at the end of the accounting year. The claims reserve represents only the funds that would have been disbursed during the accounting year if the processing of the insurance claims had been completed.

The risk equalisation fund can be used to cover negative risk results and to strengthen premium reserves in connection with changes in demographic assumptions in the calculation base. Each year, up to 50 per cent of the company's total risk result can be allocated to the risk equalisation fund. The annual return is reviewed in connection with year-end adjustments. The risk equalisation fund is classified as equity in the balance sheet.

The premium fund contains premiums prepaid by policyholders within individual and group pension insurance. A share of annual profits is allocated to the pensioners' surplus fund. The fund is used to strengthen the premium reserve for pensioners in connection with adjustments in pension payments.

<u>Liabilities, customers bearing the risk</u>

Allocations relating to insurance liabilities for which customers bear the risk represent the market value of invested policyholders' funds at any given time. The reserve covers a share of the surplus on the risk result and the guaranteed rate of return on the portfolio of products with a choice of investment profile and should correspond to expected payments from the company to customers reaching retirement age.

<u>Assessment of liabilities to policyholders</u>

Liabilities should be in reasonable proportion to the associated risk. This is ensured through continual monitoring of existing contracts. Furthermore, all premium rates prepared by the company shall be reported to the Financial Supervisory Authority of Norway (Finanstilsynet), which has overall responsibility for controlling that adequate premiums are applied. Prevailing premium rates are continually reviewed.

With respect to group pension insurance, the company is in the process of increasing premium reserves to reflect higher life expectancy. The companies plan for the escalation is valid from 1 January 2014 – 31 December 2020 and is approved by Finanstilsynet. The financing is done through surplus from the interest rate result, risk result as well as utilisation of the risk equalization fund and equity.

The basis for calculating disability risk is more recent, taking account of the increase in disability registered in society at large. The base rate is used to calculate the present value of future premiums, payments and insurance provisions. The maximum base rate is stipulated by Finanstilsynet, based on the yield on long-term government bonds. As from 1 January 2015, the maximum base rate will be 2.0 per cent for rights earned in the future.

Adequacy test

The Group carries out a quarterly adequacy test to assess whether its premium reserves are adequate to cover its liabilities to policyholders. The adequacy test is susceptible to changes in the interest rate curve as well as to assumptions for increased reserves to reflect higher life expectancy. The test is described in more detail in note 17 Insurance risk.

NOTE 1 Accounting principles (continued)

Recognition of changes in liabilities to policyholders
Insurance premiums and insurance settlements are recognised by the amounts earned and accrued during the year. Accrual of premiums earned takes place through allocations to the premium reserve in the insurance fund.

Insurance contracts transferred from other companies are recognised at the time the insurance risk is taken over. If the risk is transferred as at 31 December, it is reflected in the financial statement for the subsequent year. Transfer amounts include the policies' shares of additional allocations, the market value adjustment reserve and profits for the year.

The line item "Net financial result, DNB Livsforsikring" includes returns and gains less all losses, adjusted for allocations to or elimination of the market value adjustment reserve. In addition, it includes the company's guaranteed rate of return on policyholders' funds, increases in reserves to reflect higher life expectancy within group insurance, plus policyholders' share of profits including changes in additional allocations. If changes in the value of owner-used properties owned by DNB Livsforsikring as part of the company’s common portfolio are recognised in other comprehensive income, a corresponding share of changes in liabilities to policyholders is recognised in other comprehensive income.

The line item "Net risk result, DNB Livsforsikring" includes risk premiums and the cost of claims for own account. In addition, claims handling costs and changes in security reserves are included. Claims include gross claims payments and changes in gross claims reserves, excluding the reinsurance share.

Administrative expenses are charged to policyholders through premium payments, returns and the dissolution of reserves. Total charges for policyholders are included in "Commission and fee income etc.". Operating expenses and commission expenses are recognised in the consolidated financial statements according to type of expense.

Technical insurance reserves in non-life insurance

Technical insurance reserves are assessed pursuant to the Act on Insurance Activity with appurtenant regulations. Finanstilsynet has formulated separate minimum requirements for the various reserve categories, which include the reserve for unearned gross premiums, the gross claims reserve and the security reserve.

With respect to the premium reserve and the claims reserve, the minimum requirements shall be met for each line of business, while for the security reserve, the requirements apply to groups of lines of business.

The reserve for unearned gross premiums represents accrual accounting of premiums written. The reserve relates to the unearned parts of the premiums written.

The claims reserve shall cover anticipated future compensation payments for claims which have been incurred, but not been fully settled on the balance sheet date. This includes both reported but not settled claims (RBNS) and incurred but not reported claims (IBNR). Reserves relating to known claims are assessed individually by the settlement team, while IBNR reserves are based on empirical data, using statistical models to estimate the scope of subsequent claims. In addition, there is a reserve for future claims processing costs linked to the RBNS and IBNR reserves.

The premium reserve and the claims reserve shall cover the Group's anticipated compensation payments arising from existing insurance contracts. The security reserve shall protect the company against unforeseen developments in compensation payments. The total of the premium, claims and security reserves shall, at a confidence level of 99 per cent, based on statistical calculations, cover the company's obligations on the reporting date.

Recognition in the income statement
"Net insurance result, DNB Forsikring" includes premium income for own account. Insurance premiums are recognised as income in accordance with the insurance period. In addition, it includes the cost of claims for own account, costs related to the processing of claims and changes in the security reserve. The cost of claims comprises paid gross compensation payments and changes in gross claims reserves, excluding the reinsurance share.

Pensions

Defined-benefit pension schemes

In a defined-benefit scheme, the employer is committed to paying future specified pension benefits.

The basis for calculating pension expenses is a linear distribution of pension entitlements measured against estimated accumulated commitments at the time of retirement.

Pension commitments which are administered through life insurance companies, are matched against funds within the scheme. When total pension funds exceed estimated pension commitments on the balance sheet date, the net value is classified as an asset in the balance sheet if it has been rendered probable that the overfunding can be utilised to cover future commitments. When pension commitments exceed pension funds, the net commitments are classified under liabilities in the balance sheet. Each scheme is considered separately.

Pension commitments are estimated based on the present value of estimated future pension payments at the balance sheet date. The calculation of the pension commitments is based on actuarial and economic assumptions about life expectancy, rise in salaries and early retirement. The discount rate used is determined by reference to the yield on covered bonds at the balance sheet date, plus an add-on that takes into account the relevant duration of the pension commitments.

NOTE 1 Accounting principles (continued)

The financial effects of changes in pension schemes are recognised as an expense at the earlier of the following dates:

- when the plan amendment or curtailment occurs; and
- when the entity recognises related restructuring costs or termination benefits, if any.

Pension expenses are based on assumptions determined at the start of the period. When calculating pension expenses, the discount rate is used on the net pension commitment. The pension expenses are presented as follows:

- the service cost for the current and previous periods, gains and losses in connection with settlement and net interest income/ expenses are recognised in profit or loss as salaries and other personnel expenses, and
- remeasurements which include actuarial gains and losses are recognised in other comprehensive income in the period in which they occur.

Employer's contributions are included in pension expenses and pension commitments.

The Group's life insurance company, DNB Livsforsikring AS, largely administers the Group's pension schemes in Norway. No eliminations are made with respect to the Group's pension commitments and pension funds or for pension expenses and premium income in the income statement.

See note 25 Pensions for more information.

Defined-contribution pension schemes

Under defined-contribution pension schemes, the Group does not commit itself to paying specified future pension benefits, but makes annual contributions to the employees' pension savings. Future pensions will depend on the size of annual contributions and the annual return on pension savings. After paying annual contributions, the Group has no further commitments linked to employees' work performance. The expenses following from the defined-contribution pension schemes are recognised in the income statement.

Income tax

Taxes for the year comprise payable taxes for the financial year, any payable taxes for previous years and changes in deferred taxes on temporary differences. Temporary differences are differences between the carrying amount of an asset or liability and the taxable value of the asset or liability. The most significant temporary differences refer to changes in the fair value of financial assets and liabilities, changes in the fair value of investment properties, pension obligations, depreciation of fixed assets and properties and impairment losses for goodwill. Deferred taxes on investment property are based on the expectation that the value of the property will be recovered through a sale of the property. Deferred taxes are calculated on the basis of tax rates and tax rules that are applied on the balance sheet date or are highly likely to be approved and are expected to be applicable when the deferred tax asset is realised or the deferred tax liability settled.

Deferred tax assets are recognised in the balance sheet to the extent that it is probable that future taxable income will be available against which they can be utilised. Deferred taxes and deferred tax assets within the same tax group are presented net in the balance sheet.

Tax payable and deferred taxes relating to elements of other comprehensive income are presented net along with the related income or cost in the comprehensive income statement.

Restructuring

If restructuring plans that change the scope of DNB's operations or the way DNB carries out its operations are approved and communicated to the affected employees, the need for restructuring provisions is considered. This includes provisions for agreements on severance packages with employees when used as part of the restructuring. The provisions are reviewed on each reporting date and are reversed as expenses are incurred.

Leasing

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. Other leases are classified as operating leases.

DNB as lessor

Operating leases

Operating leases are leases where not an insignificant share of the risk and rewards relating to the investment in the leased object accrues to DNB at the end of the lease period. Operating assets are recognised as fixed assets in the balance sheet. Income from operating leases is recognised over the lease term on a straight-line basis. Depreciation of the fixed assets is presented as ordinary depreciation in the income statement.

Financial leases

Financial leases are presented as lending in the balance sheet, and at inception the lease is measured at an amount equal to the net investment in the lease. The net investment represents minimum lease payments, unguaranteed residual values and any direct expenses incurred by the lessor in negotiating the lease, discounted by the implicit interest rate (internal rate of return). Leasing income is recognised in the income statement according to the annuity method, where the interest component is recognised within the line item "Net interest income" while instalments reduce the balance sheet value of the loan.

DNB as lessee

Operating leases

Lease payments are recognised in the income statement as an expense on a straight-line basis over the lease term unless another systematic basis is more representative of the time pattern of DNB's use of the asset.

NOTE 1 Accounting principles (continued)

Cash flow statements

The cash flow statements show cash flows grouped according to source and use. The cash flows are presented as operating activities, investment activities or funding activities. Cash is defined as cash, deposits with central banks and deposits with credit institutions with no agreed period of notice. The cash flow statement has been prepared in accordance with the direct method.

Dividends

Proposed dividends are part of equity until approved by the general meeting. At that time, the dividend is presented as liability in the financial statement. Proposed dividends are not included in capital adequacy calculations.

Approved standards and interpretations that have not entered into force

By the end of 2015, the IASB had published a number of amendments to current regulations which have not entered into force. Below is a description of the amendments which may affect the Group's future reporting.

IFRS 9 Financial Instruments

In July 2014, the IASB issued the new standard for financial instruments IFRS 9 Financial Instruments, which will replace the current IAS 39. The new standard introduces a business model oriented approach for classification of financial assets, an expected loss model for impairment and a new general hedge accounting model. IASB is still working on a new requirement related to macro hedge accounting. This work has been established as a separate project and is expected to be finalised at a later point in time.

IFRS 9 is effective from 1 January 2018, but earlier adoption is permitted. The standard has not yet been endorsed by the EU, but it is expected that this will be done during 2016. DNB will not utilise the opportunity for early adoption.

Under IFRS 9, financial assets are classified on the basis of the business model adopted for managing the assets and their contractual cash flow characteristics, including any embedded derivatives. Assets held with the objective of collecting contractual cash flows that are solely payments of principal and interest, are measured at amortised cost. Assets held with the objective of both collecting contractual cash flows and selling, and at the same time have contractual cash flows that are solely payments of principal and interest, are measured at fair value through other comprehensive income. This results in assets recognised at fair value in the balance sheet and at amortised cost in the income statement. Other financial assets are measured at fair value through profit or loss. The option in IAS 39 to designate assets as being held at fair value through profit or loss if certain criteria are fulfilled has been retained in the new standard.

For financial liabilities the requirements are generally unchanged compared to the current IAS 39. As the main rule, financial liabilities are still to be measured at amortised cost with the exception of financial derivatives measured at fair value, financial instruments being part of the trading portfolio and financial liabilities designated as being held at fair value through profit or loss. With respect to financial liabilities designated as at fair value through profit or loss, changes in fair value relating to the company's own credit risk shall, however, be recognised in other comprehensive income.

According to prevailing rules, impairment for credit losses shall only be recognised when objective evidence of impairment losses exists. This model has, in the aftermath of the financial crisis, been criticised for recognising impairments losses too late and with too small amounts. Impairment provisions according to IFRS 9 shall be measured using an expected loss model, instead of an incurred loss model as in IAS 39. The impairment rules in IFRS 9 will be applicable to all financial assets measured at amortised cost or at fair value with the changes in fair value recognised in other comprehensive income. In addition, loan commitments, financial guarantee contracts and lease receivables are within the scope of the standard.

The measurement of the provision for expected credit losses on financial assets depends on whether the credit risk has increased significantly since initial recognition. At initial recognition and if the credit risk has not increased significantly, the provision should equal 12-month expected credit losses. If the credit risk has increased significantly, the provision should equal lifetime expected credit losses. This dual approach replaces today's collective impairment model. For individual impairment there are no significant changes in the rules compared with the current rules.

During 2015, DNB continued the process to analyse the need for changes to the bank's models and IT systems following the implementation of the new rules for impairment provisions. Even though the bank expects to build on today's IRB framework, IFRS 9 introduces new rules and concepts that require further development of the bank's models and IT systems. The work has started and is expected to continue throughout 2016 and into 2017. It is currently too early to estimate the expected impact to the Group's financial statements. Preliminary expectations are that the implementation of IFRS 9 could lead to increased provisions for credit loss due to the change from an incurred loss model to an expected loss model.

IFRS 15 Revenue from contracts with customers

IFRS 15 was issued by the IASB in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognising revenue.

The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Contracts with customers that will be accounted for in accordance with the IFRS 9 Financial instruments shall however follow the requirements in IFRS 9 as they are scoped out of IFRS 15.

IFRS 15 is effective for annual periods beginning on or after 1 January 2018. Earlier application is permitted. The Group is currently assessing the impact of IFRS 15 and it is still too early to give an estimate of the expected impact on the Group's financial statements.

NOTE 1 Accounting principles (continued)

Important accounting estimates, judgments and assumptions

When preparing the consolidated financial statements, management makes estimates, judgment and assumptions that affect the application of the accounting principles and the carrying amount of assets, liabilities, income and expenses. Estimates and assumptions are subject to continual evaluation and are based on historical experience and other factors, including expectations of future events that are believed to be probable on the balance sheet date.

Impairment of loans

Estimates of future cash flows are based on empirical data and management's judgment of future macroeconomic developments and developments in the performance of the actual loans, and on the situation at the balance sheet date. The estimates are the result of a process which involves the business areas and central credit units, and represents management's best estimate. When considering impairment of loans, there will be several elements of uncertainty with respect to the identification of objective evidence of impairment, the estimation of amounts and the timing of future cash flows, including the valuation of collateral.

Individual impairment

When estimating impairment of individual loans and guarantees, both the current and the future financial positions of the customer are considered. For corporate customers, the prevailing market situation is also reviewed, along with market conditions within the relevant industry and general market conditions which could affect the customers' ability to repay the loans. In addition, potential restructuring, refinancing and recapitalisation are taken into account. An overall assessment of these factors forms the basis for estimating the future cash flow. The discount period is estimated on an individual basis or based on empirical data about the period it normally takes to reach a solution to the problems that caused the objective indication of impairment.

Collective impairment

The expected future cash flow is estimated on the basis of expected losses and the anticipated economic situation for the respective groups. Expected losses are based on historical loss experience for the relevant groups. The economic situation is assessed by means of economic indicators for each group based on external information about the markets. Various parameters are used depending on the group in question. Key parameters are production gaps, which give an indication of capacity utilisation in the economy, housing prices, oil prices, salmon prices and shipping freight rates. The economic indicators that are used show a high degree of correlation with historical impairment. To estimate the net present value of expected future cash flows for loans subject to collective impairment, a discount factor based on observed empirical data from individually evaluated loans is used.

Fair value of financial derivatives and other financial instruments

The fair value of financial instruments that are not traded in an active market is determined by using different valuation techniques. The Group considers and chooses techniques and assumptions that as far as possible are based on observable market data representing the market conditions on the balance sheet date. When measuring financial instruments for which observable market data are not available, the Group makes assumptions regarding what market participants would use as the basis for valuing similar financial instruments. The valuations require application of significant judgment when calculating liquidity risk, credit risk and volatility among others. Changes in these factors would affect the estimated fair value of the Group's financial instruments. For more information see note 29 Financial instruments at fair value.

Measurement of liabilities under insurance contracts in DNB Livsforsikring

With respect to technical insurance reserves in DNB Livsforsikring, risks and uncertainties are mainly related to the likelihood of death and disability, as well as the interest rate level. Higher life expectancy affects future expected insurance payments and provisions. For more information see note 17 Insurance risk.

Valuation of properties within DNB Livsforsikring

Investment property is measure at fair value by discounting the expected net future cash flows to its presented value. Establishment of the future cash flows requires high degree of judgment and the fair value depend to a large extent upon the selection of assumption about the future, as example required rate of return and the level of future rental rates. The assumptions used in calculating the fair value of the property portfolio in DNB Livsforsikring can be found in note 36 Investment properties.

Income taxes, including deferred tax assets and uncertain tax liabilities

The Group is subject to income taxes in a number of jurisdictions. Significant judgment is required in determining the income tax in the consolidated financial statements, including assessments of recognised deferred tax assets and uncertain tax liabilities.

Deferred tax assets are recognised to the extent it is probable that the Group will have future taxable income against which they can be utilised. Extensive assessments must be made to determine the amount which can be recognised, included the expected time of utilisation, the level of profits computed for tax purposes as well as strategies for tax planning and the existence of taxable temporary differences.

There will be uncertainty related to the final tax liability for many transactions and calculations. The Group recognises liabilities related to the future outcome of tax disputes based on estimates of changed income taxes. When assessing the uncertain tax liabilities to be recognised in the balance sheet, the probability of the liability arising is considered. If the final outcome of the tax disputes deviates from the amounts recognised in the balance sheet, the deviations will impact the income tax expense in the income statement for the applicable period.

NOTE 2 Segments

Financial governance in DNB is geared to the different customer segments. The follow-up of total customer relationships and segment profitability are two important dimensions when making strategic priorities and deciding where to allocate the Group's resources. Special product areas are responsible for production and development for parts of the product range and for ensuring that the Group meets the needs of the various customer segments. Reported figures for the different segments will reflect the Group's total sales of products and services to the relevant customer segments. The customer segments have recently been redefined. As of 1 January 2015, DNB Finans' operations in Sweden and Denmark are included in the large corporates and international customers segment. Previously, these operations were divided between the small and medium-sized enterprises segment and the personal customer segment. Figures for previous periods have been adjusted correspondingly.

Personal customers	-	includes the Group's total products and activities to private customers in all channels, both digital and physical, with the exception of residential mortgages recorded under Traditional pension products, where returns accrue to the policyholders. DNB offers a wide range of products through Norway's largest distribution network, comprising branches, telephone banking (24/7), digital banking, real estate broking as well as external channels (post offices and in-store postal and banking outlets).
Small and medium-sized enterprises	-	is responsible for product sales and advisory services to small and medium-sized enterprises in Norway. DNB aspires to be a local bank for the whole of Norway, while offering the products and expertise of a large bank. Customers in this segment range from small businesses and start-up companies to relatively large corporate customers, and the product offerings are adapted to the customers' different needs. Small and medium-sized enterprises are served through the Group's large physical distribution network throughout Norway as well as digital and telephone banking (24/7).
Large corporates and international customers	-	includes large Norwegian and international corporate customers and all customers served by DNB's subsidiary banks in the Baltics and Poland. Operations are based on sound industry expertise and long-term customer relationships.
Trading	-	includes market making and other trading activities in fixed income, currencies and commodities (FICC) as well as equities, including risk management of the risk inherent in customer transactions. Markets' trading activities support the customer activities.
Traditional pension products	-	includes traditional defined-benefit pension products in DNB Livsforsikring and assets related to these products. DNB no longer offers such products to new customers.

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

Capital allocated to the segments is calculated on the basis of the Group's common equity Tier 1 capital and long-term capitalisation ambition. There are special capital adequacy regulations for insurance operations, and in these companies, allocated capital corresponds to recorded equity. For other group operations, the allocation of capital to all units is based on the Group's adaptation to Basel III, full IRB, and the capital allocated in 2015 corresponded to a common equity Tier 1 capital ratio of 14.5 per cent. The allocation of credit risk is based on the Group's internal measurement of risk-adjusted capital requirements for credit. Capital requirements for market risk are allocated directly in accordance with risk-weighted volume, and operational risk is allocated based on the respective units' total income.

NOTE 2 Segments (continued)

Income statement

DNB Group

	Personal customers		Small and medium-sized enterprises		Large corporates and international customers		Trading		Traditional pension products		Other operations/ eliminations [1)]		DNB Group	
Amounts in NOK million	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Net interest income	13 697	13 540	6 131	5 643	15 198	13 551	89	429			243	(676)	35 358	32 487
Net other operating income	4 895	4 673	1 729	1 648	6 083	5 721	1 503	1 584	622	1 843	3 803	1 408	18 635	16 877
Total income	18 593	18 213	7 860	7 292	21 280	19 271	1 592	2 013	622	1 843	4 046	732	53 993	49 363
Operating expenses	(8 698)	(8 397)	(2 738)	(2 709)	(6 907)	(6 227)	(504)	(504)	(464)	(617)	1 698	(63)	(17 612)	(18 516)
Deprecation and impairment of fixed and intangible assets	(179)	(95)	(340)	(332)	(1 146)	(1 037)	(2)	(9)	(13)	(14)	(618)	(671)	(2 298)	(2 158)
Total operating expenses	(8 877)	(8 492)	(3 078)	(3 042)	(8 053)	(7 264)	(505)	(513)	(477)	(630)	1 080	(733)	(19 910)	(20 675)
Pre-tax operating profit before impairment	9 716	9 721	4 782	4 250	13 227	12 007	1 087	1 500	145	1 212	5 126	(2)	34 083	28 689
Net gains on fixed and intangible assets	0	(3)	(2)	42	53	21		(0)			(7)	(7)	45	52
Impairment of loans and guarantees [2)]	939	(110)	(1 068)	(869)	(2 108)	(674)		0			(33)	13	(2 270)	(1 639)
Profit from repossessed operations			3	(23)	(67)	(102)					64	125		
Pre-tax operating profit	10 655	9 608	3 715	3 401	11 105	11 252	1 087	1 500	145	1 212	5 151	129	31 858	27 102
Tax expense	(2 877)	(2 594)	(1 003)	(918)	(3 221)	(3 488)	(283)	(405)	766	(99)	(428)	1 041	(7 045)	(6 463)
Profit from operations held for sale, after taxes	2					2					(53)	(24)	(51)	(22)
Profit for the year	7 780	7 014	2 712	2 482	7 885	7 766	804	1 095	912	1 113	4 670	1 147	24 762	20 617

1) *See the tables below for more information about other operations/eliminations.*
2) *See note 10 Impairment of loans and guarantees for principal customer groups for an analysis of the gross change in impairment for the Group.*

Balance sheets

DNB Group

	Personal customers		Small and medium-sized enterprises		Large corporates and international customers		Trading		Traditional pension products		Other operations/ eliminations		DNB Group	
Amounts in NOK billion	31.12.15	31.12.14	31.12.15	31.12.14	31.12.15	31.12.14	31.12.15	31.12.14	31.12.15	31.12.14	31.12.15	31.12.14	31.12.15	31.12.14
Loans to customers [1)]	685	678	220	209	570	541	33	10	28	3	6	(1)	1 543	1 439
Assets held for sale	0	0			0	0					0	1	0	1
Other assets	64	47	55	45	126	144	1 241	1 067	174	209	(604)	(302)	1 056	1 210
Total assets	749	725	275	254	696	684	1 274	1 077	202	212	(598)	(302)	2 599	2 649
Assets under management	45	41	19	15	229	219					16	12	308	287
Total combined assets	794	766	294	269	925	904	1 274	1 077	202	212	(582)	(290)	2 907	2 936
Deposits from customers [1)]	393	366	167	166	380	380	13	31			(9)	(1)	944	942
Liabilities held for sale						(0)					0	0	0	0
Other liabilities	324	330	88	68	246	243	1 253	1 039	184	194	(631)	(325)	1 464	1 549
Total liabilities	716	695	255	234	627	623	1 266	1 070	184	194	(640)	(326)	2 408	2 491
Allocated capital [2)]	33	30	20	20	69	62	7	6	18	17	42	23	190	159
Total liabilities and equity	749	725	275	254	696	684	1 274	1 077	202	212	(598)	(302)	2 599	2 649

1) *Loans to customers include accrued interest, impairment and value adjustments. Correspondingly, deposits from customers include accrued interest and value adjustments. In November 2015, a portfolio of residential mortgages amounting to approximately NOK 20 billion was sold from DNB Boligkreditt to DNB Livsforsikring. As of the same date, the portfolio was transferred from the Personal customers segment to the Traditional pension products segment. Personal Banking Norway will continue to manage the portfolio on behalf of DNB Livsforsikring.*
2) *Allocated capital for the segments is calculated based on the external capital adequacy requirement (Basel III) which must be met by the Group. Allocated capital for the Group is recorded equity. In consequence of stricter external capital requirements and the authorities' signals of additional capital requirements for home mortgages, allocated capital to Personal customers were adjusted upwards in 2015. This resulted in a lower return on capital compared with the preceding periods.*

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	
Per cent	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Cost/income ratio [1)]	47.7	46.6	39.2	41.7	37.8	37.7	31.7	25.5	76.7	34.2			36.9	41.9
Ratio of deposits to loans as at 31 December [2)]	57.3	53.9	75.8	79.2	66.8	70.3							61.2	65.4
Return on allocated capital [3)]	23.0	23.7	12.7	12.4	11.1	13.9	11.2	16.1	5.1	6.6			14.5	13.8

1) *Total operating expenses relative to total income.*
2) *Deposits from customers relative to loans to customers.*
3) *Allocated capital for the segments is calculated based on the external capital adequacy requirement (Basel III) which must be met by the Group. Recorded capital is used for the Group. In consequence of stricter external capital requirements and the authorities' signals of additional capital requirements for home mortgages, allocated capital to Personal customers were adjusted upwards in 2015.This resulted in a lower return on capital compared with the preceding periods.*

NOTE 2 Segments (continued)

Other operations/eliminations

Other operations/eliminations include IT and Operations, HR (Human Resources), Group Finance including Group Treasury, Risk Management, Corporate Communications, the partially owned company Eksportfinans, investments in IT infrastructure and shareholder-related costs. In addition, Other operations/eliminations include that part of the Group's equity that is not allocated to the segments. Profits from repossessed operations which are fully consolidated in the DNB Group are presented net under "Profit from repossessed operations" in the internal reporting of segments. The acquired companies and all intra-group eliminations are included in Other operations/eliminations.

Pre-tax operating profit

	DNB Group	
Amounts in NOK million	2015	2014
Unallocated net interest income	(74)	(882)
Investments in Nets Holding		913
Income from equity investments (see note 21)	124	(125)
Gains on fixed and intangible assets	(6)	(7)
Mark-to-market adjustments Group Treasury and fair value of loans (see note 21)	990	(318)
Basis swaps (see note 21)	2 685	394
Eksportfinans ASA	(45)	248
Net gains on investment property	312	84
Profit from repossessed operations	64	125
Unallocated impairment of loans and guarantees	(33)	14
Ownership-related expenses (costs relating to shareholders, investor relations, strategic planning etc.)	(402)	(391)
Unallocated personnel expenses (see note 22)	1 450	(188)
Unallocated IT and Operations expenses	278	234
Funding costs on goodwill	(46)	(36)
Impairment losses for goodwill and capitalised systems development (see notes 38, 39)	(21)	(1)
IT restructuring	(234)	(21)
Reversal of provisions (see note 23)	46	73
Impairment of investment property and fixed assets	(60)	(61)
Other	121	75
Pre-tax operating profit	5 151	129

Geographic areas

Income statement

DNB Group

	Baltics and Poland		Other international operations		Norway		DNB Group	
Amounts in NOK million	2015	2014	2015	2014	2015	2014	2015	2014
Net interest income	1 388	1 252	6 933	5 331	27 037	25 904	35 358	32 487
Net other operating income	837	700	3 295	2 780	14 503	13 397	18 635	16 877
Total income	2 225	1 952	10 228	8 111	41 540	39 301	53 993	49 363

Balance sheet items

DNB Group

	Baltics and Poland		Other international operations		Norway		DNB Group	
Amounts in NOK billion	31.12.15	31.12.14	31.12.15	31.12.14	31.12.15	31.12.14	31.12.15	31.12.14
Loans to customers	66	62	228	207	1 249	1 170	1 543	1 439
Total assets	77	91	258	581	2 263	1 977	2 599	2 649
Guarantees	2	2	35	32	74	69	110	104

Product information

See note 18 Net interest income, note 19 Interest rates on selected balance sheet items, note 20 Net commission and fee for further information on products.

NOTE 3 Capitalisation policy and capital adequacy

The Basel Committee proposed a new international regulatory framework for capital and liquidity for banks in 2010 (Basel III). The EU has implemented the regulations in its capital requirements directive, CRD IV, and capital requirements regulation, CRR. The regulations entered into force as from 1 January 2014. Important parts of the Basel III regulations were transposed into Norwegian legislation as of 1 July 2013. As part of the Group's Internal Capital Adequacy Assessment Process, ICAAP, the Board of Directors is in dialogue with Finanstilsynet regarding the capitalisation of the Group.

On its Capital Markets Day in November 2015, the Group presented a higher common equity Tier 1 capital ratio target of minimum 15 per cent from year-end 2016 and approximately 15.5 per cent from year-end 2017. The capitalisation targets relate to the Group’s risk-weighted assets at any given time.

The Group's capitalisation level shall support the bank's AA level rating target for ordinary long-term funding. The DNB Group had a common equity Tier 1 capital ratio of 14.4 per cent and a capital adequacy ratio of 17.8 per cent at year-end 2015, compared with 12.7 and 15.2 per cent, respectively, at year-end 2014. Risk-weighted assets amounted to NOK 1 129 billion at year-end 2015, compared with NOK 1 121 billion a year earlier. The Basel I floor for risk-weighted volume applies to DNB, which reduced the common equity Tier 1 capital ratio by 1.6 percentage points at year-end 2015.

After year-end adjustments and dividend payments, the holding company DNB ASA will have a liquidity reserve of approximately NOK 4 billion.

The DNB Bank Group had a common equity Tier 1 capital ratio of 14.3 per cent and a capital adequacy ratio of 17.9 per cent at year-end 2015, compared with 12.5 and 15.2 per cent, respectively, a year earlier. In addition, a separate requirement from the US authorities to the banking group relating to the operations of the subsidiary DNB Markets Inc. in New York must be fulfilled, whereby the Tier 1 capital ratio for the banking group must be 6 per cent and the total capital adequacy ratio 10 per cent. At year-end 2015, this requirement was fulfilled by a wide margin.

DNB Bank ASA had a common equity Tier 1 capital ratio of 15.1 per cent and a capital adequacy ratio of 19.3 per cent at year-end 2015, compared to 13.2 per cent and 16.3, respectively, at year-end 2014.

DNB Livsforsikring had a capital adequacy ratio of 31.2 per cent and a solvency margin of 284 per cent at year-end 2015, which is well above the regulatory requirements of 8 per cent and 100 per cent, respectively. Total annual profits after tax were NOK 1 535 million. DNB Livsforsikring paid a net group contribution of NOK 1 095 million after tax and received a corresponding amount in group contribution from DNB ASA. New solvency regulations, Solvency II, have entered into force for insurance companies in Norway and Europe in 2016. Without the transitional rules, DNB Livsforsikring had a pro forma solvency margin at year-end 2015 of 113 per cent, while the margin was 192 per cent calculated according to the transitional rules. See the note about DNB Livsforsikring.

At year-end 2015, DNB Boligkreditt AS had a common equity Tier 1 capital ratio of 15.2 per cent and a capital ratio of 17.3 per cent, calculated according to the transitional rules.

In addition to the regulatory assessment and allocation of capital to the Group's legal units, an allocation of capital to the operative business areas is made for governance purposes. The Group’s entire equity is allocated to the business areas. The allocation reflects both regulatory requirements and the calculation of risk-adjusted capital requirements.

NOTE 3 Capitalisation policy and capital adequacy (continued)

Capital adequacy

Capital adequacy is reported in accordance with the EU's new capital adequacy regulations for banks and investment firms (CRD IV/CRR). Valuation rules used in the statutory accounts form the basis for the consolidation, which is subject to special consolidation rules governed by the Consolidation Regulations.

Primary capital	**DNB Bank ASA**		**DNB Bank Group**		**DNB Group**	
Amounts in NOK million	31 Dec. 2015	31 Dec. 2014	31 Dec. 2015	31 Dec. 2014	31 Dec. 2015	31 Dec. 2014
Total equity	151 533	127 720	173 412	141 309	190 078	158 723
Effect from regulatory consolidation			(541)	(56)	(541)	150
Non-eligible capital, insurance					(403)	(1 253)
Additional Tier 1 capital instruments included in total equity	(8 053)		(8 053)		(8 053)	
Net accrued interest on additional Tier 1 capital instruments	(219)		(219)		(219)	
Common equity Tier 1 capital instruments	143 261	127 720	164 599	141 253	180 863	157 619
Deductions						
Pension funds above pension commitments	(38)	(7)	(38)	(7)	(38)	(7)
Goodwill	(3 012)	(2 963)	(3 029)	(2 979)	(4 763)	(4 714)
Deferred tax assets that are not due to temporary differences	(195)		(640)	(514)	(640)	(514)
Other intangible assets	(663)	(831)	(1 075)	(1 224)	(1 241)	(1 460)
Dividends payable etc.			(5 000)	(4 000)	(7 330)	(6 189)
Expected losses exceeding actual losses, IRB portfolios	(1 383)	(1 466)	(2 309)	(2 075)	(2 309)	(2 075)
Value adjustments due to the requirements for prudent valuation (AVA)	(671)	(509)	(1 055)	(917)	(1 055)	(917)
Adjustments for unrealised losses/(gains) on debt recorded at fair value	(15)	278	(412)	646	(412)	646
Adjustments for unrealised losses/(gains) arising from the institution's own credit risk related to derivative liabilities (DVA)	(785)	(821)	(150)	(268)	(150)	(266)
Minimum requirement reassurance allocation					(17)	(16)
Common Equity Tier 1 capital	136 499	121 402	150 889	129 915	162 906	142 108
Additional Tier 1 capital instruments	10 267	4 028	10 267	4 028	10 267	4 028
Tier 1 capital	146 766	125 430	161 156	133 944	173 173	146 136
Perpetual subordinated loan capital	5 702	4 792	5 702	4 792	5 702	4 792
Term subordinated loan capital	22 185	19 322	22 185	19 322	22 185	19 322
Tier 2 capital	27 887	24 115	27 887	24 115	27 887	24 115
Total eligible capital	174 653	149 545	189 043	158 058	201 060	170 251
Risk-weighted volume, transitional rules	906 084	919 238	1 056 731	1 038 396	1 129 373	1 120 659
Minimum capital requirement, transitional rules	72 487	73 539	84 539	83 072	90 350	89 653
Common Equity Tier 1 capital ratio, transitional rules (%)	15.1	13.2	14.3	12.5	14.4	12.7
Tier 1 capital ratio, transitional rules (%)	16.2	13.6	15.3	12.9	15.3	13.0
Capital ratio, transitional rules (%)	19.3	16.3	17.9	15.2	17.8	15.2

NOTE 3 Capitalisation policy and capital adequacy (continued)

Basel III

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

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

Amounts in NOK million	Nominal exposure 31 Dec. 2015	EAD [1] 31 Dec. 2015	Average risk weights in per cent 31 Dec. 2015	Risk-weighted volume 31 Dec. 2015	Capital requirements 31 Dec. 2015	Capital requirements 31 Dec. 2014
IRB approach						
Corporate	1 108 681	903 210	46.3	417 760	33 421	29 699
Specialised Lending (SL)	10 813	10 042	58.2	5 844	468	179
Retail - mortgage loans	667 612	667 612	22.9	153 008	12 241	8 705
Retail - other exposures	111 886	92 132	26.7	24 568	1 965	2 016
Securitisation	19 162	19 162	78.3	15 007	1 201	1 820
Total credit risk, IRB approach	1 918 154	1 692 158	36.4	616 187	49 295	42 419
Standardised approach						
Central government	60 174	74 103	0.6	411	33	18
Institutions	345 489	109 775	25.4	27 873	2 230	2 730
Corporate	176 199	138 347	87.3	120 710	9 657	16 153
Retail - mortgage loans	48 498	46 475	47.4	22 046	1 764	1 657
Retail - other exposures	93 085	43 513	75.9	33 024	2 642	2 757
Equity positions	3 193	3 193	107.9	3 444	276	241
Securitisation	2 474	2 474	30.2	748	60	66
Other assets	5 912	5 912	113.1	6 684	535	674
Total credit risk, standardised approach	735 025	423 792	50.7	214 939	17 195	24 297
Total credit risk	2 653 178	2 115 950	39.3	831 127	66 490	66 715
Market risk						
Position risk, debt instruments				14 261	1 141	1 380
Position risk, equity instruments				456	36	39
Currency risk						
Commodity risk				38	3	9
Credit value adjustment risk (CVA)				6 407	513	601
Total market risk				21 161	1 693	2 029
Operational risk				83 381	6 670	6 546
Net insurance, after eliminations				80 791	6 463	6 828
Total risk-weighted volume and capital requirements before transitional rule				1 016 460	81 317	82 119
Additional capital requirements according to transitional rule [2]				112 913	9 033	7 534
Total risk-weighted volume and capital requirements				1 129 373	90 350	89 653

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

NOTE 4 Risk management

Risk management in DNB

The Board of Directors of DNB ASA has a clearly stated goal to maintain a low overall risk profile, which is reflected in the DNB Bank ASA's aim to maintain at least an AA level rating for ordinary long-term debt. The profitability of DNB will depend on the ability to identify, manage and accurately price risk arising in connection with financial services.

Organisation and authorisation structure

- *Board of Directors.* The Board of Directors of DNB ASA sets long-term targets for the Group's risk profile. The risk profile is operationalised through the risk management framework, including the establishment of authorisations. Risk-taking should take place within established limits.
- *Authorisations*. Authorisations must be in place for the extension of credit and for position and trading limits in all critical financial areas.
- *All authorisations are personal.* Authorisations and group limits are determined by the Board of Directors and can be delegated in the organisation, though any further delegation requires approval by an immediate superior.
- *Annual review of limits.* Risk limits are reviewed at least annually in connection with budget and planning processes.
- *Independent risk management functions.* Risk management functions and the development of risk management tools are undertaken by units that are independent of operations in the individual business areas.

Monitoring and use

- *Accountability.* All executives are responsible for risk within their own area of responsibility and must consequently be fully updated on the risk situation at all times.
- *Risk reporting.* Risk reporting in the Group ensures that all executives have the necessary information about current risk levels and future developments. To ensure high-quality, independent risk reports, responsibility for reporting is assigned to units that are independent of the operative units.
- *Capital assessment.* A summary and analysis of the Group's capital and risk situation is presented in a quarterly risk report to DNB ASA's Board of Directors.
- *Use of risk information.* Risk is an integral part of the management and monitoring of business areas. Return on risk-adjusted capital is reflected in product pricing, profit calculations and in monitoring performance in the business areas.

Relevant risk measures

- *Risk appetite.* As from January 2013, DNB has monitored risk through defined targets. The risk appetite framework consists of 16 statements covering the risk dimensions which are considered to be significant for the DNB Group, and which added up give a good view of the total risk. Developments in the target figures are monitored and reported monthly to the group management team and quarterly to DNB's Board of Directors. See the paragraph on "Risk appetite" for more information.
- *A common risk measure for the Group.* The Group's risk is measured in the form of risk-adjusted capital, calculated for all of the Group's business areas and main risk categories, with the exception of liquidity risk. See the paragraph on "Risk-adjusted capital for the DNB Group" for more information.
- *Supplementary risk measure.* In addition, risk is followed up through supplementary risk measures adapted to operations in the various business areas, for example monitoring of positions relative to limits, key figures and portfolio risk targets.

Risk categories

For risk management purposes, DNB distinguishes between the following risk categories:

- *Credit risk* (or counterparty risk) is the risk of financial losses due to failure on the part of the Group's customers (counterparties) to meet their payment obligations towards DNB. Credit risk refers to all claims against customers/counterparties, principally loans, but also obligations related to other approved credits, guarantees, fixed-income securities, undrawn credits and interbank deposits, as well as counterparty risk incurred in connection with derivative trading. In addition, there are significant elements of counterparty risk in the settlement risk which arises in connection with payment transfers and the settlement of contracts. Credit risk also includes concentration risk, including risk associated with large exposures to one and the same customer, concentration within a geographic area or industry or exposures to homogeneous customer groups. Residual risk is the risk that the collateral provided for a credit exposure fails to meet expectations. Note 5 includes an assessment of the Group's credit risk at year-end 2014 and 2015.
- *Market risk* is the risk of losses due to unhedged positions in the foreign exchange, interest rate, commodity and equity markets. The risk arises in consequence of fluctuations in profits due to changes in market prices or exchange rates. Market risk includes both risk that arises through ordinary trading activities and risk that arises as part of banking activities and other business operations. In addition, market risk arises in DNB Livsforsikring AS, reflecting the risk that the return on financial assets will not be sufficient to meet the obligations specified in insurance policies. Notes 12-15 include an assessment of the Group's market risk at year-end 2014 and 2015.
- *Operational risk* is the risk of losses due to deficiencies or errors in internal processes and systems, human errors or external events. Operational risk also includes compliance risk, which is the risk of losses caused by violation of laws and regulations or similar obligations, as well as legal risk, which often arises in connection with the documentation and interpretation of contracts and different legal practices in locations where the Group has operations.

NOTE 4 Risk management (continued)

- *Insurance risk* is incurred by DNB Livsforsikring AS and DNB Forsikring AS and is related to changes in future insurance obligations. Within life insurance, such risk reflects changes in policyholders' life expectancy and disability rates. Within non-life insurance, insurance risk is related to the frequency and size of future claims payments.
- *Liquidity risk* is the risk that the Group will be unable to meet its obligations as they fall due, and the risk that the Group will be unable to meet its liquidity obligations without a substantial rise in appurtenant costs. Liquidity is vital to financial operations, though this risk category will often be conditional in the respect that it will not materialise until other events give rise to concern regarding the Group's ability to meet its obligations. Note 16 includes an assessment of the Group's liquidity risk at year-end 2014 and 2015.
- *Business risk* relates to fluctuations in profits due to changes in external factors such as the market situation, government regulations or the loss of income due to a weakened reputation. Reputational risk is often a consequence of other risk categories. The Group's business risk is primarily handled through the strategy process and ongoing efforts to safeguard and improve the Group's reputation. When determining and following up the Group's risk appetite, reputational risk is defined as a separate risk dimension.

In addition to the above-mentioned risk categories the Group is exposed to strategic risk, which can be defined as the risk of a decline in profits if the Group fails to exploit existing strategic opportunities. The Group's strategic risk is not measured or reported individually, but is discussed as part of the annual strategy process.

Risk appetite

The Board of Directors of DNB ASA sets long-term targets for the Group's risk profile through the risk appetite framework, which was developed in 2012 and taken into use as of 1 January 2013. The risk appetite framework aims to ensure that risk is managed and integrated with the Group's governance processes in a practical, structured, transparent and synchronised manner. The risk appetite framework should provide a holistic and balanced view of the risk in the business. In 2015, the framework consisted of 16 statements which establish targets for risk dimensions and levels. To support the framework a set of governance principles and operational procedures and responsibilities within the DNB Group have been defined. The targeted risk profile will also be reflected in other parts of the risk management framework, including the establishment of authorisations and business limits. The risk appetite framework will be reviewed at least annually. The Board of Directors also regularly reviews risk levels, the framework structure and the reporting of relevant risk categories.

Risk appetite statements

- The risk appetite framework consists of statements covering the risk dimensions which are considered to the most significant for the DNB Group, and which added up give a good view of the total risk. The statements have been formulated along the following dimensions:
- Profitability and earnings
- Capitalisation
- Market risk
- Insurance risk
- Credit risk
- Liquidity risk
- Operational risk
- Reputational risk
- AML (anti-money laundering)

Limits determined on the basis of the Group's risk appetite are operationalised in the business areas and support units. In the Group's governance system, risk appetite is expressed in the form of target figures for selected indicators. Monitoring risk indicators that reflect the operations they cover enables the Group to ascertain whether risk remains within the targeted level. Risk indicators will typically be expressed as limits (for quantifiable risk) or qualitative assessments of the risk level. They may not necessarily be expressed by using the same measurement parameters as those used for the Group, though they must support the same risk topics and trends. Continual monitoring of these target figures ensures that the risk topics that are defined as the most important are also monitored and discussed in the operative parts of the organisation.

Governance principles

To support the framework a set of governance principles and operational procedures and responsibilities within the DNB Group have been defined. These are vital to ensure that risk appetite contributes to risk being managed and integrated with other key governance processes in the organisation, while maintaining the required independence to function as a reference point for risk consequences of the organisation's strategic and financial planning:

- **Ownership:** Ownership of the framework rests with the Board of Directors. All changes to the framework and the governance principles are to be approved by the Board of Directors.
- **Annual review:** The risk appetite framework is to be reviewed at least once a year in a process initiated by the Group's chief risk officer, CRO. The annual review is to take place independent of the strategic and financial planning process.

NOTE 4 Risk management (continued)

- **Reporting:** There will be monthly reporting of actual risk exposure within the DNB Group in the form of a "traffic light" representation. Based on this reporting structure there are pre-defined procedures for following up and handling risks that are approaching critical levels vis-à-vis the risk appetite statements, and for risk elements that have exceeded such levels.
- **Responsibilities:** A designated person is responsible for each risk appetite statement and will follow up risk and prepare action plans if risk levels are exceeded.

Risk-adjusted capital for the DNB Group

Risk-adjusted capital is a measure of the risk of losses generated by various business operations. Risk-adjusted capital makes it possible to compare risk across risk categories. Average losses over a normal business cycle represent expected costs which should primarily be covered through correct pricing of the Group's products. Risk-adjusted capital should cover unexpected losses. The quantification of risk-adjusted capital is based on statistical probability calculations for the various risk categories on the basis of historical data. As it is impossible to guard against all potential losses, DNB has stipulated that risk-adjusted capital should cover 99.97 per cent of potential losses within a one-year horizon. This level is in accordance with an AA level rating target for the ordinary long-term debt in DNB Bank ASA.

Risk-adjusted capital and average losses over a normal business cycle are elements in calculations of risk-adjusted return, which is a key financial management parameter in the internal management of the DNB Group. The calculations are included in the financial planning for the business areas and are reported each month. Risk-adjusted return is a measurement parameter in the pricing models and is reported monthly in automated management systems. Risk-adjusted capital is also used as decision support for risk management.

The similarities between the framework for risk-adjusted capital and the capital adequacy regulations gradually become greater as a larger part of the Group's exposures are reported according to the IRB approach. The underlying risk drivers for credit, and partly for operational risk, are largely the same. However, there are different confidence levels.

DNB quantifies risk-adjusted capital for the following risk categories: credit risk, market risk, market risk in life insurance, insurance risk, risk in non-life insurance, operational risk and business risk. A significant diversification or portfolio effect arises when the various risks are considered together, as it is unlikely that all losses will occur at the same time. An economic downturn will normally have a negative effect on most areas, but there will be a diversification effect, as not all areas will be hit equally hard. The diversification effect between risk categories and business areas implies that the Group's risk-adjusted capital will be much lower than if the business areas had been independent companies.

At end-December 2015, net risk-adjusted capital for the Group was estimated at NOK 75.7 billion, a reduction of NOK 10.3 billion from end-December 2014.

		DNB Group
Amounts in NOK billion	2015	2014
Credit risk	55.5	58.8
Market risk	7.1	9.5
Market risk in life insurance	8.3	15.7
Insurance risk in life insurance	1.0	1.0
Risk in non-life insurance	1.1	1.0
Operational risk	11.2	10.7
Business risk	7.1	6.8
Gross risk-adjusted capital	91.2	103.5
Diversification effect [1)]	(15.5)	(17.4)
Net risk-adjusted capital	75.7	86.0
Diversification effect in per cent of gross risk-adjusted capital [1)]	17.0	16.8

1) *The diversification effect refers to the effect achieved by the Group in reducing risk by operating within several risk categories where unexpected losses are unlikely to occur at the same time.*

Main reasons for the reduction in risk-adjusted capital

The risk-adjusted capital requirement for market risk in DNB Livsforsikring declined by NOK 7.4 billion during the year. The reduction was a consequence of the sale of properties for a total of NOK 11.6 billion and a lower equity exposure. The freed-up capital was reinvested in home mortgages and fixed-income securities, which entail lower market risk.

The risk-adjusted capital requirement for credit declined by NOK 3.3 billion in 2015, mainly due to a reduction in credit volumes in the large corporate portfolio. Even though there was a negative trend in credit quality in some sectors through the year, the general credit quality was more or less unchanged.

Market risk exposure in operations other than life insurance was reduced by NOK 2.4 billion in 2015, reflecting the sale of property investments and the transition from a defined-benefit to a defined-contribution pension scheme for the Group's employees.

NOTE 4 Risk management (continued)

More about risk in DNB Livsforsikring AS

Risk in DNB Livsforsikring AS includes market, insurance, credit, operational and business risk. Market and insurance risk in life insurance comprises the risk that the return on financial assets will not be sufficient to meet the obligations specified in insurance policies and the risk related to changes in future insurance payments due to changes in life expectancy and disability rates.

According to current parameters for life insurance operations in Norway, DNB Livsforsikring carries the risk of fulfilling the company's commitments in contracts with policyholders. The return on financial assets must be sufficient to meet the guaranteed annual return to the company's policyholders. If this is not the case, additional allocations will have to be used, representing buffer capital built up from profits in previous years. Alternatively, the shortfall could be charged to equity.

Risk management in DNB Livsforsikring is part of the company's strategy, which has been approved by the Board of Directors. Through regular assessments by the Group's Asset and Liability Committee, ALCO, the risk situation in DNB Livsforsikring is reviewed relative to the Group's overall risk profile. DNB Livsforsikring's chief executive and Board of Directors are to help ensure that DNB Livsforsikring's risk management and strategy are consistent with the Group's risk profile. The Risk Analysis and Control unit is responsible for reporting, monitoring and follow-up of total risk in DNB Livsforsikring and is organised independent of the Group's financial management and business areas.

Concentrations of risk

Concentrations of financial risk arise when financial instruments with identical characteristics are influenced in the same way by changes in economic or other factors. The identification of risk concentrations is subject to discretionary assessment. The general purpose of risk management in the Group is to reduce and control risk concentrations. The Group aims to avoid large credit risk concentrations, including large exposures to a customer or customer group as well as clusters of loans in high-risk categories, industries and geographical areas, see notes 2, 6 and 7. Total credit risk as at 31 December 2015 is presented in note 5. With respect to market risk, concentration risk is restricted by limits ensuring that exposure is divided among a number of instruments, securing sound diversification to meet changes in share prices, exchange rates, commodity prices and interest rate levels. Concentrations of interest rate risk are presented in note 13. Currency risk is specified in note 14. The Group's largest investments in shares, mutual funds and equity certificates are specified in note 31. The Group has not identified material risk concentrations apart from in its core operations, including strategic priority areas, which are referred to above.

NOTE 5 Credit risk

Credit risk or counterparty risk is the risk of financial losses due to failure on the part of the Group's customers/counterparties to meet their payment obligations towards DNB. Credit risk refers to all claims against customers/counterparties, mainly loans, but also commitments in the form of other extended credits, guarantees, interest-bearing securities, unutilised credit lines, interbank deposits and loan offers, as well as counterparty risk arising through trading in currency and interest rate derivatives. In addition, counterparty risk is a major element of the settlement risk that arises in connection with payment transfers and the settlement of contracts.

Credit risk also includes concentration risk, including risk relating to large exposures to a particular customer, as well as clusters of loans in geographical areas or industries or to homogeneous customer groups. Residual risk is the risk that the collateral backing a loan is less effective than expected. Credit risk management and measurement is described in further detail in the Risk and Capital Management (Pillar 3) report. The group guidelines for credit activity are approved by the Boards of Directors of DNB. The principal objective of credit activity is to ensure that the quality and composition of the loan portfolio provide a good basis for the Group's short and long-term profitability. The quality of the portfolio should be consistent with DNB's aim of maintaining a low risk profile. See also note 4 Risk management, in which credit risk for the Group is quantified in the form of risk-adjusted capital requirements.

The maximum credit risk exposure will be the carrying amount of financial assets plus unrecorded exposure, which mainly includes guarantees, unutilised credit lines and loan offers. Guarantees, unutilised credit lines and loan offers are specified in note 51 Off-balance sheet transactions and contingencies. The maximum credit risk exposure and related collateral are shown below.

Credit risk exposure and collateral as at 31 December 2015 **DNB Group**

Amounts in NOK million	Maximum exposure to credit risk	Secured by real estate	Collateralised by securities	Other collateral [1)]
Deposits with central banks	16 911			
Due from credit institutions	301 216		279 056	44
Loans to customers	1 542 744	903 408	44 559	348 848
Commercial paper and bonds	394 919			331
Financial derivatives	203 029		1 675	86 829
Other assets	24 913			
Total maximum exposure to credit risk reflected on the balance sheet	2 483 732	903 408	325 291	436 052
Guarantees	98 548	11 077	227	31 710
Unutilised credit lines and loan offers	598 132	61 667	97	91 169
Other commitments	4 841			
Total maximum exposure to credit risk not reflected on the balance sheet	701 521	72 745	324	134 960
Total	3 185 253	976 153	325 615	571 012

Credit risk exposure and collateral as at 31 December 2014 **DNB Group**

Amounts in NOK million	Maximum exposure to credit risk	Secured by real estate	Collateralised by securities	Other collateral [1)]
Deposits with central banks	56 316			
Due from credit institutions	373 409		346 634	121
Loans to customers	1 438 839	872 708	14 273	314 573
Commercial paper and bonds	386 970			
Financial derivatives	235 736		1 536	135 208
Other assets	27 134			
Total maximum exposure to credit risk reflected on the balance sheet	2 518 404	872 708	362 444	449 903
Guarantees	103 017	8 230	154	30 813
Unutilised credit lines and loan offers	608 157	55 270	75	85 158
Other commitments	5 132	1		43
Total maximum exposure to credit risk not reflected on the balance sheet	716 306	63 501	229	116 013
Total	3 234 710	936 210	362 672	565 916

1) *Other collateral includes the assessed fair value of movables, sureties, ships and cash as well as other credit enhancements, such as netting agreements and guarantees received.*

The table above includes on and off-balance sheet items which entail credit risk and the assessed value of related collateral. If available, fair values are used. In general, fair values are estimated according to different techniques depending on the type of collateral. With respect to properties, models estimating the value of collateral based on market parameters for similar properties, are used. Corresponding techniques are used for other non-financial collateral. In order to reflect the effective available collateral value, the fair value of collateral included in the table is limited to the maximum credit exposure of the individual loan or exposure.

NOTE 5 Credit risk (continued)

Comments to the main items as at 31 December 2015:

- *Deposits with central banks:* Deposits with Norges Bank totalled NOK 12 556 million. DNB engages only in short-term transactions with central banks outside Norway, mainly in OECD countries.
- *Loans to customers:* See further description under "Guidelines for credit activity" on the following page.
- *Commercial paper and bonds:* See further description under "Credit exposure of other financial assets".
- *Financial derivatives:* Other collateral represents netting opportunities against other outstanding balances with customers and cash collateral received.
- *Guarantees:* See further description under "Guidelines for credit activity".
- *Unutilised credit lines and loan offers:* Offers of loans, credits and credit lines totalling NOK 78 832 million were included in the maximum credit exposure. No formal collateral has been established for such exposure, and the assessed value is not included in the table. Collateral is established once the offers are accepted by the customers. The assessment of the value of any collateral established in connection with such offers follows the procedure and criteria described under "Guidelines for credit activity".

Credit risk exposure of loans and commitments

Notes 6 and 7 show the Group's credit risk exposure for principal customer groups and according to geographic location. Notes 8 through 11 show impaired loans and guarantees and impairment of loans and guarantees.

Classification of loans and commitments

DNB's internal models for risk classification of customers are subject to continual improvement and testing. The models are adapted to different industries and segments and are regularly upgraded to ensure that the variables used in the models have high explanatory power at all times based on key risk drivers for the individual parameters included in the models. DNB has been granted permission to use IRBA models in capital adequacy calculations. The same models are used in calculations of capital requirements and in risk management.

All corporate customers granted credit must be classified according to risk in connection with every significant credit approval and, unless otherwise decided, at least once a year. In the personal banking market, where there is a large number of customers, the majority of credit decisions should be made on the basis of automated scoring and decision support systems. Risk classification should reflect long-term risk associated with each customer and the customer's credit commitment.

The risk classification systems are used as decision support, monitoring and reporting. The risk parameters used in the classification systems are an integrated part of the credit process and ongoing risk monitoring, including the follow-up of credit strategies.

Probability of default, PD, is used to measure quality. The bank divides its portfolio into ten risk classes based on the probability of default for each credit commitment.

DNB's risk classification 1)

	Probability of default (per cent)		External rating	
Risk class	As from	Up to	Moody's	Standard & Poor's
1	0.01	0.10	Aaa – A3	AAA – A-
2	0.10	0.25	Baa1 – Baa2	BBB+ – BBB
3	0.25	0.50	Baa3	BBB-
4	0.50	0.75	Ba1	BB+
5	0.75	1.25	Ba2	BB
6	1.25	2.00		
7	2.00	3.00	Ba3	BB-
8	3.00	5.00	B1	B+
9	5.00	8.00	B2	B
10	8.00	impaired	B3, Caa/C	B-, CCC/C

1) DNB's risk classification system, where 1 represents the lowest risk and 10 the highest risk.

NOTE 5 Credit risk (continued)

Loans and commitments according to risk classification **DNB Group**

Amounts in NOK million	Gross loans to customers	Guarantee commitments	Unutilised credit lines	Total loans and commitments
Risk category based on probability of default				
1 - 4	911 225	68 067	465 530	1 444 822
5 - 6	361 268	21 418	94 666	477 352
7 - 10	146 403	6 020	22 098	174 522
Non-performing and impaired loans and guarantees	26 744	306		27 051
Total loans and commitments as at 31 December 2014 [1)]	1 445 641	95 811	582 294	2 123 747
Risk category based on probability of default				
1 - 4	1 024 098	68 494	456 275	1 548 868
5 - 6	327 057	11 519	66 033	404 609
7 - 10	176 823	8 742	29 143	214 708
Non-performing and impaired loans and guarantees	21 971	675		22 647
Total loans and commitments as at 31 December 2015 [1)]	1 549 950	89 431	551 451	2 190 832

1) *Based on nominal amount.*

Loan-loss level [1)]	2015	2014
Normalised losses including loss of interest income in per cent of net loans	0.25	0.27

1) *The calculation of the loan-loss level is based on an evaluation of the probability of future losses (default frequency), exposure at default and the size of the estimated loss (loss ratio). Calculations are based on a certain level of discretion and estimation.*

Guidelines for credit activity

DNB's guidelines and processes for approving credits are described in the group guidelines for credit activity. The guidelines describe how DNB shall grant and follow up credit exposures in the various segments. Detailed descriptions are given of the assessment of new customers, follow-up of healthy credit exposures, follow-up of customers in financial difficulty and procedures for handling doubtful and non-performing loans.

The granting of credit in DNB is based on authorisation and approval matrices. As a fundamental principle, one person makes a recommendation and another one approves it, which takes place through the authorisation and approval matrices. The matrices are differentiated on the basis of volume, risk and, if relevant, industry. While only two persons may be involved in (recommending and approving) a low-risk exposure in the form of a home mortgage, recommendations for large/complex exposures must be endorsed by a senior credit officer. In addition, advice will be sought from credit committees, and the involvement of industry specialists may be required.

A decisive element when granting credit is the customers' debt servicing capacity in the form of ongoing future cash flows , such as earned income or income from the business operations which are being financed. The bank seeks to further mitigate the risk of losses in connection with a possible future reduction in cash flows or default by requiring that collateral be furnished. Only in exceptional cases will credit be granted if the customer has provided no collateral.

Collateral can be in the form of physical assets, guarantees, cash deposits or netting agreements. As a rule, physical collateral shall be insured. Negative pledges, whereby customers undertake to keep their assets free from encumbrances vis-à-vis other lenders, are also used as a risk-mitigating measure.

In addition to collateral, most corporate credit agreements will include financial covenants, which represent an additional risk-mitigating element to ensure that DNB becomes aware of and involved in any financial challenges at an early stage. Examples of financial covenants are minimum net cash flow and equity ratio requirements.

Monitoring credit risk

Performing customers

According to the guidelines for credit activity for corporate customers, a credit assessment shall be made of all customers at least once a year. This is a complete review of all risks identified by DNB relating to the customer. A new evaluation of all collateral (provided) is an integral part of the annual review. The decision-making and authorisation matrices shall also be used in connection with the renewal of all existing credits and thus ensure that persons with relevant expertise are always involved when considering large and complicated exposures.

Personal customers are followed up through a systematic portfolio management system. Exposures are followed up individually if heightened risk has been identified.

NOTE 5 Credit risk (continued)

Watchlist
The watchlist is the Group's primary tool for following up corporate customers when a risk has arisen which requires special monitoring. If customers breach financial covenants or a loss event requiring special monitoring has occurred, it will be considered whether to place the exposure on the watchlist. Loss events include serious financial problems or major changes in market conditions. In addition, all customers in the high-risk segment (risk grades 8-10) will be watchlist candidates. It is an integral part of credit activity to consider whether to place high-risk customers on the watchlist. Watchlisted customers are subject to special monitoring. More frequent, often quarterly risk assessments are required, including an updated valuation of collateral. In addition, an action plan must be prepared to get out of the risk situation that has arisen. The particularly close follow-up of customers facing greater challenges is based on the bank's experience that special monitoring both reduces the risk that losses will occur and minimises the losses that actually materialise. Each time watchlisted exposures are reviewed, the need for impairment losses will be considered.

Granting concessionary treatment of customers
If a customer gets into financial difficulties, DNB may in some cases grant voluntary concessions in the form of less stringent financial covenants or reduced/deferred interest and instalment payments. Such measures are offered in accordance with the Group's credit guidelines, thus aiming to help customers through a tough financial period when it is expected that they will meet their obligations on a later date. This is part of DNB's strategy to reduce losses.

Loss and non-performing portfolio
In the event of losses or non-performance, customers are closely monitored. In the bank's experience, other supplementary resources are required during this stage than for performing customers. Customer exposures which fall into this category will either be transferred in their entirety to a separate unit with special expertise in this field, or persons from this unit will join the customer team.

Repossessed companies and assets
In connection with the follow-up of impaired and non-performing exposures, DNB will in some cases take over assets provided as collateral for loans and guarantees. All acquired companies are followed up by the Group Investment unit, whose main target is to secure/recover values for DNB's shareholders through financial restructuring when companies and properties are repossessed due to default. See separate paragraph below for details on repossessed assets.

Past due loans not subject to impairment

The table below shows overdue amounts on loans and overdrafts on credits/deposits and the total residual debt for these loans broken down on the number of days after the due date, assuming a deterioration of customer solvency or unwillingness to pay. Past due loans and overdrafts on credits/deposits are subject to continual monitoring. Loans and guarantees where any objective evidence of impairment exists are reviewed for impairment. Such reviews have also been carried out for the loans and guarantees included in the table for which no need for impairment has been identified. Past due loans subject to impairment are not included in the table but are included in tables showing impaired loans and guarantees, see note 8 Impaired loans and guarantees for principal customer groups.

				DNB Group
	31 December 2015		31 December 2014	
Amounts in NOK million	Past due/ overdrawn	Outstanding balance on past due loans	Past due/ overdrawn	Outstanding balance on past due loans
10-29 days	129	8 277	697	12 458
30-59 days	272	2 743	526	3 347
60-89 days	32	758	149	608
> 90 days	1 706	5 076	203	960
Total	2 139	16 855	1 575	17 373

Credit exposure of other financial assets

The Group's investments in other financial assets, including commercial paper and bonds, are within risk limits approved by the Board of Directors. See note 35 Commercial paper and bonds, held to maturity, for a description of Markets' international bond portfolio and DNB Livsforsikring's portfolio of held-to-maturity bonds.

Counterparty risk for derivatives

DNB enters into derivative transactions on the basis of customer demand and to hedge positions resulting from such activity. In addition, derivatives are used to hedge positions in the trading portfolio and take positions in the interest rate, currency, commodity and equity markets. Derivatives are traded in portfolios where balance sheet products are also traded. Derivatives are generally traded "over the counter" (OTC), which means that individual contracts are agreed upon by the parties.

Derivatives are traded with a number of different counterparties, and most of these are also engaged in other types of business. The credit risk that arises in connection with derivative trading is included in the DNB Group's overall credit risk measurement. Such measurement and follow-ups take place on a daily basis. In order to minimise counterparty risk for individual counterparties, netting agreements and bilateral guarantee agreements have been entered into. In addition, various interest rate products are cleared via so-called clearing houses, such as LCH.Clearnet. The counterparty risk for an individual party is thus transferred to LCH.

NOTE 5 Credit risk (continued)

CSA agreements (Credit Support Annex) have been entered into with most major bank counterparties and a large number of other counterparties. This means that the market value of all derivatives entered into between DNB and the counterparty is settled either daily or weekly, whereby counterparty risk is largely eliminated. These transactions are generally backed by cash collateral, though Treasury bills and covered bonds are also used. The collateral agreements are normally not based on rating triggers, but for a few agreements, the minimum exposure level will be reduced if DNB is downgraded. The effects of a possible downgrade are very limited. Equity forward contracts, securities issues and currency trading for private individuals are monitored and margined on a daily basis.

Repossessed properties and other assets – carrying amount

Repossessed assets are assets acquired by units within the Group as part of the management of non-performing and impaired loans and guarantees. At the time of acquisition, such assets are valued at their estimated realisable value. Any deviation from the carrying amount of non-performing and impaired loans and guarantees at the time of acquisition is classified as impairment on loans. Repossessed assets are recorded in the balance sheet according to the type of asset. When acquiring shares or mutual fund holdings, the assets are evaluated according to the principles described in note 1 Accounting principles. Upon final sale, the difference relative to carrying amount is recognised in the income statement according to the type of asset. Property additions in 2014 mainly included the acquisition by the companies Polish Properties AS. Other asset additions included the acquisition by the companies BRPH Top Holding AB. Property disposals in 2014 mainly related to the sale of parts of the company Propinvest. Property additions in 2015 mainly related to the residential market in Latvia and Lithuania. Property disposals in 2015 related to the sale of the company København Ejendomme and BRPH Top Holding AB's subsidiary Komanditbolaget Europahuset Building.

		DNB Group
Amounts in NOK million	2015	2014
Repossessed properties and other repossessed assets as at 1 January	5 185	4 838
Property additions	620	750
Other asset additions	33	482
Property disposals	(3 426)	(883)
Other asset disposals	(14)	(63)
Net gains/losses resulting from adjustment to fair value (investment properties)	(68)	61
Repossessed properties and other repossessed assets as at 31 December	2 330	5 185

Companies/parts of companies acquired in 2015

Handelspark Invest I AS

In connection with the wind-up of Fortin, DNB Bank ASA took over the company Handelspark Invest I AS. Through a subsidiary, the company owns 75 per cent of a shopping center in Töcksfors, Sweden. The shopping center was valued at SEK 240 million at year-end 2015. The value of the property is included in the above table.

The bank's strategy is to sell these operations as soon as possible within a 12-month period from the takeover date. The operations were classified as held for sale in the Group's accounts at end-December 2015. The asset values are included in the above table.

Companies/parts of companies acquired in 2014

Polish Properties AS

As a result of a liquidation in Poland, the bank repossessed three properties. The properties are organised in three companies in Poland and are 100 per cent owned by DNB Polish Properties AS. DNB Bank ASA owns 100 per cent of DNB Polish Properties AS. The properties were taken over for a total of EUR 32 million. At year-end 2014, the properties were valued at NOK 232 million. The property values are included in the above table.

BRPH Top Holding AB

In connection with the restructuring of DNB's loan to Bastuban 1 AB in Sweden in the fourth quarter of 2014, the bank took over all shares in the subsidiary BRPH Top Holding AB on 18 December 2014 at the price of SEK 1. The BRPH Top Holding Group owns a commercial property in Mølndal in Sweden valued at SEK 427 million.

The bank's strategy is to sell these operations as soon as possible within a 12-month period from the takeover date. The operations were classified as held for sale in the group accounts as at 31 December 2014. The asset values are included in the above table.

Loans and deposits designated as at fair value

		DNB Group
Amounts in NOK million	31 Dec. 2015	31 Dec. 2014
Loans and deposits designated as at fair value	108 689	116 295
Total exposure to credit risk	108 689	116 295
Value adjustment from credit risk [1]	248	334
Value adjustment from change in credit risk [1]	(87)	(160)

1) *Credit risk reflected in fair value measurements is based on normalised losses and changes in normalised losses in the relevant portfolio.*

NOTE 5 Credit risk (continued)

Effects of changes in credit margins

The markets for short-term funding were generally sound in 2015 for banks with high credit ratings. DNB had ample access to short-term funding throughout the year. In the long term funding markets, there was also a healthy supply of capital in the first half of the year. However, as the unrest in Greece increased as summer approached, the level of activity in the market dropped significantly, accompanied by rising prices on new issues. In September the level of activity picked up, though margins widened. There was a general increase in margins for both covered bonds and ordinary senior debt in the second half of 2015. DNB had good access to long-term funding throughout 2015. Changes in credit margins affected a number of items in the DNB Group's balance sheet.

As part of ongoing liquidity management, Markets invests in an international covered bond portfolio. The holding of such bonds increased through 2015. Unrealised losses in this portfolio amounted to NOK 172 million at end-December 2015, compared with unrealised gains of NOK 620 million at year-end 2014. The unrealised losses will be reversed over the remaining term to maturity, provided that there are no changes in the credit status of the bonds. There was considerable turnover in the portfolio in 2015.

Moody's and Standard & Poor's downgrades of Eksportfinans' credit rating in the fourth quarter of 2011 resulted in sizeable unrealised gains on the company's long-term funding. The effect of these unrealised gains on DNB's holding, after tax, represented NOK 11.8 billion. After reviewing the fair value of the company in connection with the closing of the annual accounts, DNB wrote down the value by an amount corresponding to unrealised gains on Eksportfinans' own debt in the fourth quarter of 2011. In 2012, 2013, 2014 and 2015, the required rate of return in the market was reduced, and Eksportfinans had sizeable unrealised losses on own debt. The impairment loss recorded by DNB in the fourth quarter of 2011 was reversed by an amount corresponding to these unrealised losses. Reversals totalling NOK 199 million were made in 2015. The remaining impairment loss was NOK 144 million at year-end 2015. The impairment loss in 2011 and subsequent reversals have been reported on the line "Profit from investments accounted for by the equity method" along with DNB's share of profits from the company.

The DNB Group's long-term borrowings in Norwegian kroner are carried at fair value through profit or loss. Margin requirements increased in the second half of 2015: At end-December 2015, there were unrealised gains of NOK 116 million on long-term borrowings, compared with unrealised losses of NOK 1 348 million at year-end 2014. Unrealised gains on the DNB Group's liabilities will be reversed over the remaining term to maturity.

The DNB Group's fixed-rate loans in Norwegian kroner and parts of the portfolio of margin loans in Norwegian kroner are carried at fair value through profit or loss. Unrealised losses resulting from increased margin requirements, measured relative to swap rates on these loans, came to NOK 773 million at year-end 2015, compared with unrealised losses of NOK 397 million at end-December 2014. The unrealised losses will be reversed over the remaining term to maturity, provided that there are no changes in the credit status of the loans.

NOTE 6 Loans and commitments for principal customer groups [1)]

Loans and commitments as at 31 December 2015				**DNB Group**
Amounts in NOK million	Loans and receivables	Guarantees	Unutilised credit lines	Total loans and commitments
Private individuals	743 310	284	199 188	942 782
Transportation by sea and pipelines and vessel construction	126 222	9 933	42 701	178 856
Real estate	202 020	2 341	26 165	230 526
Manufacturing	95 451	24 229	72 655	192 335
Services	97 914	6 074	25 566	129 554
Trade	41 006	5 451	25 756	72 212
Oil and gas	31 906	4 554	38 117	74 577
Transportation and communication	59 283	8 555	26 733	94 571
Building and construction	48 737	13 674	25 180	87 590
Power and water supply	33 784	8 366	23 860	66 010
Seafood	16 289	266	5 075	21 630
Hotels and restaurants	8 896	421	2 588	11 905
Agriculture and forestry	6 846	56	2 657	9 559
Central and local government	14 440	483	10 870	25 793
Other sectors	15 364	4 562	24 341	44 267
Total customers, nominal amount after individual impairment	1 541 466	89 250	551 451	2 182 167
– Collective impairment, customers	(2 527)			(2 527)
+ Other adjustments	3 805	(198)		3 606
Loans to customers	**1 542 744**	**89 052**	**551 451**	**2 183 246**
Credit institutions, nominal amount after individual impairment	301 160	8 935	46 682	356 777
+ Other adjustments	56			56
Loans to and due from credit institutions	**301 216**	**8 935**	**46 682**	**356 833**

Loans and commitments as at 31 December 2014				**DNB Group**
Amounts in NOK million	Loans and receivables	Guarantees	Unutilised credit lines	Total loans and commitments
Private individuals	709 948	330	182 428	892 706
Transportation by sea and pipelines and vessel construction	123 695	11 730	47 544	182 969
Real estate	194 215	2 679	22 225	219 118
Manufacturing	77 414	26 660	59 522	163 596
Services	79 044	7 182	30 769	116 995
Trade	36 710	5 330	26 771	68 812
Oil and gas	28 591	4 987	58 512	92 089
Transportation and communication	45 280	9 033	28 690	83 003
Building and construction	49 160	13 584	27 774	90 518
Power and water supply	35 100	12 122	26 191	73 413
Seafood	17 405	202	7 011	24 618
Hotels and restaurants	6 961	321	2 331	9 613
Agriculture and forestry	8 359	69	3 664	12 091
Central and local government	13 020	304	7 054	20 379
Other sectors	11 093	1 279	51 808	64 180
Total customers, nominal amount after individual impairment	1 435 995	95 811	582 294	2 114 101
– Collective impairment, customers	(2 139)			(2 139)
+ Other adjustments	4 982	(154)		4 829
Loans to customers	**1 438 839**	**95 657**	**582 294**	**2 116 790**
Credit institutions, nominal amount after individual impairment	373 325	7 063	25 863	406 251
+ Other adjustments	84			84
Loans to and due from credit institutions	**373 409**	**7 063**	**25 863**	**406 335**

1) *The breakdown into principal customer groups corresponds to the EU's standard industrial classification, NACE Rev.2.*

NOTE 7 Loans and commitments according to geographical location [1)]

Loans and commitments as at 31 December 2015 — **DNB Group**

Amounts in NOK million	Loans and receivables	Guarantees	Unutilised credit lines	Total loans and commitments
Oslo	263 665	12 479	187 746	463 890
Eastern and southern Norway	470 167	18 918	115 592	604 677
Western Norway	197 150	8 515	52 410	258 074
Northern and central Norway	204 723	9 142	39 898	253 762
Total Norway	1 135 705	49 054	395 646	1 580 404
Sweden	61 655	7 337	38 139	107 131
United Kingdom	119 416	3 536	17 597	140 549
Other Western European countries	296 558	5 430	34 741	336 729
Russia	926	4	5	935
Estonia	5 132	110	184	5 425
Latvia	16 798	395	1 451	18 644
Lithuania	28 951	849	3 301	33 101
Poland	18 680	732	3 090	22 502
Other Eastern European countries	801	262	33	1 095
Total Europe outside Norway	548 916	18 653	98 541	666 110
USA and Canada	47 144	17 046	80 907	145 096
Bermuda and Panama [2)]	31 777	2 665	5 647	40 089
Other South and Central American countries	19 331	2 638	6 824	28 794
Total America	98 252	22 349	93 378	213 979
Singapore [2)]	14 199	1 952	505	16 656
Hong Kong	3 484		702	4 186
Other Asian countries	16 774	3 854	3 493	24 120
Total Asia	34 457	5 806	4 700	44 962
Liberia [2)]	10 044	2 043	601	12 688
Other African countries	1 093	90	551	1 733
Oceania [2)]	22 649	372	4 715	27 736
Commitments [3)]	1 851 115	98 366	598 132	2 547 609
– Individual impairment	(8 484)	(181)		(8 665)
– Collective impairment	(2 527)			(2 527)
+ Other adjustments	3 860	(198)		3 662
Net loans and commitments	**1 843 960**	**97 987**	**598 132**	**2 540 079**

1) Based on the customer's address.
2) Represents shipping loans and commitments.
3) All amounts represent gross loans and guarantees respectively before individual impairment.

NOTE 7 Loans and commitments according to geographical location [1] (continued)

Loans and commitments as at 31 December 2014 — **DNB Group**

Amounts in NOK million	Loans and receivables	Guarantees	Unutilised credit lines	Total loans and commitments
Oslo	253 042	12 451	174 989	440 481
Eastern and southern Norway	460 017	19 475	137 478	616 970
Western Norway	183 915	10 064	53 693	247 672
Northern and central Norway	197 778	10 426	40 388	248 593
Total Norway	1 094 752	52 416	406 548	1 553 716
Sweden	67 436	6 438	31 736	105 611
United Kingdom	143 118	5 087	19 338	167 542
Other Western European countries	289 827	10 329	39 241	339 397
Russia	1 498	162	253	1 912
Estonia	4 801	187	356	5 344
Latvia	16 575	395	2 511	19 482
Lithuania	26 893	1 010	5 160	33 063
Poland	18 133	709	2 970	21 812
Other Eastern European countries	937	218	36	1 191
Total Europe outside Norway	569 218	24 535	101 601	695 354
USA and Canada	56 260	15 041	80 054	151 355
Bermuda and Panama [2]	24 143	2 276	3 026	29 445
Other South and Central American countries	10 298	2 268	4 388	16 954
Total America	90 701	19 585	87 468	197 755
Singapore [2]	13 426	1 247	1 526	16 200
Hong Kong	5 835		65	5 901
Other Asian countries	20 278	2 832	4 361	27 471
Total Asia	39 540	4 079	5 952	49 571
Liberia [2]	9 590	1 970	504	12 064
Other African countries	765	95	165	1 025
Oceania [2]	14 401	337	5 918	20 656
Commitments [3]	1 818 968	103 017	608 157	2 530 142
– Individual impairment	(9 647)	(143)		(9 790)
– Collective impairment	(2 139)			(2 139)
+ Other adjustments	5 066	(154)		4 912
Net loans and commitments	**1 812 248**	**102 720**	**608 157**	**2 523 125**

1) Based on the customer's address.
2) Represents shipping loans and commitments.
3) All amounts represent gross loans and guarantees respectively before individual impairment.

NOTE 8 Impaired loans and guarantees for principal customer groups [1)]

DNB Group

	Gross impaired loans and guarantees		Total individual impairment		Net impaired loans and guarantees	
Amounts in NOK million	31 Dec. 2015	31 Dec. 2014	31 Dec. 2015	31 Dec. 2014	31 Dec. 2015	31 Dec. 2014
Private individuals	4 502	5 368	(1 841)	(2 297)	2 661	3 071
Transportation by sea and pipelines and vessel construction	3 665	5 753	(1 620)	(1 891)	2 045	3 862
Real estate	3 716	3 864	(1 426)	(1 347)	2 289	2 517
Manufacturing	2 643	2 149	(1 113)	(1 373)	1 530	776
Services	952	1 293	(593)	(620)	359	673
Trade	977	1 855	(502)	(590)	476	1 265
Oil and gas		42		(41)		
Transportation and communication	1 825	859	(726)	(363)	1 099	495
Building and construction	1 020	1 899	(550)	(937)	470	962
Power and water supply	394	45	(77)	(16)	317	29
Seafood	13	146	(8)	(120)	5	26
Hotels and restaurants	167	160	(49)	(57)	118	103
Agriculture and forestry	172	231	(63)	(87)	110	144
Central and local government	11		(5)		7	
Other sectors	126	68	(92)	(49)	34	19
Total customers	20 184	23 733	(8 665)	(9 790)	11 519	13 943
Credit institutions						
Total impaired loans and guarantees	20 184	23 733	(8 665)	(9 790)	11 519	13 943
Non-performing loans and guarantees not subject to impairment	2 463	3 318			2 463	3 318
Total non-performing and impaired loans and guarantees	22 647	27 051	(8 665)	(9 790)	13 982	17 261

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

NOTE 9 Impairment of loans and guarantees

DNB Group

	2015			2014		
Amounts in NOK million	Loans [1)]	Guarantees	Total	Loans [1)]	Guarantees	Total
Write-offs	(1 446)		(1 446)	(823)	(0)	(823)
New/increased individual impairment	(3 165)	(124)	(3 288)	(2 984)	(95)	(3 078)
Total new/increased individual impairment	(4 611)	(124)	(4 735)	(3 806)	(95)	(3 901)
Reassessed individual impairment previous years	890	88	978	1 007	238	1 245
Recoveries on loans and guarantees previously written off [2)]	1 742		1 742	677		677
Net individual impairment	(1 979)	(36)	(2 015)	(2 123)	143	(1 980)
Changes in collective impairment of loans	(255)		(255)	341		341
Impairment of loans and guarantees	**(2 234)**	**(36)**	**(2 270)**	**(1 782)**	**143**	**(1 639)**
Write-offs covered by individual impairment made in previous years	3 749	0	3 749	2 422		2 422

1) *Including impairment of loans at fair value.*
2) *Recoveries in 2015 largely reflected the effects of the agreement with Lindorff Capital AS on the sale of portfolios of non-performing loans in Norway.*

NOTE 10 Impairment of loans and guarantees for principal customer groups [1)]

DNB Group

	2015				2014			
Amounts in NOK million	New individual impairment	Reassessed individual impairment	Recoveries on loans and guarantees previously written off [2)]	Net impairment	New individual impairment	Reassessed individual impairment	Recoveries on loans and guarantees previously written off	Net impairment
Private individuals	(835)	188	1 642	995	(1 066)	334	537	(195)
Transportation by sea and pipelines and vessel construction	(1 027)	139	1	(886)	(666)	296	89	(281)
Real estate	(344)	140	3	(202)	(450)	173	5	(272)
Manufacturing	(882)	154	12	(716)	(635)	116	4	(515)
Services	(165)	64	19	(82)	(260)	62	3	(195)
Trade	(233)	69	10	(155)	(362)	34	14	(314)
Oil and gas	(0)			(0)	(36)	20		(16)
Transportation and communication	(588)	55	24	(509)	(81)	98	6	23
Building and construction	(422)	87	27	(308)	(155)	75	9	(71)
Power and water supply	(60)	1	1	(59)	(48)	1		(47)
Seafood	(8)	49	0	41	(85)	3		(82)
Hotels and restaurants	(21)	9	1	(10)	(20)	22		2
Agriculture and forestry	(27)	22	3	(2)	(30)	9	1	(20)
Central and local government	(0)	0	0	(0)				
Other sectors	(124)	2	0	(121)	(11)	1	8	(2)
Total customers	(4 735)	978	1 742	(2 015)	(3 905)	1 245	677	(1 984)
Credit institutions					4			4
Changes in collective impairment of loans				(255)				341
Impairment of loans and guarantees	**(4 735)**	**978**	**1 742**	**(2 270)**	**(3 901)**	**1 245**	**677**	**(1 639)**
Of which individual impairment of guarantees	*(124)*	*88*		*(36)*	*(95)*	*238*		*143*

1) *The breakdown into principal customer groups corresponds to the EU's standard industrial classification, NACE Rev.2.*
2) *Recoveries in 2015 largely reflected the effects of the agreement with Lindorff Capital AS on the sale of portfolios of non-performing loans in Norway.*

NOTE 11 Developments in impairment of loans and guarantees

DNB Group

	2015				2014			
Amounts in NOK million	Loans to credit institutions	Loans to customers	Guarantees	Total	Loans to credit institutions	Loans to customers	Guarantees	Total
Impairment as at 1 January	(1)	(12 464)	(143)	(12 608)	(79)	(12 720)	(284)	(13 084)
New impairment		(1 870)	(124)	(1 994)		(1 831)	(64)	(1 895)
Increase in impairment		(1 295)	0	(1 295)		(1 153)	(31)	(1 183)
Reassessed impairment		890	88	978		1 007	238	1 245
Write-offs covered by previous impairment	1	3 748	0	3 749	74	2 348		2 422
Changes in individual impairment of accrued interest and amortisation		24		24	4	31		35
Changes in collective impairment		(255)		(255)		341		341
Changes in group structure								
Changes due to exchange rate movement		(445)	(2)	(447)		(487)	(2)	(489)
Impairment as at 31 December		(11 667)	(181)	(11 848)	(1)	(12 464)	(143)	(12 608)
Of which: Individual impairment		*(8 484)*	*(181)*	*(8 665)*	*(1)*	*(9 646)*	*(143)*	*(9 790)*
Individual impairment of accrued interest and amortisation		*(656)*		*(656)*		*(680)*		*(680)*
Collective impairment		*(2 527)*		*(2 527)*		*(2 139)*		*(2 139)*

NOTE 12 Market risk

Conditions for calculating market risk

Market risk is the risk of losses or reduced future income due to fluctuations in market prices or exchange rates. The risk arises as a consequence of the bank's unhedged transactions and exposure in the foreign exchange, property, interest rate, commodity, credit and equity markets. The risk level reflects market price volatility and the positions taken. Overall, market risk represents 17 per cent of the DNB Group’s total risk.

The DNB Group quantifies risk by calculating risk-adjusted capital for individual risk categories and for the DNB Group's overall risk, see note 4 Risk management. The risk-adjusted capital for market risk should, at a confidence level of 99.97 per cent, cover all potential losses related to market risk. The model has a one-year time horizon. Exposure included in the model could be either actual exposure or limits and is a conservative estimate where the Group is assumed to be incorrectly positioned relative to market developments. The realisation period is the time required to realise positions in highly volatile markets and varies from two days for positions in the most commonly traded currencies to 250 trading days for the bank's investment portfolio.

Financial instruments in the DNB Group excluding DNB Livsforsikring are divided into 25 risk categories. Financial instruments in DNB Livsforsikring are divided into nine risk categories. Risk-adjusted capital for the risk categories is calculated on the basis of expected developments in the value of an asset class or risk factor. To estimate annual losses, the value of each underlying instrument is simulated over a period of one year. Subsequent to this, losses for each potential realisation period are estimated.

The DNB Group has chosen to make a distinction between calculations of market risk in life insurance and market risk in the rest of the DNB Group, as different calculation methods are used. Calculations of risk-adjusted capital for market risk in life insurance represent an assessment of the risk associated with financial instruments in life insurance. The calculation takes account of the obligations resulting from the guaranteed rate of return, equity buffers and dynamic portfolio management.

The risk-adjusted capital requirement for market risk in DNB Livsforsikring declined by NOK 7.4 billion during the year. The reduction was a consequence of the sale of properties for approximately NOK 10 billion and a lower equity exposure. The company strengthened its solvency capital by NOK 6.5 billion in 2015 through retained earnings, an increase in subordinated loan capital, changes in unrealised gains on financial assets and provisions for higher life expectancy. Calculated according to the transitional rules, DNB Livsforsikring will meet the Solvency II capital requirement by a wide margin. Through 2015, the Norwegian 10-year swap rate declined from 1.92 to 1.87 per cent. The low interest rate level increases the risk of losses due to the liability adequacy test. DNB Livsforsikring now accounts for 54 per cent of the Group’s total market risk, and this share will continue to rise as interest rates decline. Lower interest rates also represent a long-term challenge for the life insurance industry, as the companies are required to meet the guaranteed minimum rate of return.

The risk-adjusted capital for market risk in operations other than life insurance decreased from NOK 9.5 billion at year-end 2014 to NOK 7.1 billion at year-end 2015. The main reason is reduced risk of losses related to the bank’s pension commitments. There was a decline in basis swap risk from trading activities due to lower volatility. Mark-to-market adjustments of swap contracts entered into in connection with the Group’s long-term financing of loans, basis swaps, are not included in the measurement of risk-adjusted capital for market risk. These contracts may have significant effects on the accounts from one quarter to the next. However, as the contracts are generally held to maturity, these effects will be balanced out over time.

NOTE 13 Interest rate sensitivity

Interest rate sensitivity for different time intervals

The value of items on and off the balance sheet is affected by interest rate movements. The table shows potential losses for DNB Group excluding DNB Livsforsikring and Baltics and Poland resulting from parallel one percentage point changes in all interest rates. The calculations are based on a hypothetical situation where interest rate movements in all currencies are unfavourable for DNB relative to the Group's positions. Also, all interest rate movements within the same interval will be unfavourable for the Group. The figures will thus reflect maximum losses for DNB.

The calculations are based on the Group's positions as at 31 December and market rates on the same date. The table does not include administrative interest rate risk and interest rate risk tied to non-interest-earning assets.

						DNB Group 1)
Amounts in NOK million	Up to 1 month	From 1 month to 3 months	From 3 months to 1 year	From 1 year to 5 years	Over 5 years	Total
31 December 2015						
NOK	374	35	246	545	420	218
USD	1	96	78	22	3	5
EUR	0	59	74	30	12	32
GBP	8	25	20	6	2	21
SEK	89	29	121	8	1	6
Other currencies	19	20	33	8	17	50
31 December 2014						
NOK	327	59	79	173	248	113
USD	78	29	47	72	9	65
EUR	44	7	2	6	20	35
GBP	10	15	3	8	1	8
SEK	26	17	19	5	1	19
Other currencies	30	17	11	9	11	37

1) Applies to the DNB Group excluding DNB Livsforsikring and Baltics and Poland.

Interest rate sensitivity for different time intervals – DNB Livsforsikring

The table shows interest rate sensitivity associated with financial assets in DNB Livsforsikring, excluding commercial paper and bonds held to maturity. The interest rate sensitivity of a security shows potential changes in the security's value resulting from a one percentage point change in interest rates.

						DNB Livsforsikring
Amounts in NOK million	Up to 1 month	From 1 month to 3 months	From 3 months to 1 year	From 1 year to 5 years	Over 5 years	Total
31 December 2015						
NOK	7	77	52	345	216	697
USD	1	13	3	15	81	86
EUR	1	3	4	4	78	71
GBP	0	2	0	2	12	12
Other currencies	0	3	0	1	1	0
31 December 2014						
NOK	8	57	40	468	292	865
USD	1	13	2	36	149	174
EUR	1	6	6	66	76	141
GBP	0	2	0	8	27	33
Other currencies	0	4	0	2	10	8

Interest rate sensitivity – liabilities to insurance policyholders

DNB Livsforsikring carries the risk of meeting liabilities in relation to policyholders. The return on financial assets must be sufficient to meet the guaranteed rate of return specified in insurance policies. Otherwise, inadequate returns will have to be covered by applying the market value adjustment reserve, additional allocations, equity or subordinated loan capital.

The guaranteed rate of return must be complied with on a yearly basis. Measured in relation to customer funds the company's total guaranteed rate of return averages 3.1 per cent.

Note 17 Insurance risk gives a description of a liability adequacy test prepared in compliance with IFRS 4 Insurance Contracts concerning liabilities to policyholders as at 31 December 2015.

NOTE 14 Currency positions

The table shows net currency positions as at 31 December, including financial derivatives as defined by Norges Bank. Net positions in individual currencies may represent up to 15 per cent of eligible primary capital. Aggregate currency positions must be within 30 per cent of the eligible primary capital. Foreign exchange risk related to investments in subsidiaries is included in the currency position by the amount recorded in the accounts.

In DNB Livsforsikring foreign currency exposure arises when the company invests parts of its securities portfolio and property portfolio in the international securities market. Under DNB Livsforsikring's current foreign currency hedging strategy, the total foreign currency exposure is reduced to a minimum.

	DNB Livsforsikring		**DNB Group excl. DNB Livsforsikring**	
	Net currency positions		Net currency positions	
Amounts in NOK million	31 Dec. 2015	31 Dec. 2014	31 Dec. 2015	31 Dec. 2014
USD	209	56	(72)	(419)
EUR	(179)	63	(113)	(19)
GBP	11	30	18	11
SEK	112	405	(16)	4
DKK		1	(21)	1
CHF	8	20	11	9
JPY	30	19	(4)	135
NOK [1)]	11	(4)		
Other	(99)	27	4	29
Total foreign currencies	104	618	(192)	(249)

1) Equity and bond funds denominated in NOK with foreign currency exposure, including EUR, GBP, JPY and USD.

NOTE 15 Financial derivatives

General information on application of financial derivatives

Financial derivatives are contracts stipulating financial values in the form of interest rate terms, exchange rates and the value of equity instruments for fixed periods of time. Corresponding contracts stipulating prices on commodities and indexes are also defined as financial derivatives. Derivatives include swaps, forward contracts and options as well as combinations thereof, including forward rate agreements (FRAs), financial futures and agreements on the transfer of securities. Financial derivatives in DNB are traded to manage liquidity and market risk arising from the Group's ordinary operations. In addition, the Group employs financial derivatives in its own account trading.

"Over the counter" (OTC) derivatives are contracts entered into outside an exchange. The contracts are tailor-made according to investor requirements with respect to the underlying object, quantity, price, expiration terms and maturity. The advantage of OTC derivatives is that customers are not limited to standardised contracts and can buy the precise position they wish. The disadvantage compared with the standardised market is that it can be difficult to find other contracting parties and to sell the contracts in the secondary market.

The following derivatives are employed for both trading and hedging purposes in the DNB Group:

- *Forward contracts:* a contract to buy or sell interest rate terms, amounts in foreign currencies, shares or commodities on a specified future date at a fixed price. Forward contracts are tailor-made contracts traded between counterparties in the OTC market.
- *FRAs:* agreements that fix the interest rate for a future period for an agreed amount. When the contract matures, only the difference between the agreed interest rate and the actual market interest rate is exchanged.
- *Interest rate futures:* standardised contracts where the counterparties agree to exchange specific interest rate instruments at a fixed price on a specified date. The contracts are traded on an exchange. The value of interest rate futures follows the price trend on underlying interest rate instruments.
- *Swaps:* transactions where two parties exchange cash flows on a fixed amount over an agreed period. The majority of swaps are tailor-made and traded outside exchanges. The most important types of swaps traded by DNB are:
  - interest rate swaps in which fixed interest rates are exchanged for floating rates or floating rates are exchanged for fixed rates
  - cross-currency interest rate swaps in which parties exchange both currency and interest payments
  - equity swaps in which interest rate returns are exchanged for equity returns.
- *Options:* agreements giving the buyer the right, but not the obligation, to either buy (call option) or sell (put option) a specific quantity of a financial instrument or commodity at a predetermined and fixed price. The buyer pays a premium to the seller for this right. Options are traded both as OTCs (tailor-made) and as standardised contracts.

The table shows nominal values on financial derivatives according to type of derivative as well as positive and negative market values. Positive market values are entered as assets in the balance sheet, whereas negative market values are entered as liabilities. See note 1 Accounting principles for a more detailed description of measurement of financial derivatives.

NOTE 15 Financial derivatives (continued)

						DNB Group
	31 December 2015			31 December 2014		
Amounts in NOK million	Total nominal values	Positive market value	Negative market value	Total nominal values	Positive market value	Negative market value
Interest rate contracts						
FRA-contracts	2 379 037	1 310	1 282	2 813 508	2 211	2 295
Swaps	2 844 383	97 617	66 754	1 401 958	116 982	78 953
OTC options	42 465	447	634	62 891	1 023	695
Other OTC contracts	1 687	248		1 687	19	
Total interest rate contracts	5 267 573	99 623	68 669	4 280 044	120 236	81 943
Foreign exchange contracts						
Forward contracts	114 070	8 425	1 271	150 499	8 846	2 333
Swaps	1 817 621	40 027	40 374	2 795 749	56 116	41 924
OTC options	190 208	789	510	68 692	972	907
Total foreign exchange contracts	2 121 900	49 242	42 155	3 014 940	65 934	45 165
Equity-related contracts						
Forward contracts	7 896	1 586	375	11 737	1 956	475
OTC options	1 882	101	23	2 014	174	128
Total OTC derivatives	9 779	1 687	399	13 751	2 130	603
Futures	23 703	79	108	23 777	1	1
Options	2 795	39	67	3 862	77	90
Total exchange-traded contracts	26 498	118	174	27 639	78	91
Total equity-related contracts	36 277	1 805	573	41 390	2 209	694
Commodity-related contracts						
Swaps	28 486	5 542	5 375	41 930	7 172	6 576
Total commodity related contracts	28 486	5 542	5 375	41 930	7 172	6 576
Collateral pledged/received						
Total collateral pledged/received		46 817	37 891		40 184	50 593
Total financial derivatives	**7 454 235**	**203 029**	**154 663**	**7 378 304**	**235 736**	**184 971**
Of which: Applied for hedging purposes	*479 261*	*37 408*	*834*	*464 316*	*41 781*	*1 103*
- Interest rate swaps		*36 613*	*327*		*40 960*	*597*
- Cross-currency interest rate swaps		*795*	*508*		*820*	*506*

Use of financial derivatives in Markets

Markets acts as market maker and is obliged to furnish both offer and bid prices for specified option, forward or futures series with a maximum differential between the offer and bid price, together with a minimum volume. Market makers always trade for their own account. The purpose of own account trading, in addition to being a market maker, is position taking, which means intentional risk-taking within the foreign exchange, interest rate and equity markets to achieve profits arising from favourable price, exchange rate and index fluctuations. Arbitrage, that is profit taking from fluctuations in prices, exchange rates and indices for the same product in various markets, is also part of own-account trading.

Customer trading entails structuring and marketing financial derivatives for customers, enabling them to transfer, modify, take or reduce prevailing or expected risk. The majority of derivative transactions relate to customer trading.

DNB uses interest rate and currency swaps to convert foreign currency borrowings into the desired currency. As a typical example, the bank raises a loan in euro, which is swapped to US dollars through a basis swap. In this case, the bank will pay a US dollar interest rate based on a swap curve and receive a euro interest rate reduced or increased by a margin. These derivatives are carried at fair value. There may be significant variations in the value of the basis swaps from day to day, due to changes in basis swap spreads. This unhedged risk causes unrealised gains and losses. For the year 2015, there was a NOK 2 685 million increase in value (positive effect on profits), compared with a NOK 394 million increase in value in 2014.

Use of financial derivatives in DNB Livsforsikring

The purpose of employing financial derivatives in DNB Livsforsikring is to be able to invest and allocate funds in accordance with the company's expectations of market trends, through swift and cost-effective asset and market exposure. In addition, the application of derivatives facilitates active risk management and adjustments in equity, interest rate and foreign exchange risk. See notes 13 Interest rate sensitivity and 14 Currency positions for a further description.

Use of financial derivatives in DNB Boligkreditt

The purpose of employing financial derivatives in DNB Boligkreditt is to uncover and reduce foreign exchange and interest rate risk.

NOTE 15 Financial derivatives (continued)

Risk related to financial derivatives

Derivatives are traded in portfolios which also include balance sheet products. The market risk on derivatives is handled, monitored and controlled as an integral part of the market risk of these portfolios. See notes 4 Risk management and 12 Market risk. Derivatives are traded with many different counterparties and most of these are also engaged in other types of business with DNB. The credit risk arising in connection with derivatives trading is included in the total credit risk of the DNB Group. Netting agreements or bilateral agreements on collateral are entered into with a number of counterparties, thus reducing credit risk. The authorities' capital adequacy requirements take into account such agreements, resulting in a reduction of capital adequacy requirements. See note 5 Credit risk for a description of counter-party risk.

NOTE 16 Liquidity risk

Liquidity risk is the risk that the DNB Group will be unable to meet its payment obligations. Overall liquidity management in the Group implies that DNB Bank ASA is responsible for funding domestic subsidiaries, as well as international branches and subsidiaries. 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 and a systemic crisis and a combination thereof, and a contingency plan has been established to handle market events. In addition, limits have been approved 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. The Group's ratio of deposits to net loans was 61.2 per cent at end of 2015, down from 65.4 per cent a year earlier. The ratio of deposits to net loans in DNB Bank ASA was 127.1 per cent at end of 2015.

The short-term funding markets were generally sound in 2015 for banks with high credit ratings. As US money market funds need to adapt to upcoming regulations, long-term maturities were not as attractive as they used to be. Combined with increasing demand for long-term investments among borrowers, this resulted in an increase in prices in the second half of the year. DNB had ample access to short-term funding throughout the year.

In the long-term funding markets, there was also a healthy supply of capital in the first half of the year. However, as the unrest in Greece increased as summer approached, the level of activity in the market dropped significantly, accompanied by rising prices on new issues. In September, the level of activity picked up, though margins widened. There was a general increase in margins for both covered bonds and ordinary senior debt through the second half of 2015. DNB had good access to long-term funding throughout 2015, but the cost of new long-term funding is expected to be higher as 2016 progresses.

The short-term liquidity requirement, Liquidity Coverage Ratio (LCR), remained stable at above 100 per cent throughout the year. At end of 2015, the total LCR was 133 per cent, with an LCR of 331 per cent for euro,118 per cent for US dollars and 48 per cent for NOK.

The average remaining term to maturity for the portfolio of senior bond debt and covered bonds was 3.8 years at end of 2015, down from 4.3 years a year earlier. The DNB Group aims to achieve a sound and stable maturity structure for long-term funding over the next five years.

NOTE 16 Liquidity risk (continued)

Residual maturity as at 31 December 2015 1) — **DNB Group**

Amounts in NOK million	Up to 1 month	From 1 month to 3 months	From 3 months to 1 year	From 1 year to 5 years	Over 5 years	No fixed maturity	Total
Assets							
Cash and deposits with central banks	19 317						19 317
Due from credit institutions	188 273	102 957	4 244	2 046	3 713		301 233
Loans to customers	165 981	104 561	100 937	335 519	837 693	(2 527)	1 542 165
Commercial paper and bonds at fair value	82 550	7 193	25 212	140 397	33 950		289 302
Commercial paper and bonds, held to maturity		2 313	8 774	24 682	69 453		105 223
Shareholdings						28 105	28 105
Other assets		3 056					3 056
Total	456 121	220 080	139 168	502 644	944 809	25 578	2 288 401
Liabilities							
Due to credit institutions	123 876	21 489	678	15 447	37		161 527
Deposits from customers	944 165						944 165
Debt securities issued	57 325	123 809	71 670	434 533	86 114		773 450
Other liabilities etc.	805	4 183	228				5 216
Subordinated loan capital				29 722	731		30 453
Total	1 126 172	149 480	72 575	479 701	86 882		1 914 811
Financial derivatives							
Financial derivatives, gross settlement							
Incoming cash flows	653 846	431 809	313 968	437 092	275 019		2 111 734
Outgoing cash flows	650 949	429 623	314 826	449 943	276 924		2 122 266
Financial derivatives, net settlement	2 066	2 195	3 605	21 660	12 437		41 963
Total financial derivatives	4 964	4 381	2 746	8 808	10 531		31 431

Residual maturity as at 31 December 2014 1) — **DNB Group**

Amounts in NOK million	Up to 1 month	From 1 month to 3 months	From 3 months to 1 year	From 1 year to 5 years	Over 5 years	No fixed maturity	Total
Assets							
Cash and deposits with central banks	58 506						58 506
Due from credit institutions	282 050	62 797	6 091	22 376	13		373 325
Loans to customers	159 915	86 886	78 234	292 100	822 348	(2 139)	1 437 344
Commercial paper and bonds at fair value	90 640	3 600	17 765	119 424	31 864		263 293
Commercial paper and bonds, held to maturity		500	6 865	30 020	79 246		116 631
Shareholdings				0		32 745	32 745
Other assets		2 774		831			3 605
Total	591 111	156 556	108 954	464 750	933 470	30 606	2 285 448
Liabilities							
Due to credit institutions	202 809	4 893	3 130	3 335	33		214 201
Deposits from customers	941 120						941 120
Debt securities issued	63 553	99 163	107 084	324 693	180 111		774 604
Other liabilities etc.	1 002	4 036	267				5 305
Subordinated loan capital			4 937	18 747	4 792		28 476
Total	1 208 483	108 092	115 419	346 775	184 937		1 963 705
Financial derivatives							
Financial derivatives, gross settlement							
Incoming cash flows	626 933	526 125	335 505	482 062	258 019		2 228 644
Outgoing cash flows	608 274	518 659	332 828	494 515	267 354		2 221 630
Financial derivatives, net settlement	1 958	1 677	4 168	21 846	14 968		44 617
Total financial derivatives	20 616	9 143	6 845	9 392	5 634		51 631

1) *Nominal future interest payments in excess of accrued interest are not included on the balance sheet date.*

Credit lines, commitments and documentary credit — **DNB Group**

Amounts in NOK million	31 Dec. 2015	31 Dec. 2014
Unutilised credit lines etc. under 1 year	357 737	259 843
Unutilised credit lines etc. over 1 year	244 267	351 903

NOTE 17 Insurance risk

Insurance risk in life insurance

Risk in DNB Livsforsikring AS includes financial risk and insurance risk, in addition to operational risk and business risk. Financial risk comprises credit and market risk, which is the risk that the return on financial assets will not be sufficient to meet the obligations specified in insurance policies (see description in notes 12-14). Insurance risk relates to changes in future insurance payments due to changes in life expectancy and disability rates.

Analysis of insurance liabilities, customers bearing the risk, and liabilities to policyholders

	DNB Group [1]	
Amounts in NOK million	Insurance liabilities, customers bearing the risk	Liabilities to policyholders
Balance sheet as at 31 December 2013	**35 512**	**230 906**
Deposits	5 361	12 730
Return	3 008	11 673
Inflow of reserves	1 574	703
Outflow of reserves	(1 034)	(24 772)
Insurance payments	(1 072)	(12 675)
Other changes	(483)	(1 764)
Balance sheet as at 31 December 2014	**42 866**	**216 799**
Deposits	6 144	15 912
Return	1 576	9 618
Inflow of reserves	1 052	1 641
Outflow of reserves	(831)	(14 789)
Insurance payments	(1 154)	(13 758)
Other changes	25	(6 476)
Balance sheet as at 31 December 2015	**49 679**	**208 949**

1) Refers only to DNB Livsforsikring.

Description of the insurance products

The company offers traditional life and pension insurance, unit-linked insurance and non-life insurance. A calculation rate is used to determine provisions and premiums. The highest calculation rate is set by Finanstilsynet (the Financial Supervisory Authority of Norway). This interest rate is often called the calculation rate, and is 2.0 per cent for new insurance contracts. The calculation rate is the annual guaranteed rate of return on policyholders' funds. In most unit-linked insurance products, policyholders bear the financial risk. Non-life insurance policies are products generating payments related to policyholders' life and health. These products are not subject to profit sharing and are repriced annually.

<u>Group contracts</u>

Under group defined-benefit pensions, pension payments are disbursed from an agreed age and until the death of the policyholder. It can also be agreed that the pension payments cease at a certain age. A defined-benefit pension may include a retirement pension, disability pension, spouse’s pension, cohabitant’s pension and child’s pension. Policyholders pay an annual premium for interest rate risk, insurance risk and administration in advance. The company is entitled to change the premium annually. Interest in excess of the guaranteed rate of return is awarded to policyholders in its entirety. If the interest is between zero and the guaranteed rate of return, the company can use additional allocations to meet the guaranteed rate of return, otherwise the company must cover the deficit. A positive risk result may either be used to increase the risk equalisation fund or be distributed to the policyholders. No more than 50 per cent of annual profits may be allocated from the risk result to the risk equalisation fund. The company must cover any remaining losses after the risk equalisation fund has been used. The administration result is allocated in its entirety to the company. For one year agreements with disability pensions and dependent’s pensions without savings, the risk result is transferred directly to the company.

When a member terminates a pension agreement or a pension agreement ends, he or she is entitled to a paid-up policy. Rights earned on the termination date are continued in paid-up policies. Paid-up policies have a separate profit model where a minimum of 80 per cent of the interest result is distributed to policyholders. Any surplus on the risk result can be used either to increase the risk equalisation fund or be allocated to policyholders. The administration result is allocated in its entirety to the company.

Group association insurance is pension insurance taken out by associations for their members. Association insurance can comprise retirement pensions, disability pensions, spouse’s pensions and child’s pensions. Profits for distribution between policyholders and the company include the interest result, the risk result and the administration result. No less than 65 per cent of annual profits must be distributed to policyholders.

<u>Individual contracts</u>

Individual annuity and pension insurance policies are savings schemes whereby the company disburses monthly amounts up until the death of the policyholder, or until the policyholder reaches an agreed age. This usually comprises a retirement pension, disability pension, spouse’s pension and child's pension.

Individual endowment insurance policies are contracts whereby the company disburses an agreed amount upon the death of the policyholder or when the policyholder attains an agreed age. Individual endowment insurance may also include disability cover, which is a one-off benefit for permanent disability.

NOTE 17 Insurance risk (continued)

For individual contracts sold prior to 1 January 2008, total profits are distributed between policyholders and the company. Profits for distribution include the interest result, the risk result and the administration result. No less than 65 per cent of total profits must be distributed to policyholders. The new regulations apply to contracts sold after 1 January 2008, with annual pricing of each profit element, which is in accordance with the regulations for group defined-benefit pensions.

Contracts in the unit-linked portfolio

Defined-contribution pensions are group pension schemes where the employees bear the financial risk. However, full or partial hedging of the paid amount can be bought.

Individual unit-linked insurance polices are endowment insurance policies or annuity insurance polices where policyholders bear the financial risk.

Other sectors

Group life insurance policies are life level term insurance policies taken out by employers or associations for their employees or members and, where applicable, also for their spouses and children. The amount recoverable under the policy is disbursed upon the death of the policyholder. Group life insurance may also comprise disability cover, which is a one-off benefit for permanent disability.

Employer's liability insurance is a one-year risk product which companies link to their pension agreements. This may be corporate group life insurance or accident insurance. Occupational injury insurance is mandatory for all enterprises.

Personal risk products for personal customers are one-year risk products which include monthly disability benefits and lump-sum compensation payments in the event of death, disability or critical illness. DNB Livsforsikring AS also offers child and youth insurance, which ensures financial security in the event of accidents, serious illness or incapacity for work.

Specification of liabilities to policyholders recorded in the balance sheet as at 31 December 2015 **DNB Group [1)]**

	Group life insurance - defined-benefit pensions			Individual annuity and pension insurance					
Amounts in NOK million	Private sector	Public sector	Group association insurance	Annuity and pension insurance	Endow-ment insurance	Group life insurance	Non-life insurance	Total 2015	Total 2014
Premium reserve	182 854	2 021	3 527	22 217	34 115	210		244 944	244 789
Additional allocations	4 154	100	153	601	1 080			6 089	5 413
Market value adjustment reserve	1 990	(12)	13	100	214	3	(14)	2 294	2 930
Claims reserve	184		9	407	145	522	1 408	2 676	2 716
Premium fund	1 438	216	11		114			1 779	2 971
Pensioners' profit fund	559							559	555
Supplementary allocations	12							12	7
Other technical reserves							275	275	284
Liabilities to policyholders	**191 191**	**2 326**	**3 713**	**23 326**	**35 668**	**735**	**1 669**	**258 628**	**259 666**
Unrealised gains on bonds held to maturity [2)]								10 319	12 568

1) Refers only to DNB Livsforsikring.
2) Unrealised gains on bonds held to maturity are not included in balance sheet values.

Insurance risk

Within life insurance, insurance risk is mainly related to the likelihood of death and disability.

Insurance risk in DNB Livsforsikring AS is divided, in varying degrees, between policyholders and the company. With respect to the non-life insurance products employers' liability insurance and certain pure risk products, the company is exposed to insurance risk. For individual pension and endowment insurance products sold after 1 January 2008 and group pension agreements, the company's risk represents its obligation to cover a possible negative risk result. The company is credited up to 50 per cent of any positive risk result in the form of allocations to the risk equalisation fund.

The risk result arises when empirical data for mortality, disability and exit risk deviate from the assumptions underlying the calculation base for premiums and provisions. When the risk result generates a surplus, the surplus can be allocated to the risk equalisation fund. The risk equalisation fund cannot exceed 150 per cent of the company's total risk premiums for the accounting year. If there is a deficit on the risk result, the risk equalisation fund can be used. The risk equalisation fund does not apply to risk contracts with a maximum term of one year, disability pensions and dependent's pensions with no accrued entitlement or individual contracts sold prior to 1 January 2008.

Risk for DNB Livsforsikring AS related to changes in mortality rates is twofold. With respect to mortality risk coverage, mainly spouse's and child's pensions, lower mortality rates will give an improved risk result and a more limited need for provisions. For pensions that are currently payable, lower mortality rates will result in extended disbursement periods and thus require greater provisions, called pure endowment risk. It will be possible to cover the required increase in reserves relating to insurance risk by future surpluses on investment results. The company's insurance risk mainly comprises pure endowment risk and disability risk.

DNB Livsforsikring AS increased premium reserves by a total of NOK 3.0 billion in 2015 due to higher life expectancy, of which NOK 1.0 billion was financed by the risk equalisation fund, NOK 0.7 billion by equity and NOK 1.3 billion by policyholder surpluses. The total required increase in reserves for the existing portfolio was NOK 11.5 billion as at 31 December 2015. The remaining required increase in reserves as at 31 December 2015 was NOK 2.1 billion.

NOTE 17 Insurance risk (continued)

Disability risk is more exposed to short-term changes. Allocations covering incurred, unsettled insurance claims are under continuous review. No further needs for strengthening existing provisions relating to disability pensions or other disability products have been identified.

With respect to existing contracts, insurance risk is subject to continual review by analysing and monitoring risk results within each business sector. In addition, the company applies reinsurance as an instrument to reduce insurance risk. The company's current reinsurance contracts cover catastrophes and significant individual risks within group and individual insurance. The reinsurance agreements imply that DNB Livsforsikring AS is responsible for risk up to a certain level while the reinsurer covers excess risk up to a maximum defined limit.

In order to reduce insurance risk exposure, it is mandatory that policyholders undergo a health check before entering into a contract for individual risk products. Individual health checks are also required under small-scale group schemes. In connection with the sale of disability pensions, policyholders are divided into risk categories based on a concrete risk assessment in each individual case.

DNB Livsforsikring AS' operations are concentrated in Norway. In this market, the portfolio is well diversified and without any concentrations of risk in specific geographical areas or industries.

Risk result

The table shows the effect on the risk result for 2015 of given changes in empirical mortality or disability data.

DNB Livsforsikring

		Group life insurance - defined-benefit pensions			Individual annuity and pension insurance				
Amounts in NOK million		Private sector	Public sector	Group association insurance	Annuity and pension insurance	Endow-ment insurance	Other sectors	Total 2015	Total 2014
Risk result									
Risk result in 2015 *)		435	143	16	104	144	19	861	
Risk result in 2014		388	144	14	77	84	(1)		706
Sensitivities - effect on risk result in 2015									
5 per cent reduction in mortality rate		(21)	(0)	(1)	(11)	2	(1)	(32)	(36)
10 per cent increase in disability rate		(130)	(1)	(0)	(6)	(9)	(8)	(153)	(181)
**) Of which:*	*Mortality risk*	*(14)*	*(2)*	*10*	*18*	*64*	*26*	*102*	*72*
	Longevity risk	*(35)*	*6*	*(9)*	*7*	*0*	*(2)*	*(33)*	*59*
	Disability rate	*459*	*10*	*12*	*81*	*20*	*(4)*	*577*	*534*
	Employer's liability insurance	*40*				*47*		*86*	*75*
	Other	*(15)*	*129*	*2*	*(1)*	*13*	*(0)*	*128*	*(34)*

Permanent changes in the calculation assumptions will require changes in premiums and provisions. With respect to group pension insurance and individual policies sold after 1 January 2008, it will be possible to finance higher premium reserve requirements by the risk result for the year, or by current or future investment results. For individual contracts sold prior to 1 January 2008, rising premium reserve requirements can be financed by profits for allocation or future profits for allocation.

Calculation assumptions

The table shows the effect of changes in key calculation assumptions on gross premium reserves.

DNB Livsforsikring

Amounts in NOK million	Change in per cent	Effect on gross premiumreserve
Mortality	(5)	+1 891
Disability	10	+2 214

Mortality and disability

The table shows the net annual risk premium for a sum assured of NOK 100 000. For spouse’s pensions, the premium shown is for an annual spouse’s pension of NOK 10 000 paid from the death of the primary policyholder until the spouse reaches the age of 77. For disability pensions, the premium shown is for an annual disability pension of NOK 10 000, payable after a 12-month waiting period, until 67 years of age. All premiums relating to individual schemes are gender neutral.

DNB Livsforsikring

	Men			Women		
Amounts in NOK million	30 years	45 years	60 years	30 years	45 years	60 years
Individual life insurance	84	216	924	84	216	924
Individual disability lump sum	289	993		289	993	
Individual disability pension	490	1 433	4 301	490	1 433	4 301
Spouse's pensions in group schemes	15	114	468	13	67	190
Disability pensions in group schemes	280	493	1 296	401	1 117	2 209

NOTE 17 Insurance risk (continued)

Interest rate sensitivity – liabilities to policyholders

DNB Livsforsikring carries the risk of fulfilling the company's commitments in contracts with policyholders. The return on financial assets must be sufficient to meet the guaranteed rate of return specified in insurance policies. Otherwise, inadequate returns will have to be covered by applying the market value adjustment reserve, additional allocations, equity or subordinated loan capital. The guaranteed rate of return must be complied with on a yearly basis. Measured in relation to customer funds, the company's total guaranteed rate of return averages 3.2 per cent.

The table shows long-term developments in the average guaranteed rate of return for each sector. The guaranteed rate of return is shown as a percentage of the premium reserve, premium fund and additional allocations, and is measured as at 31 December. The interest rate guarantee is gradually reduced each year.

				DNB Livsforsikring
Per cent	2015	2014	2013	2012
Group pension insurance, private sector	3.1	3.2	3.3	3.4
Group pension insurance, public sector	2.7	2.9	2.9	3.0
Individual pension insurance	3.4	3.4	3.4	3.4
Individual endowment insurance	2.3	2.3	2.6	2.7
Group association insurance	4.0	4.0	4.1	4.1
Total	3.1	3.2	3.2	3.3

Liability adequacy test

In accordance with IFRS 4, the company has assessed whether its premium reserves are adequate to cover its liabilities. If the test shows that the premium reserves are too low to bear the future liabilities of the company, the difference should be recorded on the test date. Adequacy tests are performed each quarter.

All premium rates used by the company are based on the company's past experience within product segments or business sectors. Thus, products may have different technical rates of interest, mortality and disability assumptions, and may incur different costs. The adequacy test assesses the margins in the premium rates and the future required increase in reserves to reflect higher life expectancy.

Adequacy tests are calculated based on the net present value of all future cash flows generated by the insurance contracts, discounted by a spot interest rate curve. The interest rate curve is calculated based on observable Norwegian swap rates. The Smith Wilson-model is used to estimate the interest rate curve over a 10-year period, and it is assumed that the spot interest rate will converge against a long-term macro-economic target rate. The adequacy test is susceptible to changes in the interest rate curve as well as to assumptions for increased reserves to reflect higher life expectancy.

The adequacy test indicated no need for further provisions covering liabilities to policyholders as at 31 December 2015.

Solvency capital

The solvency capital consists of the market value adjustment reserve, additional allocations, the security reserve, risk equalisation fund, equity, subordinated loan capital and perpetual subordinated loan capital securities and unrealised gains on bonds held to maturity. All these elements, with the exception of the risk equalisation fund and part of the security reserve, can be used to meet the guaranteed rate of return on policy-holders' funds.

		DNB Livsforsikring
Amounts in NOK million	31 Dec. 2015	31 Dec. 2014
Market value adjustment reserve	2 294	2 930
Additional allocations	6 089	5 413
Security reserve	223	222
Risk equalisation fund	319	1 253
Equity	21 082	19 584
Subordinated loan capital and perpetual subordinated loan capital securities	5 500	1 435
Unrealised gains on bonds held to maturity	10 319	12 568
Total available capital	45 826	43 406
Guaranteed return on policyholders' funds [1)]	6 493	6 810

1) One-year guaranteed rate of return on insurance contracts at end of period.

NOTE 17 Insurance risk (continued)

Capital adequacy

Capital adequacy regulations regulate the relationship between the company's primary capital and the investment exposure on the asset side of the balance sheet. Life insurance companies are subject to a minimum capital adequacy requirement of 8 per cent. At the end of 2015, DNB Livsforsikring AS had a capital adequacy ratio of 31.3 per cent, compared with 21.9 per cent at the end of 2014. The Tier 1 capital ratio was 24.6 per cent, up from 20.5 per cent a year earlier.

Risk-weighted volume and eligible primary capital

	DNB Livsforsikring			
	31 December 2015		31 December 2014	
Amounts in NOK million	Carrying amount	Weighted value	Carrying amount	Weighted value
Total assets	289 116	82 714	287 929	89 085
Primary capital				
Tier 1 capital		20 361		17 959
Net Tier 2 capital		5 500		1 210
Financial deduction				
Total eligible primary capital		25 861		19 168
Capital adequacy requirement		6 617		7 127
Capital in excess of requirement		19 244		12 042

Solvency capital

Solvency capital is measured against the solvency margin requirement, which is linked to the company's insurance commitments. The solvency capital requirements for Norwegian life insurance companies are subject to regulations on the calculations of solvency capital requirements and solvency capital, as laid down by the Ministry of Finance on 19 May 1995.

	DNB Livsforsikring	
Amounts in NOK million	31 Dec. 2015	31 Dec. 2014
Total eligible primary capital	25 861	19 168
Additional allocations (50 per cent)	3 044	2 707
Risk equalisation fund (50 per cent)	160	626
Security reserve in non-life insurance (above 55 per cent of the minimum requirement)	100	100
Limitation/deduction	(873)	
Solvency capital	28 292	22 602
Solvency capital requirement	9 253	9 353

Insurance risk in non-life insurance

The non-life insurance products offered by DNB Forsikring AS are distributed mainly through the DNB Group's sales channels. The premium portfolio totalled NOK 2 021 million at year-end 2015, of which the greater part represented insurance coverage for individual customers.

Risk in DNB Forsikring comprises insurance, market, counterparty, operational and business risk. Insurance risk includes the risk of losses if insurance premiums fail to cover future claims payments, in addition to the risk that the company has not set aside adequate claims reserves for incurred claims. Indemnity payments are influenced by a number of factors, including catastrophic losses, claims frequency and inflation. An increase in claims frequency can be due to seasonal variations or reflect more lasting effects. A permanent change in claims frequency due to, for example, changes in customer behaviour and new types of claims, will have the most pronounced effect on profitability. Insufficient risk diversification with respect to risk categories and sums insured and the geographic locations and types of operations covered by the insurance policies could also have a negative effect on insurance risk.

DNB Forsikring has established a reinsurance programme to help neutralise the consequences of particularly serious insurance events. The programme is adapted to the company's overall risk, which is the sum of insurance risk, market risk, counterparty risk and operational risk. Risk utilisation is measured relative to both the prevailing Solvency I regulations and the coming Solvency II regulations.

During 2015, DNB Forsikring had a reinsurance programme (excess of loss programme) covering individual losses and incidents above a given limit within the individual product groups. The programme was adapted to the risk profile of the portfolio and was divided between several reinsurers to reduce counterparty risk.

Insurance risk is subject to continual review by monitoring the profitability of all products and quarterly risk measurement.

NOTE 18 Net interest income

						DNB Group
	2015			2014		
Amounts in NOK million	Recorded at fair value	Recorded at amortised cost [1]	Total	Recorded at fair value	Recorded at amortised cost [1]	Total
Interest on amounts due from credit institutions	1 294	314	1 608	1 511	303	1 814
Interest on loans to customers	3 539	45 189	48 728	4 038	48 100	52 139
Interest on impaired loans and guarantees		619	619		643	643
Interest on commercial paper and bonds at fair value	4 329		4 329	4 419		4 419
Interest on commercial paper and bonds, held to maturity		326	326		659	659
Front-end fees etc.	15	323	337	5	312	316
Other interest income	(1 945)	3 529	1 584	(1 181)	2 637	1 456
Total interest income	**7 232**	**50 301**	**57 532**	**8 792**	**52 654**	**61 445**
Interest on amounts due to credit institutions	(1 177)	(188)	(1 365)	(1 411)	(344)	(1 755)
Interest on deposits from customers	(497)	(8 897)	(9 394)	(617)	(13 209)	(13 827)
Interest on debt securities issued	(3 174)	(9 635)	(12 809)	(3 149)	(9 485)	(12 633)
Interest on subordinated loan capital	(38)	(531)	(569)	(44)	(528)	(572)
Guarantee fund levy		(845)	(845)		(780)	(780)
Other interest expenses [2]	3 112	(303)	2 809	814	(205)	608
Total interest expenses	**(1 775)**	**(20 399)**	**(22 174)**	**(4 407)**	**(24 552)**	**(28 959)**
Net interest income	**5 457**	**29 901**	**35 358**	**4 385**	**28 102**	**32 487**

1) *Includes hedged items.*
2) *Other interest expenses include interest rate adjustments resulting from interest rate swaps entered into. Derivatives are recorded at fair value.*

NOTE 19 Interest rates on selected balance sheet items

				DNB Group [1]
	Average interest rate in per cent [2]		Average volume in NOK million	
	2015	2014	2015	2014
Assets				
Due from credit institutions	0.25	0.34	647 256	527 384
Loans to customers	3.30	3.84	1 495 728	1 373 168
Commercial paper and bonds	2.14	2.34	202 373	189 141
Liabilities				
Due to credit institutions	0.41	0.60	331 733	291 075
Deposits from customers	0.89	1.41	1 052 793	977 967
Securities issued	1.51	1.67	845 876	756 576

1) *Applies to the DNB Group excluding DNB Livsforsikring.*
2) *Average interest rate in per cent is calculated as total interest in NOK for the specific products in relation to the appurtenant average capital.*

NOTE 20 Net commission and fee income

Amounts in NOK million	DNB Group 2015	2014
Money transfer fees	3 595	3 476
Fees on asset management services	1 399	1 259
Fees on custodial services	336	353
Fees on securities broking	314	350
Corporate finance	777	740
Interbank fees	29	35
Credit broking commissions	781	630
Sales commissions on insurance products	2 661	2 800
Fees on real estate broking	1 201	1 095
Sundry commissions and fees	870	829
Total commission and fee income etc.	**11 963**	**11 565**
Money transfer fees	(1 670)	(1 341)
Commissions on fund management services	(282)	(225)
Fees on custodial services	(174)	(160)
Interbank fees	(61)	(67)
Credit broking commissions	(27)	(56)
Commissions on the sale of insurance products	(179)	(131)
Sundry commissions and fees on banking services	(708)	(617)
Total commission and fee expenses etc.	**(3 101)**	**(2 597)**
Net commission and fee income	**8 862**	**8 969**

NOTE 21 Net gains on financial instruments at fair value

Amounts in NOK million	DNB Group 2015	2014
Foreign exchange and financial derivatives	8 171	236
Commercial paper and bonds	(1 552)	1 486
Shareholdings	50	(30)
Other financial assets	36	3
Financial liabilities	164	(1)
Net gains on financial instruments, trading	6 868	1 694
Loans at fair value	(903)	1 555
Commercial paper and bonds	(1 041)	1 623
Shareholdings	(85)	141
Financial liabilities	1 837	(1 478)
Net gains on financial instruments, designated as at fair value	(192)	1 842
Financial derivatives, hedging	(8 055)	15 087
Financial assets, hedged items	(2)	(0)
Financial liabilities, hedged items	9 029	(14 605)
Net gains on hedged items [1) 2)]	972	482
Financial guarantees	876	879
Dividends	158	420
Net gains on financial instruments at fair value	**8 683**	**5 317**

1) *With respect to hedged liabilities, the hedged risk is recorded at fair value, while the rest of the instrument is recorded at amortised cost. Derivatives used for hedging are recorded at fair value. Changes in fair value arising from hedged risk are presented under Financial derivatives, hedging. Net gains on hedged financial liabilities include amortization of fair values on discontinued hedging relationships.*

2) *The DNB Group uses hedge accounting for long-term borrowings in foreign currency in DNB Boligkreditt and DNB Bank ASA. Loans are hedged 1:1 through external contracts where there is a correlation between currencies, interest rate flows and the hedging instrument. At the time the loans are raised, Markets considers whether to enter into a hedging transaction for the relevant loan based on the Group's foreign currency positions and the underlying interest rate exposure for the loan.*

NOTE 22 Salaries and other personnel expenses

	DNB Group	
Amounts in NOK million	2015	2014
Salaries [*)]	(8 269)	(7 959)
Employer's national insurance contributions	(1 220)	(1 146)
Pension expenses [1)]	799	(899)
Restructuring expenses	(390)	(239)
Other personnel expenses	(742)	(628)
Total salaries and other personnel expenses	**(9 822)**	**(10 872)**
**) Of which: Ordinary salaries*	*(6 732)*	*(6 336)*
Performance-based pay	*(1 341)*	*(1 349)*

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

Number of employees/full-time positions		**DNB Group**
	2015 [1)]	2014
Number of employees as at 31 December	11 840	12 064
- of which number of employees abroad	3 174	3 312
Number of employees calculated on a full-time basis as at 31 December	11 380	11 643
- of which number of employees calculated on a full-time basis abroad	3 130	3 253
Average number of employees	11 927	12 165
Average number of employees calculated on a full-time basis	11 483	11 735

1) The reduction in number of employees and number of employees calculated on a full-time basis from 2014 reflects restructuring measures in the Group.

NOTE 23 Other expenses

		DNB Group
Amounts in NOK million	2015	2014
Fees [1)]	(1 545)	(1 391)
IT expenses	(2 418)	(2 223)
Postage and telecommunications	(287)	(297)
Office supplies	(89)	(101)
Marketing and public relations	(859)	(863)
Travel expenses	(285)	(258)
Reimbursement to Norway Post for transactions executed	(174)	(231)
Training expenses	(75)	(61)
Operating expenses on properties and premises [2)]	(1 114)	(1 284)
Operating expenses on machinery, vehicles and office equipment	(101)	(103)
Other operating expenses	(844)	(834)
Total other expenses	**(7 790)**	**(7 645)**

1) Systems development fees totalled NOK 990 million in 2015 and NOK 890 million in 2014.
2) Costs relating to leased premises were NOK 789 million in 2015 and NOK 918 million in 2014.

NOTE 24 Depreciation and impairment of fixed and intangible assets [1)]

		DNB Group
Amounts in NOK million	2015	2014
Depreciation of machinery, vehicles and office equipment	(1 453)	(1 348)
Other depreciation of tangible and intangible assets	(621)	(701)
Impairment of capitalised systems development	(105)	(4)
Impairment losses for goodwill		(5)
Other impairment of fixed and intangible assets	(119)	(99)
Total depreciation and impairment of fixed and intangible assets	**(2 298)**	**(2 158)**

1) See note 38 Intangible assets and note 39 Fixed assets.

NOTE 25 Pensions

Description of the pension schemes

Up until year-end 2015, the DNB Group had a defined-benefit occupational pension scheme for all employees in Norway who were employed in the Group prior to 31 December 2010 and a defined-contribution scheme for all employees employed after 1 January 2011. The defined-benefit occupational pension scheme was in the form of a group pension scheme funded by DNB Livsforsikring AS. Pension benefits included retirement and disability pensions. Full pension entitlements required minimum 30 years of pensionable service and gave the right to a retirement pension corresponding to the difference between 70 per cent of the employee's salary and estimated benefits from the National Insurance Scheme. The pension scheme was in compliance with the Norwegian Act on Occupational Pensions.

Until year-end 2015, the contribution rates for defined-contribution pensions were (as follows):

- Salary representing 1-6 times the National Insurance basic amount, G: 5 per cent
- Salary representing 6-12 times G: 8 per cent

The Group has no defined-contribution pension scheme for salaries exceeding 12G.

In addition, around 400 employees from the former Postbanken are covered by a closed group pension plan in the Norwegian Public Service Pension Fund.

The defined-benefit occupational pension scheme established pursuant to the Norwegian Occupational Pension Act was terminated on 31 December 2015. This implied that all members of the defined-benefit scheme were converted to the defined-contribution scheme and that paid-up policies were issued for earned entitlements. Paid-up policies are also issued to pensioners. Employees who are on sick leave or who are partially disabled will remain enrolled in the defined-benefit pension scheme until they are reported fit for work or start drawing a retirement pension. Employees who are members of the pension plan in the Norwegian Public Service Pension Fund will not be affected by the changes. The closing of the defined-benefit scheme reduced pension commitments in the bank’s balance sheet, with a non-recurring effect of NOK 1 969 million, which reduced pension expenses for 2015 in the income statement.

As of 1 January 2016, all of the Group’s employees in Norway, apart from members of the pension plan in the Norwegian Public Service Pension Fund, will be enrolled in the Group’s defined-contribution pension scheme. The contribution rates for the new defined-contribution pension are:

- Salary representing 0-7.1 times G: 7 per cent
- Salary representing 7.1-12 times G: 15 per cent

As of 1 January 2016, a compensation scheme was established for employees who were enrolled in the closed defined-benefit scheme on the conversion date. The compensation scheme is structured as a supplementary, contribution-based direct pension scheme. The scheme includes a savings plan which, based on approved terms and conditions, aims to give the individual employee a total pension capital when reaching the age of 67 corresponding to what he or she would have received if the defined-benefit pension scheme had been retained.

On 1 January 2016, new rules for disability pension adapted to the new disability benefits from the National Insurance Scheme were introduced. As of this date, the disability pension scheme was changed to include.

- 3 per cent of pensionable income up to 12G
- 25 per cent of G, maximum 6 per cent of pensionable income, up to 12G
- 66 per cent of pensionable income in the interval between 6G and 12G

The Group also has commitments to some employees related to salaries exceeding 12G and early retirement agreements. Commitments relating to salaries exceeding 12G and early retirement agreements are funded through operations. This pension scheme was closed for employees who joined the Group after 30 June 2008. Further restrictions were introduced as at 30 April 2011. Those who did not have salaries exceeding 12G on that date will not be encompassed by the scheme even if their salaries exceed 12G at a later date. With effect from 1 July 2011, employees with salaries exceeding 12G are covered by a special life level term insurance which represents 2.9 times annual salary, maximum 80G.

The Norwegian companies in the Group are part of the contractual pension (CPA) scheme for the private sector. In addition, the Group has an agreement on contractual pensions according to public sector rules for employees who are members of the Public Service Pension Fund.

The private CPA scheme will be funded by an annual premium representing a percentage of salaries between 1 and 7.1G.

Employer's contributions are included in pension expenses and commitments.

Subsidiaries and branches outside Norway have separate schemes for their employees, mainly in the form of defined-contribution schemes. Pension expenses for employees outside Norway represented NOK 185 million.

NOTE 25 Pensions (continued)

Economic assumptions applied in calculating pension expenses and commitments:

Economic assumptions — **DNB Group**

	Expenses		Commitments	
Per cent	2015	2014	31 Dec. 2015	31 Dec. 2014
Discount rate	2.40	4.00	2.70	2.40
Anticipated rise in salaries	2.75	3.75	2.50	2.75
Anticipated increase in basic amount	2.50	3.50	2.25	2.50
Anticipated rise in pensions	0.50	0.60	0.50	0.50
Anticipated CPA acceptance	Actual acceptance		Actual acceptance	
Demographic assumptions about mortality [1)]	K2013	K2013	K2013	K2013

1) *The Group's pension expenses and pension commitments are based on the mortality table K2013, best estimate, prepared by Finance Norway. K2013 is an updated calculation base for statistical mortality assumptions.*

Pension expenses — **DNB Group**

	2015			2014		
Amounts in NOK million	Funded	Unfunded	Total	Funded	Unfunded	Total
Net present value of pension entitlements	(520)	(61)	(581)	(431)	(62)	(493)
Interest expenses on pension commitments	(424)	(45)	(469)	(540)	(69)	(609)
Calculated return on pension funds	325		325	488		488
Converting to defined-contribution scheme/curtailments	1 969		1 969	92	1	94
Administrative expenses	(8)		(8)	(7)		(7)
Total defined benefit pension schemes	1 342	(105)	1 237	(399)	(129)	(527)
Contractual pensions, new scheme			(109)			(93)
Risk coverage premium			(81)			(78)
Defined contribution pension schemes			(248)			(200)
Net pension expenses			799			(899)

Pension commitments — **DNB Group**

Amounts in NOK million	2015	2014
Opening balance	18 941	15 621
Accumulated pension entitlements	581	493
Interest expenses	469	609
Actuarial losses/(gains), net	(989)	3 112
Changes in the pension schemes	(0)	(88)
Converting to defined-contribution scheme/curtailments	(12 918)	(75)
Pension payments	(853)	(859)
Exchange rate differences	162	128
Closing balance	5 393	18 941

Pension funds — **DNB Group**

Amounts in NOK million	2015	2014
Opening balance	12 945	11 649
Expected return	325	496
Actuarial gains/(losses), net	(37)	213
Converting to defined-contribution scheme/curtailments	(10 949)	(75)
Premium paid	1 039	1 106
Pension payments	(574)	(540)
Administrative expenses	(8)	(7)
Exchange rate differences	155	103
Closing balance	2 896	12 945

	2015	2014
Net defined benefit obligation	2 497	5 996
Of which: Recorded defined benefit pension commitments	*2 549*	*6 006*
Recorded defined benefit pension assets	*53*	*9*

Payments through operations are estimated at NOK 130 million.

NOTE 25 Pensions (continued)

Effects recorded in other comprehensive income			**DNB Group**
Amounts in NOK million	Funded	Unfunded	Total
Actuarial losses/(gains) 31 December 2014	4 482	29	4 511
Remeasurement - changes in discount rate	(674)	(15)	(705)
Remeasurement - changes in other economic assumptions, pension commitments	(164)	1 423	1 255
Remeasurement - changes in other factors, pension commitments	(90)	(1 445)	(1 537)
Remeasurement - changes in other economic assumptions, pension funds	(37)		(38)
Remeasurement - changes in other factors, pension funds	(34)		(35)
Investment management costs	103		103
Total remeasurement losses/(gains) in other comprehensive income	(896)	(37)	(956)
Defined benefit pension scheme discontinued	(2 816)		(2 816)
Actuarial losses/(gains) 31 December 2015	770	(8)	762

Past developments						**DNB Group**
Amounts in NOK million	31 Dec. 2015	31 Dec. 2014	31 Dec. 2013	31 Dec. 2012	1 Jan. 2012	31 Dec. 2011
Gross pension commitments [1]	5 393	18 941	15 621	15 248	18 715	18 715
Gross pension funds	(2 896)	(12 945)	(11 649)	(11 365)	(10 727)	(10 727)
Commitments not recorded in the accounts						(5 035)
Net recorded pension commitments	2 497	5 996	3 972	3 883	7 988	2 953

1) *Gross pension commitments include employer's contributions.*

Pension funds investments

The funded pension scheme in Norway is generally funded by DNB Livsforsikring AS, and the pension funds are thus linked to an insurance policy. The insurance policy includes a guaranteed rate of return, which means that DNB Livsforsikring carries the risk for the return on the pension funds.

The table below shows a percentage breakdown of pension funds in the group pension schemes administered by DNB Livsforsikring. DNB Livsforsikring has NOK 396 million of the Group's total pension funds under management.

		DNB Group
Per cent	31 Dec. 2015	31 Dec. 2014
Equities, Norwegian	0.3	1.2
Equities, international	7.8	10.2
Bonds at fair value, Norwegian	5.6	9.6
Bonds at fair value, international	0.9	4.7
Money market instruments	24.3	22.4
Bonds, held to maturity	32.7	34.8
Loans and receivables	18.0	
Real estate	9.9	15.0
Other	0.3	2.1
Total	100.0	100.0

Sensitivity analysis for pension calculations

The following estimates are based on facts and conditions prevailing on 31 December 2015, assuming that all other parameters are constant. Actual results may deviate significantly from these estimates.

	Discount rate		Annual rise in salaries/basic amount		Annual rise in pensions		Life expectancy	**DNB Group**
Change in percentage points	+1%	-1%	+1%	-1%	+1%	0% reg.	+1 year	-1 year
Percentage change in pensions								
Pension commitments	13-15	15-17	6-8	6-9	10-11	5 - 7	2	2
Net pension expenses for the period	16-18	22-23	13-15	10-11	10-11	5 - 7	4	3

Pension commitments are particularly susceptible to changes in the discount rate. A reduction in the discount rate will, as an isolated factor, result in an increase in pension commitments. A one percentage point reduction in the discount rate will cause an increase in pension commitments in the order of 15 to 17 per cent and an increase in pension costs of 22 to 23 per cent. Higher salary increases and adjustments in pensions will also cause a rise in pension commitments and pension expenses.

NOTE 26 Taxes

Tax expense on pre-tax operating profit		**DNB Group**
Amounts in NOK million	2015	2014
Current taxes	(5 584)	(2 822)
Changes in deferred taxes	(1 461)	(3 641)
Tax expense	**(7 045)**	**(6 463)**

Reconciliation of tax expense against nominal tax rate		
Amounts in NOK million		
Pre-tax operating profit	31 858	27 102
Estimated tax expense at nominal tax rate 27 per cent	(8 602)	(7 318)
Tax effect of different tax rates in other countries	(166)	(103)
Tax effect of debt interest distribution with international branches	162	188
Tax effect of tax-exempt income from shareholdings [1)]	66	340
Tax effect of other tax-exempt income and non-deductible expenses	995	282
Tax effect of tax losses carried forward not recognised in the balance sheet [2)]	32	7
Tax effect of changed tax rate for deferred taxes recognised in the balance sheet [3)]	549	
Excess tax provision previous year	(81)	141
Tax expense	**(7 045)**	**(6 463)**
Effective tax rate	22%	24%

Income tax on other comprehensive income		
Amounts in NOK million		
Pensions	(265)	802
Hedges of net investments	2 294	1 674
Total income tax on other comprehensive income	**2 029**	**2 476**

1) *In Norway, a company's income from share investments is normally exempt from tax. As a rule, this applies to investments in companies domiciled in the EU/EEA. The tax exemption applies to both dividends and gains/ (losses) upon realisation. However, 3 per cent of dividends from tax-exempt investments is included in taxable income.*
2) *Deferred taxes for tax-deductible differences (mainly losses carried forward) in subsidiaries are not recognised in the balance sheet unless the Group can prove that these tax positions will be utilised in the future.*
3) *The income tax rate in Norway was 27 per cent in 2015. A change in the income tax rate to 25 per cent with effect from 2016 has been approved. As temporary differences at year-end 2015 are expected to be reversed in a tax base subject to 25 per cent income tax, deferred tax in the balance sheet at year-end 2015 is recognised on the basis of a 25 per cent tax rate. The effect of re-evaluating the opening balance for deferred tax in 2015 to a 25 per cent tax rate is recognised in the 2015 deferred tax expense. Correspondingly, the deferred tax expense arising from changes in temporary differences through 2015 is calculated on the basis of a 25 per cent tax rate, even though the prevailing tax rate in 2015 was 27 per cent. The effect of changes in the income tax rate will therefore be a reconciliation item in the reconciliation of the 27 per cent tax expense against pre-tax operating profits.*

Tax effect of different tax rates in other countries

The Group has operations in a number of countries whose tax rates are different from that in Norway (27 per cent).

Tax effect of debt interest distribution with international branches

According to Norwegian tax legislation, external interest expenses shall be distributed proportionally among operations in Norway and international branches based on the respective units' total assets. This could result in additions or deductions from income in Norway.

Expectations regarding the effective tax rate

The nominal tax rate in Norway was 27 per cent in 2015. A change in the income tax rate in Norway to 25 per cent with effect from 2016 has been approved. Business operations outside Norway are subject to local tax rates in their country of operation, and nominal tax rates range from 12 to 45 per cent. The effective taxation of operations outside Norway depends on both local tax rules and on whether it is possible to avoid double taxation. Tax-exempt income from share investments contributes to a lower expected tax rate than 25 per cent. In the longer term, the effective tax rate is expected to be approximately 24 per cent. In some periods, tax losses carried forward that are not recognised in the balance sheet have caused variations in the effective tax rate. In periods when such assets have not been recognised, the effective tax rate has been higher than the long-term expectation, whereas it has been lower in periods when tax losses not recognised as assets have been utilised.

NOTE 26 Taxes (continued)

Deferred tax assets/(deferred taxes)

25 per cent (27 per cent in 2014) deferred tax calculation on all temporary differences (Norway) *Amounts in NOK million*	DNB Group 2015	 2014
The year's changes in deferred tax assets/(deferred taxes)		
Deferred tax assets/(deferred taxes) as at 1 January	(4 805)	(2 101)
Changes recorded against profits	(1 461)	(3 641)
Changes recorded against comprehensive income	(265)	802
Currency translation differences on deferred taxes	126	135
Deferred tax assets/(deferred taxes) as at 31 December	(6 405)	(4 805)

Deferred tax assets and deferred taxes in the balance sheet relates to the following temporary differences

Amounts in NOK million	31 Dec. 2015	31 Dec. 2014
Deferred tax assets		
Fixed assets and intangible assets	(26)	(6)
Commercial paper and bonds		(15)
Debt securities issued		(7)
Financial derivatives	(16)	(27)
Other financial instruments	(6)	9
Net pension liabilities	102	110
Net other tax-deductable temporary differences	456	610
Tax losses and tax credits carried forward	641	539
Total deferred tax assets	**1 151**	**1 213**
Deferred taxes		
Fixed assets and intangible assets	1 564	1 448
Commercial paper and bonds	5 692	5 887
Debt securities issued	(8 226)	(10 663)
Financial derivatives	8 790	15 969
Other financial instruments	264	736
Net pension liabilities	(592)	(1 572)
Net other taxable temporary differences	371	453
Tax losses and tax credits carried forward	(307)	(6 240)
Total deferred taxes	**7 556**	**6 018**

Deferred taxes in the income statement relate to the following temporary differences

Amounts in NOK million	2015	2014
Fixed assets and intangible assets	(135)	(237)
Commercial paper and bonds [1] [2]	210	(2 624)
Debt securities issued [1] [2]	(2 430)	5 796
Financial derivatives [1] [2]	7 191	(11 508)
Other financial instruments [1] [2]	457	(232)
Pensions	(723)	(235)
Other temporary differences	(166)	(372)
Tax losses and tax credits carried forward [2]	(5 865)	5 771
Deferred tax expense	**(1 461)**	**(3 641)**

1) *A significant share of the financial instruments are carried at fair value in the accounts, while for tax purposes, the same instruments are recorded on an accrual basis in accordance with the realisation principle. This gives rise to large differences between profits stated in the accounts and profits computed for tax purposes for the individual accounting years, especially in years with significant fluctuations in interest rate levels and exchange rates. These differences are offset in the longer term.*

2) *Due to large exchange rate fluctuations in 2015 and 2014, there were significant changes in unrealised gains and losses on financial instruments used in managing the Group's currency and interest rate risk. Financial instruments are recorded in accordance with the realisation principle, while the current rate method is used for receivables and liabilities in foreign currency. These differences are expected to be reversed within a short period of time.*

NOTE 26 Taxes (continued)

Overview over deferred tax assets from tax losses and tax credits carried forward **DNB Group**

	31 December 2015			31 December 2014		
Amounts in NOK million Tax losses carried forward	Total tax losses carried forward	Of which basis for tax assets	Recognised tax asset	Total tax losses carried forward	Of which basis for tax assets	Recognised tax assets
Norway	684	684	171	22 794	22 794	6 153
Singapore	236	236	59			
Latvia	1 797	655	98	2 020	656	99
Lithuania	372	420	64	547	351	53
Denmark	2 461	1 681	420	2 419	1 436	388
Sweden				20	20	5
Total of tax losses and tax assets	5 550	3 676	812	27 800	25 257	6 697
Tax credits carried forward [1]			136			82
Total of deferred tax assets from tax losses and tax credits carried forward			**948**			**6 779**

1) *All tax credits carried forward relates to tax payers in Norway.*

Recognition of deferred tax

Deferred tax assets are capitalised to the extent it is probable that the Group will have taxable income against which temporary differences can be utilised. Net deferred taxes on temporary differences within the same tax group are assessed and entered net in the accounts.

NOTE 27 Classification of financial instruments

As at 31 December 2015 **DNB Group**

Amounts in NOK million	Financial instruments at fair value through profit and loss: Trading	Financial instruments at fair value through profit and loss: Designated as at fair value	Financial derivatives designated as hedging instruments	Financial instruments carried at amortised cost [1]	Financial instruments held to maturity	Total
Cash and deposits with central banks	1 097	12 557		5 663		19 317
Due from credit institutions	282 854	2		18 361		301 216
Loans to customers	37 640	108 687		1 396 417		1 542 744
Commercial paper and bonds at fair value	125 580	164 115				289 695
Shareholdings	7 259	12 082				19 341
Financial assets, customers bearing the risk		49 679				49 679
Financial derivatives	165 621		37 408			203 029
Commercial paper and bonds, held to maturity					105 224	105 224
Other assets				25 739		25 739
Total financial assets	620 051	347 122	37 408	1 446 179	105 224	2 555 984
Due to credit institutions	129 082	2 449		30 005		161 537
Deposits from customers	42 176	2 060		900 192		944 428
Financial derivatives	153 829		834			154 663
Debt securities issued	159 932	86 608		558 388		804 928
Other liabilities	5 359			32 315		37 675
Subordinated loan capital		1 241		29 712		30 953
Total financial liabilities [2]	490 379	92 358	834	1 550 613		2 134 184

1) *Includes hedged liabilities.*
2) *Contractual obligations of financial liabilities designated as at fair value totalled NOK 90 073 million.*

As at 31 December 2014 **DNB Group**

Amounts in NOK million	Financial instruments at fair value through profit and loss: Trading	Financial instruments at fair value through profit and loss: Designated as at fair value	Financial derivatives designated as hedging instruments	Financial instruments carried at amortised cost [1]	Financial instruments held to maturity	Total
Cash and deposits with central banks	515	15 034		42 956		58 505
Due from credit institutions	340 082	15 032		18 295		373 409
Loans to customers	8 120	101 264		1 329 456		1 438 839
Commercial paper and bonds at fair value	123 500	144 803				268 302
Shareholdings	7 989	18 880				26 870
Financial assets, customers bearing the risk		42 866				42 866
Financial derivatives	193 955		41 781			235 736
Commercial paper and bonds, held to maturity					118 667	118 667
Other assets				27 855		27 855
Total financial assets	674 161	337 879	41 781	1 418 561	118 667	2 591 050
Due to credit institutions	183 865	2 708		27 641		214 214
Deposits from customers	48 209	1 466		891 859		941 534
Financial derivatives	183 868		1 102			184 971
Debt securities issued	206 669	81 399		523 957		812 025
Other liabilities	50			31 858		31 908
Subordinated loan capital		1 261		28 058		29 319
Total financial liabilities [2]	622 662	86 834	1 102	1 503 373		2 213 971

1) *Includes hedged liabilities.*
2) *Contractual obligations of financial liabilities designated as at fair value totalled NOK 82 798 million.*

NOTE 28 Fair value of financial instruments at amortised cost

				DNB Group
	31 December 2015		31 December 2014	
Amounts in NOK million	Carrying amount	Fair value	Carrying amount	Fair value
Cash and deposits with central banks	5 663	5 663	42 956	42 956
Due from credit institutions	18 361	18 361	18 295	18 295
Loans to customers	1 396 417	1 388 898	1 329 456	1 331 211
Commercial paper and bonds, held to maturity	105 224	114 877	118 667	130 814
Total financial assets	1 525 664	1 527 799	1 509 374	1 523 277
Due to credit institutions	30 005	30 005	27 641	27 641
Deposits from customers	900 192	900 192	891 859	891 859
Securities issued	558 388	562 620	523 957	532 557
Subordinated loan capital	29 712	29 711	28 058	28 233
Total financial liabilities	1 518 298	1 522 530	1 471 515	1 480 290

					DNB Group
Amounts in NOK million	Valuation based on quoted prices in an active market Level 1 [1)]	Valuation based on observable market data Level 2 [1)]	Valuation based on inputs other than observable market data Level 3 [1)]	Accrued interest	Total
Assets as at 31 December 2015					
Cash and deposits with central banks		5 663			5 663
Due from credit institutions		18 302		58	18 361
Loans to customers			1 385 246	3 652	1 388 898
Commercial paper and bonds, held to maturity		94 499	18 447	1 930	114 877
Liabilities as at 31 December 2015					
Due to credit institutions		29 969		36	30 005
Deposits from customers		900 097		95	900 192
Securities issued		534 959	21 036	6 625	562 620
Subordinated loan capital		11 972	17 389	350	29 711

1) See note 29 Financial instruments at fair value for a definition of the levels.

NOTE 28 Fair value of financial instruments at amortised cost (continued)

Financial instruments at amortised cost

Most assets and liabilities in the DNB Group's balance sheet are carried at amortised cost. This primarily applies to loans, deposits and borrowings in the banking group's balance sheet, but also investments in bonds held to maturity. Long-term borrowings in Norwegian kroner are carried at fair value, while long-term borrowings in other currencies are carried at amortised cost. Hedge accounting may be applied.

Recording balance sheet items at amortised cost implies that the originally agreed cash flows are used, possibly adjusted for impairment. Such valuations will not always give values which are consistent with market assessments of the same instruments. Discrepancies may be due to diverging views on macro-economic prospects, market conditions, risk aspects and return requirements, as well as varying access to accurate information. The above table shows estimated fair values of items carried at amortised cost.

Valuations are based on the individual instruments' characteristics and values on the balance sheet date. However, these values do not include the total value of customer relationships, market access, brands, organisational aspects, employees and structural capital. Consequently, such intangible assets are generally not recorded in the accounts. In addition, most transactions with customers are assessed and priced collectively for several products, and products recorded in the balance sheet are considered along with other products and services used by the customer. Individual assets and liabilities recorded in the balance sheet thus give no adequate reflection of the total value of the Group's operations.

Due from credit institutions and loans to customers

When valuing loans, the loan portfolio has been divided into the following categories: personal customers, small and medium-sized enterprises, Nordic corporates, international corporates, shipping, offshore and logistics and energy. In addition, separate calculations have been made for DNB Finans, the Baltics and Poland.

The valuations are based on average margins in December, considered relative to the business units' best estimate of the potential margin requirement at year-end 2015 if the loans had been extended at that time. Differentiated margin requirements have been calculated for each category, as specified above, based on estimated costs related to lending. The margin requirement includes costs covering normalised losses, which, as opposed to impairment recorded in the annual accounts, represent a long-term assessment of loss levels.

Retail loans carried at amortised cost are mainly loans with floating interest rate. The fair value of the retail loans has been set at amortised cost.

With respect to impaired loans, an assessment has been made of potential cash flows for the loans discounted by the effective rate of interest adjusted for changes in market conditions for corresponding non-impaired loans. Loan rates prior to provisions being made reflect the increased credit risk of the commitment. Given the general uncertainty in fair value measurements, it is evaluated that the impaired value gives a good reflection of the fair value of these loans.

Customers will often use loan products which are carried partly at amortised cost and partly at fair value. The profitability of a customer relationship is considered on an aggregate basis, and prices are set based on an overall evaluation. Correspondingly, a possible reduction in the customer relationship value is based on an overall assessment of all products. Any decline in value apart from price changes on specific products is included in the overall assessment of credits in the relevant customer relationship. Any reduction in the total customer relationship value is measured on the basis of amortised cost and reported under impairment on loans.

Commercial paper and bonds, held to maturity

The valuation in level 2 is primarily based on observable market data in the form of interest rate curves, exchange rates and credit margins related to the individual credit and the characteristics of the bond or commercial paper. For papers classified as level 3, the valuation is based on models. See note 35 Commercial paper and bonds, held to maturity for more information.

Due to credit institutions and deposits from customers

The estimated fair value equals the balance sheet value for credit institutions. With respect to deposits from customers, fair value is assessed to equal amortised cost.

Securities issued and subordinated loan capital

The valuation in level 2 is based on observable market data in the form of interest rate curves and credit margins when available. Securities and subordinated loan capital in level 3 are valued based on models. The items consist mainly of funding in foreign currency.

NOTE 29 Financial instruments at fair value

Amounts in NOK million	Valuation based on quoted prices in an active market Level 1	Valuation based on observable market data Level 2	Valuation based on inputs other than observable market data Level 3	Accrued interest [1)]	DNB Group Total
Assets as at 31 December 2015					
Deposits with central banks		13 654		1	13 654
Due from credit institutions		282 842		13	282 855
Loans to customers		37 638	108 460	229	146 327
Commercial paper and bonds at fair value	42 689	244 434	734	1 839	289 695
Shareholdings	7 964	5 080	6 297		19 341
Financial assets, customers bearing the risk		49 679			49 679
Financial derivatives	2	201 522	1 504		203 029
Liabilities as at 31 December 2015					
Due to credit institutions		131 506		26	131 532
Deposits from customers		44 119		117	44 236
Debt securities issued		245 882		658	246 540
Subordinated loan capital		1 240		1	1 241
Financial derivatives	0	153 519	1 144		154 663
Other financial liabilities [2)]	5 247	75		38	5 359
Assets as at 31 December 2014					
Deposits with central banks		15 545		4	15 549
Due from credit institutions		355 070		44	355 114
Loans to customers		8 118	100 986	279	109 384
Commercial paper and bonds at fair value	38 759	227 387	251	1 906	268 302
Shareholdings	8 633	10 616	7 621		26 870
Financial assets, customers bearing the risk		42 866			42 866
Financial derivatives	1	233 858	1 877		235 736
Liabilities as at 31 December 2014					
Due to credit institutions		186 544		30	186 574
Deposits from customers		49 564		111	49 675
Debt securities issued		287 527		541	288 068
Subordinated loan capital		1 259		2	1 261
Financial derivatives	1	183 507	1 463		184 971
Other financial liabilities [2)]	50				50

1) *Accrued interest on financial derivatives is included in the amounts in levels 2 and 3.*
2) *Short positions, trading activities.*

The levels

Financial instruments are categorised within different levels based on the quality of the market data for the individual instruments. With respect to financial instruments categorised as level 2, the quality of market data may vary depending on whether the relevant instrument has been traded. Thus, it will be natural that some instruments are moved between level 2 and level 3. This applies primarily to commercial paper and bonds.

Level 1: Valuation based on quoted prices in an active market

Classified as level 1 are financial instruments valued by using quoted prices in active markets for identical assets or liabilities. Instruments in this category include listed shares and mutual funds, Treasury bills and commercial paper traded in active markets.

Level 2: Valuation based on observable market data

Classified as level 2 are financial instruments which are valued by using inputs other than quoted prices, but where prices are directly or indirectly observable for the assets or liabilities, including quoted prices in non-active markets for identical assets or liabilities.

Included in this category are, among others, interbank derivatives such as interest rate swaps, currency swaps and forward contracts with prices quoted on Reuters or Bloomberg, basis swaps between the currencies NOK, EUR, USD and GBP and cross-currency interest rate derivatives with customers with insignificant credit margins. Exchange-traded options are classified as level 2 if it is possible to scan or interpolate/extra-polate implicit volatility based on observable prices.

NOTE 29 Financial instruments at fair value (continued)

Level 3: Valuation based on other than observable market data
Classified as level 3 are financial instruments which cannot be valued based on directly observable prices. For these instruments other valuation techniques are used, such as valuation of assets and liabilities in companies, estimated cash flows and other models where key parameters are not based on observable market data.

Included in this category are loans to customers and instruments where credit margins constitute a major part of adjustments to market value.

Gains or losses, that occur when the estimated fair value is different from the transaction price (day-one gain/loss) have not had significant impact to the financial statement neither for 2015 or 2014.

The instruments in the different levels

Due from credit institutions (level 2)
The item is primarily relevant for Markets. The valuation of loans to and deposits with credit institutions is mainly based on agreed interest rate terms measured against a swap curve. The fixed-rate period is relatively short.

Loans to customers (level 3)
Loans consist primarily of fixed-rate loans in Norwegian kroner and parts of the portfolio of margin loans in Norwegian kroner. The value of fixed-rate loans is determined by discounting agreed interest flows over the term of the loan, using a discount factor adjusted for margin requirements. A margin requirement is calculated for margin loans, and the difference between the margin requirement and the agreed margin is discounted over the average expected time to the repricing of the loan.

Commercial paper and bonds (levels 2 and 3)
The valuation in level 2 is primarily based on observable market data in the form of interest rate curves, exchange rates and credit margins related to the individual credit and the characteristics of the bond or commercial paper. For paper classified as level 3, the valuation is based on indicative prices from third parties or comparable paper.

Equities including mutual fund holdings (levels 2 and 3)
Equities in level 2 comprise mutual fund holdings where the underlying investments are quoted equities, as well as a small volume of other mutual funds. Instruments which are classified as level 3 essentially comprise property funds, limited partnership units, private equity investments, as well as hedge fund units and investments in unquoted equities.

When determining the fair value of private equity, PE, investments, an industry standard prepared by the European Private Equity & Venture Capital Association, EVCA, is used. The method is considered to represent the best basis for the best estimate of fair values for investments in not very liquid equity instruments. The value of the PE funds on the balance sheet date is reported by the fund managers after the Group has finalised its accounts. Valuations in the consolidated accounts are thus based on valuations received for previous periods, adjusted for a reporting lag of approximately three months. The time lag is determined based on developments in a weighted index consisting of a stock market parameter, using MSCI World as reference index, along with a parameter for anticipated long-term returns on PE investments.

Financial assets, customers bearing the risk (level 2)
The item applies to unit-linked products in DNB Livsforsikring, and the value development of the underlying funds is available on a daily basis.

Financial derivatives (levels 2 and 3)
Financial derivatives classified as level 2 are primarily currency forward contracts and interest rate and currency swaps. The valuation is based on swap curves, and credit margins constitute a minor part of the value. In addition, the item comprises derivatives related to commodities and forward rate agreements. These are valued based on observable market prices. Derivatives classified as level 2 also comprise equity derivatives used in Markets' market-making activities. Most of these derivatives are related to the most traded equities on Oslo Børs, and the valuation is based on the price development of the relevant/underlying equity and observable or estimated volatility. Financial derivatives classified as level 3 are primarily connected to currency options, interest rate options in Norwegian kroner, as well as index derivatives. The valuation is based on indicative prices from third parties.

Due to credit institutions (level 2)
See "Due from credit institutions" above.

Deposits from customers (level 2)
Deposits carried at fair value include special-term deposits. The valuation is primarily based on measurement in relation to a swap curve, and changes in credit margins have an insignificant effect.

Debt securities issued (level 2)
The valuation is primarily based on observable market data in the form of interest rate curves and credit margins. The item consists mainly of funding in Norwegian kroner. For foreign currency funding, hedge accounting is used where hedges are entered into. In all other respects, debt securities issued are carried at amortised cost.

Subordinated loan capital (level 2)
Subordinated loans carried at fair value consist of one loan in Norwegian kroner, and the valuation is based on observable interest rate curves and credit margins.

NOTE 29 Financial instruments at fair value (continued)

Financial instruments at fair value, level 3 — **DNB Group**

	Financial assets				Financial liabilities
Amounts in NOK million	Loans to customers	Commercial paper and bonds	Share-holdings [1]	Financial derivatives	Financial derivatives
Carrying amount as at 31 December 2013	**123 207**	**311**	**10 914**	**1 442**	**1 248**
Net gains on financial instruments	1 562	(2)	1 479	395	176
Additions/purchases	5 906	389	893	474	468
Sales		(607)	(5 648)		
Settled	(29 687)	(7)		(494)	(488)
Transferred from level 1 or level 2		333	3		
Transferred to level 1 or level 2		(164)	(20)		
Other		(3)		60	58
Carrying amount as at 31 December 2014	**100 986**	**251**	**7 621**	**1 877**	**1 463**
Net gains on financial instruments	(913)	(9)	871	61	(24)
Additions/purchases	35 850	532	465	520	467
Sales		(344)	(2 674)		
Settled	(27 383)	0		(981)	(777)
Transferred from level 1 or level 2		818			
Transferred to level 1 or level 2		(462)			
Other	(81)	(51)	14	27	15
Carrying amount as at 31 December 2015	**108 460**	**734**	**6 297**	**1 504**	**1 144**

1) *Equities classified as level 3 comprise, in addition to pure equity investments, property fund units, limited partnership units, private equity investments and hedge fund units.*

Loans to customers

The portfolio of loans carried at fair value consists primarily of fixed-rate loans in Norwegian kroner and a share of margin loans in Norwegian kroner.

Fixed-rate loans

The value of fixed-rate loans is determined by discounting agreed interest flows over the term of the loan, using a discount factor adjusted for margin requirements. The discount factor used has as a starting point a swap rate based on a duration equal to the average remaining lock-in period for the relevant fixed-rate loans. The assumptions underlying the calculation of the margin requirement are based on a review of the market conditions on the balance sheet date and on an assessment of the deliberations made by external investors when investing in a corresponding portfolio. Fixed-rate loans carried at fair value totalled NOK 87 616 million at year-end 2015.

Margin loans carried at fair value

A margin loan has an agreed interest rate consisting of a reference interest rate and a margin add-on. Reference rates will normally be set for a period of three months, but the margin can be determined for considerably longer periods. In times of significant interest rate fluctuations and reduced liquidity in the market, as has been the case during the financial turmoil, long-term funding costs increased. This is of significance for the margin requirements used by the bank in its calculations. The margin requirements are measured against agreed margins, and discrepancies are discounted over the average period up until the expected margin adjustment. This period is based on assessments from the Group's business areas, but will require significant judgment based on past experience. The period up until the actual adjustment of the margin represents the largest element of uncertainty in these calculations. Margin loans carried at fair value totalled NOK 20 844 million at year-end 2015.

Commercial paper and bonds

Investments classified as level 3 primarily consist of corporate high-yield bonds with limited liquidity.

Equities including mutual fund holdings

Investments classified as level 3 consist of private equity funds, property funds, limited partnerships, unquoted hedge funds and unquoted equities. A common denominator for these investments is that there is a lag in the access to information from the units. In times of financial market turmoil, there may be considerable uncertainty related to the valuation of these investments.

Financial derivatives, assets and liabilities

Items classified as level 3 are primarily currency options, interest rate options in Norwegian kroner and derivatives related to developments in the consumer price index.

NOTE 29 Financial instruments at fair value (continued)

Breakdown of fair value, level 3 — **DNB Group**

Amounts in NOK million	Loans to customers 31 Dec. 2015	Commercial paper and bonds 31 Dec. 2015	Share-holdings 31 Dec. 2015
Principal amount/purchase price	106 574	940	4 750
Fair value adjustment [1)]	1 886	(206)	1 547
Total fair value, excluding accrued interest	108 460	734	6 297

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

Breakdown of shareholdings, level 3 — **DNB Group**

Amounts in NOK million	Property funds	Hedge-funds	Unquoted equities	Private Equity (PE) funds	Other	Total
Carrying amount as at 31 December 2015	611	769	1 120	3 771	27	6 297

Sensitivity analysis, level 3 — **DNB Group**

Amounts in NOK million	Carrying amount 31 Dec. 2015	Effect of reasonably possible alternative assumptions
Loans to customers	108 460	(235)
Commercial paper and bonds	734	(3)
Shareholdings	6 297	
Financial derivatives, net	360	

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. DNB regularly enter into interest rate swaps, as a part of the banks interest rate strategy, when issuing new fixed-rate loans. A change in the interest rate which impacts the fair value of the fixed-rate loans will therefore give the opposite impact on the related interest rate derivatives.

Level 3 bonds mainly represent corporate high-yield bonds with limited liquidity. A 10 basis point increase in the discount rate has had insignificant effects.

Level 3 equities represent a total of NOK 6 297 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.

The banking group’s portfolio of equities and mutual funds classified as level 3 was NOK 1 229 million as at 31 December 2015.

NOTE 30 Offsetting

The table below presents the potential effects of the group's netting arrangements on financial assets and financial liabilities. See note 1 Accounting principles for more information.

						DNB Group
Amounts in NOK million	Gross amount	Amounts offset in the statement of financial position	Carrying amount	Netting agreements	Other collateral [1]	Amounts after possible netting
Assets as at 31 December 2015						
Due from credit institutions [2]	279 338		279 338		279 337	
Loans to customers [2]	38 546		38 546		38 546	
Financial derivatives [3]	156 211		156 211	57 533	39 610	59 068
Liabilities as at 31 December 2015						
Due to credit institutions	22 001		22 001		22 001	
Financial derivatives [3]	116 772		116 772	57 533	46 412	12 827

						DNB Group
Amounts in NOK million	Gross amount	Amounts offset in the statement of financial position	Carrying amount	Netting agreements	Other collateral [1]	Amounts after possible netting
Assets as at 31 December 2014						
Due from credit institutions [2]	332 675		332 675		332 675	
Loans to customers [2]	8 948		8 948		8 948	
Financial derivatives [3]	195 552		195 552	79 178	57 567	58 807
Liabilities as at 31 December 2014						
Due to credit institutions						
Financial derivatives [3]	134 378		134 378	79 178	42 661	12 539

1) *Includes cash collateral and securities received/transferred from/to counterparties and securities received/placed as collateral in depositories in Clearstream or Euroclear.*
2) *Includes repurchase and reverse repurchase agreements, securities borrowing and lending transactions.*
3) *Gross amounts represent the market value of the derivatives subject to master netting agreements or collateralised by cash or securities under Credit Support Annex.*

NOTE 31 Shareholdings

Investments in shares, mutual funds and equity certificates [1]		**DNB Group**
Amounts in NOK million	31 Dec. 2015	31 Dec. 2014
Total investments in shares, mutual funds and equity certificates, excluding DNB Livsforsikring	8 789	9 877
Total investments in shares, mutual funds and equity certificates, DNB Livsforsikring	10 552	16 992
Total investments in shares, mutual funds and equity certificates	**19 341**	**26 870**

NOTE 31 Shareholdings (continued)

Specification of the largest investments in shares, mutual funds and equity certificates as at 31 December 2015

DNB Group excl. DNB Livsforsikring

Carrying amount in NOK 1 000	Number of shares	Ownership share in per cent[2]	Recorded value
Financial institutions			
Bank of New York	100 000	0.0	879 775
VISA Europe	2		204 548
Storebrand[3]	6 830 976	1.5	238 743
Other financial institutions			84 710
Total financial institutions			**1 407 776**
Norwegian companies			
American Shipping Company[3]	4 005 100	6.6	106 135
Finn Eiendom	755	7.6	91 338
Grieg Seafood[3]	22 220 738	19.9	688 843
Koksa Eiendom	16 198 752	12.6	145 600
Marine Harvest[3]	1 270 184	0.3	151 914
Nordic Semiconductor[3]	4 156 929	2.5	179 787
Norsk Hydro[3]	9 523 085	0.5	315 500
Norway Royal Salmon[3]	2 008 940	4.6	160 715
Norwegian Air Shuttle[3]	303 185	0.8	98 141
Norwegian Property[3]	28 777 466	5.2	261 587
NRC Group[3]	1 850 000	5.3	103 600
Odfjell[3]	5 849 395	8.9	165 538
Orkla[3]	3 094 424	0.3	216 919
Statoil[3]	3 419 549	0.1	422 998
Telenor[3]	2 474 422	0.2	366 957
Yara International[3]	436 063	0.2	166 969
Other Norwegian companies			1 123 842
Total Norwegian companies			**4 766 383**
Companies based abroad			
Bakkafrost[3]	209 224	0.4	54 775
Cape Investment Corp.	9 261	13.9	44 895
Deep Sea Supply[3]	41 120 000	15.7	64 970
Ezra Holdings[3]	207 000 000	7.0	130 228
Frontline/Bermuda[3]	2 028 495	0.3	51 970
Golar LNG[3]	3 963 000	4.9	534 837
Prosafe[3]	16 452 500	6.3	345 503
Seadrill[3]	9 165 506	1.9	280 006
Subsea 7[3]	1 024 150	0.3	64 573
Other companies based abroad			365 203
Total companies based abroad			**1 936 959**
Mutual funds[4]			
Interest funds			272 412
Combination funds			
Mutual funds			365
Private equity funds[5]			337 113
Other funds			68 149
Total mutual funds			**678 039**
Total investments in shares, mutual funds and equity certificates			8 789 157

DNB Livsforsikring

Carrying amount in NOK 1 000	Number of shares	Ownership share in per cent[2]	Recorded value
Norwegian companies			
Marineholmen Forskningspark	8 154	1.0	48 981
NMI Frontier Fund	182 429		31 310
NMI Global Fund	338 625		45 528
Nordic Trustee	26 214	24.0	72 220
Oslo Børs VPS Holding	8 522 045	20.0	745 679
Real Estate Central Europe	5 000	14.0	14 131
Other Norwegian companies			50 376
Total Norwegian companies			**1 008 224**
Mutual funds[4]			
Interest funds			2 775 214
Combination funds			21 276
Mutual funds			1 571 176
Private equity funds[5]			3 433 823
Hedge funds			1 741 866
Total mutual funds			**9 543 354**
Total investments in shares, mutual funds and equity certificates			10 551 579

1) *Equity certificates represent investments in savings banks.*
2) *Ownership share in per cent is based on the company's total share capital and does not include derivative contracts.*
3) *Shares and funds carried at fair value in Markets totalled NOK 6 724 million at year-end 2015. Markets' equity investments are mainly an instrument in hedging its equity derivative exposure through the business area's market making activities. Value at Risk for the equity operations in Markets represented approximately NOK 3.4 million at year-end 2015.*
4) *Investments in unconsolidated structured entities totalled NOK 10 221 million at year-end 2015, representing the investments fair value. The investments' maximum exposure to loss equalled their total fair value. For further information about fair value and sensitivity analysis, see note 29 Financial instruments at fair value. The investments are not consolidated because the Group does not control these investments through voting rights, contracts, funding agreements or other means. The holdings in the unconsolidated funds owned by DNB Livsforsikring and managed by DNB Asset Management were below 40 percent at year-end.*
5) *At year-end 2015, capital commitments related to DNB Livsforsikring's and DNB Bank's investments in private equity funds totalled NOK 852.0 million and NOK 57.5 million, respectively. The Group did not provide any financial or other support to unconsolidated structured entities during the year. The Group earns management fees and, occasionally, performance-based fees for its investment management services to these funds.*

NOTE 32 Transferred assets or assets with other restrictions

Transferred assets still recognised in the balance sheet		**DNB Group**
Amounts in NOK million	31 Dec. 2015	31 Dec. 2014
Guarantees		
Loans transferred to Eksportfinans	2 212	2 809
Repurchase agreements		
Commercial paper and bonds	5 128	2 096
Securities lending		
Shares	753	1 374
Total guarantees, repurchase agreements and securities lending	8 094	6 279

Liabilities associated with the assets		**DNB Group**
Amounts in NOK million	31 Dec. 2015	31 Dec. 2014
Guarantees		
Deposits from Eksportfinans	2 212	2 809
Repurchase agreements		
Due to credit institutions	3 707	1 890
Deposits from customers	661	
Securities lending		
Due to credit institutions	618	1 379
Deposits from customers	172	65
Total liabilities	7 370	6 142

DNB Bank ASA has recognised loans which according to a legal agreement have been transferred to Eksportfinans ASA, but that are guaranteed for by the bank. According to the agreement, the bank still carries interest rate, settlement and credit risk associated with the transferred loans. The loans have a corresponding liability recognized as deposits from Eksportfinans.

Restricted assets

Local statutory capital requirements might restrict the ability of the Group to access or transfer assets freely to or from other entities within the Group and to settle liabilities within the Group.

Restrictions affecting the Group's ability to use assets:

- The Group has pledged assets to collateralise its obligations (pledged securities) and issued covered bonds (cover pool), see note 51 Off-balance sheet transactions and contingencies for further information.
- The Group has pledged collateral in connection with derivative instruments, see note 15 Financial derivatives for further information.
- The assets of consolidated structured entities (investment funds) are held for the benefit of the parties that have bought the notes issued by these entities. At year-end 2015 and 2014, assets related to holdings outside the Group represented NOK 17 403 million and NOK 15 337 million, respectively, which is reflected as a corresponding liability in the balance sheet.
- Assets held by insurance subsidiaries are primarily held to satisfy the obligations to the companies' policy holders. At year-end 2015 assets held by the insurance subsidiaries amounted to NOK 285 863 million, compared to NOK 288 093 million at year-end 2014. These assets are related to DNB Livsforsikring AS and DNB Forsikring AS, and include Financial assets, customers bearing the risk.

NOTE 33 Securities received which can be sold or repledged [1)]

Securities received		**DNB Group**
Amounts in NOK million	31 Dec. 2015	31 Dec. 2014
Reverse repurchase agreements		
Commercial paper and bonds	310 662	333 739
Securities borrowing		
Shares	4 931	4 882
Total securities received	315 593	338 621
Of which securities received and subsequently sold or repledged:		
Commercial paper and bonds	*9 656*	*15 418*
Shares	*3 825*	*3 331*

1) Securities which have been purchased under an agreement to resell are generally not recognised, as the risk and returns associated with ownership of the assets are normally not transferred. Such transactions primarily involve fixed-income securities. Securities received, including securities received as collateral, are registered off the balance sheet irrespective of whether the Group has the right to sell or repledge the securities. Upon the sale of securities received, the Group will record an obligation in the balance sheet.

NOTE 34 Financial assets and insurance liabilities, customers bearing the risk

		DNB Group
Amounts in NOK million	31 Dec. 2015	31 Dec. 2014
Mutual funds	22 504	19 037
Bond funds	16 387	14 159
Money market funds	5 978	5 193
Combination funds	3 300	2 931
Bank deposits	1 510	1 547
Total financial assets, customers bearing the risk [1)]	**49 679**	**42 866**
Total insurance liabilities, customers bearing the risk	**49 679**	**42 866**

1) The figures show a breakdown of customer assets invested in products with a choice of investment profile. For such assets, the customers carry the financial risk.

NOTE 35 Commercial paper and bonds, held to maturity

		DNB Group
Amounts in NOK million	31 Dec. 2015	31 Dec. 2014
International bond portfolio	19 162	31 927
DNB Livsforsikring AS	87 599	88 330
Other units [1)]	(1 537)	(1 590)
Commercial paper and bonds, held to maturity	**105 224**	**118 667**

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". Portfolios in this category are recorded at amortised cost and written down if there is objective evidence of a decrease in value.

In line with IAS 39, the portfolio has been reviewed to identify objective indications of impairment. No impairment losses have been identified in the portfolio.

Measurement of the reclassified bond portfolio

As of 1 January 2014, the fair value of the portfolio is determined based on broker quotes. If fair value had been used to determine the value of the portfolio in 2015, there would have been a NOK 265 million decrease in profits.

Effects of the reclassifications of the international bond portfolio

By measuring the portfolio at amortised cost, the value of the portfolio as at 31 December 2015 was NOK 0.7 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 14.7 billion at end-December 2015. The average term to maturity of the portfolio was 5.5 years, and the change in value resulting from a credit spread adjustment of one basis point was NOK 8.3 million at end-December 2015.

Effects on profits of the reclassification		**DNB Group**
Amounts in NOK million	2015	2014
Recorded amortisation effect	95	106
Net gain, if valued at fair value	(170)	189
Effects of reclassification on profits	265	(83)

Effects on the balance sheet of the reclassification		**DNB Group**
Amounts in NOK million	31 Dec. 2015	31 Dec. 2014
Recorded unrealised losses	402	497
Unrealised losses, if valued at fair value	1 113	943
Effects of reclassification on the balance sheet	711	446

Development in the portfolio after the reclassification		**DNB Group**
Amounts in NOK million	31 Dec. 2015	31 Dec. 2014
Reclassified portfolio, carrying amount	14 686	17 558
Reclassified portfolio, if valued at fair value	13 975	17 112
Effects of reclassification on the balance sheet	711	446

NOTE 35 Commercial paper and bonds, held to maturity (continued)

International bond portfolio

According to liquidity requirements for banks, in order for the securities to be classified as liquid funds, they must qualify for immediate sale. New investments in the international bond portfolio as from 2011 mainly represent covered and government-guaranteed bonds, these investments are carried at fair value. As at 31 December 2015 the international bond portfolio represented NOK 146 billion. 54.2 per cent of the securities in the portfolio had an AAA rating, while 38.2 per cent were rated AA. There were no synthetic securities in the portfolio and no investments in US sub-prime bonds or Collateralised Debt Obligations, CDOs. Nor were any investments made in Portugal, Italy, Ireland, Greece or Spain. The structure of the international bond portfolio is shown below.

		DNB Group
	Per cent 31 Dec. 2015	NOK million 31 Dec. 2015
Asset class		
Residential mortgages	13.81	20 230
Corporate loans	0.00	6
Government related	45.86	67 178
Covered bonds	40.33	59 078
Total international bond portfolio, nominal values	100.00	146 491
Accrued interest, amortisation effects and fair value adjustments		(404)
Total international bond portfolio		146 088
Total international bond portfolio, held to maturity		19 162
Of which reclassified portfolio		14 686

The average term to maturity of the international bond portfolio is 2.9 years, and the change in value resulting from a credit spread adjustment of one basis point was NOK 32 million at end-December 2015.

DNB Livsforsikring

Bonds held-to-maturity totalled NOK 87.6 billion in DNB Livsforsikring AS's as at 31 December 2015, mainly comprising bonds issued by highly creditworthy borrowers. Only in exceptional cases does DNB Livsforsikring invest in bonds issued by traditional manufacturing companies.

In line with IAS 39, the portfolio has been reviewed to identify objective indications of impairment. No impairment losses have been identified in the portfolio.

		DNB Group
	Per cent 31 Dec. 2015	NOK million 31 Dec. 2015
Asset class		
Government/government-guaranteed	20.92	17 913
Guaranteed by supranational entities	2.10	1 800
Municipalities/county municipalities	5.92	5 072
Bank and mortgage institutions	20.64	17 677
Covered bonds	34.70	29 715
Other issuers	15.72	13 464
Total bond portfolio DNB Livsforsikring, held to maturity, nominal values	100.00	85 641
Accrued interest, amortisation effects and fair value adjustments		1 959
Total bond portfolio DNB Livsforsikring, held to maturity		87 599

NOTE 36 Investment properties

	DNB Group	
Amounts in NOK million	31 Dec. 2015	31 Dec. 2014
DNB Livsforsikring	15 195	31 414
Properties for own use [1]	(794)	(5 753)
Other investment properties [2]	2 333	4 743
Total investment properties	**16 734**	**30 404**

1) *Some properties in DNB Livsforsikring are classified as properties for own use in the group accounts and are recorded at fair value. The most significant change reflects the fact that DNB Scandinavian Property Fund is no longer consolidated in the DNB Group with effect from the third quarter of 2015, but presented as an associated company. In addition, a property was sold in the fourth quarter of 2015.*
2) *Other investment properties are mainly related to acquired companies.*

Fair value

Investment properties in the Group are principally owned by DNB Livsforsikring. 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. This selection represents close to 85 per cent of the values in the portfolio. During the fourth quarter of 2015, external appraisals were obtained for a total of eight properties, representing 36 per cent of portfolio value. The purpose of the external appraisals is to benchmark the internal valuations against independent references. Internal calculations and the values recorded in the balance sheet are 1.8 per cent higher than average external appraisals. The Swedish properties in the portfolio and partially owned properties are valued based on external appraisals.

Internal valuation model

In the internal model, fair value is calculated as the present value of future cash flows during and after the contract period. The required rate of return stipulated in the model reflects market risk. A required rate of return of 8.0 per cent has principally been used. However, certain individual assessments of the required rate of return are made at segment level. The model uses the same required rates of return for cash flow both during and after the contract period.

Specific property risk is reflected in the cash flow through contractual rent, future market rent, operating expenses, required investments, adaptations for new tenants upon expiry of the contract, vacancy risk and adjustments for future price inflation, CPI (Norges Bank’s inflation target).

Developments in market and contractual rents

During 2015, total contractual rent for the wholly-owned portfolio in Norway declined by NOK 68 million to NOK 1 190 million, while the estimated market rent was down NOK 90 million to NOK 1 280 million. Adjusted for changes in the portfolio, contractual rent rose by NOK 23 million, while market rent increased by NOK 4 million.

Value development and sensitivity

The valuations resulted in a NOK 2 451 million positive revaluation of the property portfolio in 2015.

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 4.0 per cent or NOK 489 million. Correspondingly, a 5 per cent change in future market rents will change the value of the property portfolio by approximately 3.4 per cent or NOK 410 million.

Vacancy

At year-end 2015, economic vacancy in the portfolio was 7.0 per cent, compared with 5.5 per cent a year earlier.

Other investment properties

The Group’s other investment properties are mainly related to acquired companies and are classified at level 3 in the valuation hierarchy.

NOTE 36 Investment properties (continued)

Investment properties according to geographical location

Type of building	Location	Fair value *NOK million*	Gross rental area *m²*	Average rental period *No. of years*
				DNB Livsforsikring
Office buildings	Eastern Norway	4 195	164 782	4.1
Office buildings	Rest of Norway	2 960	134 804	5.0
Shopping centres	Norwegian cities	2 830	61 101	4.5
Hotels	Norwegian cities	2 170	68 767	12.6
Abroad	Stockholm/Gothenburg	3 040	77 002	5.8
Total investment properties as at 31 December 2015		15 195	506 456	5.9
Total investment properties as at 31 December 2014		31 414	875 194	6.8
Change in 2015		(16 219)	(368 738)	(0.9)
Total investment properties as at 31 December 2015		15 195	506 456	5.9

Projects, expected completion

Amounts in NOK million	2016	2017	2018
			DNB Livsforsikring
Contractual obligations for property purchases and development	36	53	49

Amounts included in the income statement

Amounts in NOK million	2015	2014
		DNB Group
Rental income from investment properties	1 446	1 835
Direct expenses (including repairs and maintenance) related to investment properties generating rental income	(285)	(384)
Direct expenses (including repairs and maintenance) related to investment properties not generating rental income	(51)	(37)
Total	1 110	1 413

Changes in the value of investment properties

Amounts in NOK million	DNB Group Investment properties
Carrying amount as at 31 December 2013	**32 753**
Additions, purchases of new properties	423
Additions, capitalised investments	302
Additions, acquired companies	304
Net gains	471
Disposals	(3 440)
Exchange rate movements	383
Other [1)]	(792)
Carrying amount as at 31 December 2014	**30 404**
Additions, purchases of new properties	156
Additions, capitalised investments	349
Additions, acquired companies	454
Net gains [2)]	2 417
Disposals [3)]	(14 839)
Disposals/selldowns, companies [4)]	(2 638)
Exchange rate movements	432
Carrying amount as at 31 December 2015	**16 735**

1) In 2013, DNB Livsforsikring purchased a building that was capitalised in the balance sheet. The building was taken into use by the DNB Group in 2014 and classified under owner-used properties.
2) Of which NOK 269 million represented a net gain of investment properties which are not owned by DNB Livsforsikring.
3) The increase is mainly due to the sale of properties owned by DNB Livsforsikring, as well as the sale of certain repossessed properties.
4) The change reflects the fact that DNB Scandinavian Property Fund is no longer consolidated in the DNB Group with effect from the third quarter of 2015, but presented as an associated company.

NOTE 37 Investments accounted for by the equity method

	DNB Group	
Amounts in NOK million	2015	2014
Carrying amount as at 1 January	5 866	5 802
Share of profits after tax	162	(1 493)
Impairment of the ownership interest in Eksportfinans AS 1)	199	1 719
Share of other comprehensive income 2)	889	
Additions/disposals	2 477	(148)
Dividends	(69)	(14)
Carrying amount as at 31 December 3)	**9 525**	**5 866**

							DNB Group
Amounts in NOK million	Assets 31 Dec. 2015 4)	Liabilities 31 Dec. 2015 4)	Income 2015 4)	Profit 2015 4)	Ownership share (%) 31 Dec. 2015	Carrying amount 31 Dec. 2015	Carrying amount 31 Dec. 2014
Eksportfinans AS 1)	65 142	57 732	(406)	(376)	40	3 139	3 200
DNB Scandinavian Property Fund	5 722	28		418	47	2 686	
Sørlandssenteret DA	2 592	34	63	124	50	1 279	1 124
Lade Handelspark DA	1 295	8	72	95	85	1 094	966
Visa Norge 2)						889	
Other associated companies						439	575
Total						**9 525**	**5 866**

1) *Moody's and Standard & Poor's downgrades of Eksportfinans' credit rating in the fourth quarter of 2011 resulted in sizeable unrealised gains on the company's long-term funding. The effect of these unrealised gains on DNB's holding, after tax, represented NOK 11.8 billion. After reviewing the fair value of the company in connection with the closing of the annual accounts, DNB wrote down the value by an amount corresponding to unrealised gains on Eksportfinans' own debt in the fourth quarter of 2011. In 2012, 2013, 2014 and 2015, the required rate of return in the market was reduced, and Eksportfinans had sizeable unrealised losses on own debt. The impairment loss recorded by DNB in the fourth quarter of 2011 was reversed by an amount corresponding to these unrealised losses. Reversals totalling NOK 199 million were made in 2015. The remaining impairment loss was NOK 144 million at year-end 2015. The impairment loss in 2011 and subsequent reversals have been reported on the line "Profit from investments accounted for by the equity method" along with DNB's share of profits from the company.*

2) *In November 2015, Visa Inc. announced the agreement to acquire all shares in Visa Europe Ltd. DNB has indirect ownership interests in Visa Europe through its membership in Visa Norway, which are accounted for by the equity method. As a result of the agreement, the estimated value of the Group's investment increased by NOK 0.9 billion, which was recognised in other comprehensive income. On the realisation date, which will depend on approval by the competition authorities in a number of countries, the realised gain will be recorded in the income statement on the line "Profit from investments accounted for by the equity method".*

3) *Include deferred tax positions and value adjustments not reflected in the company's balance sheet.*

4) *Values in the accounts of associated companies. Preliminary and unaudited accounts have been used.*

NOTE 38 Intangible assets

		DNB Group
Amounts in NOK million	31 Dec. 2015	31 Dec. 2014
Goodwill	4 834	4 781
Capitalised systems development	1 042	1 260
Sundry intangible assets	199	244
Total intangible assets	**6 076**	**6 285**

				DNB Group
Amounts in NOK million	Goodwill	Capitalised systems development	Other intangible assets	Total
Cost as at 1 January 2014	9 266	5 115	1 103	15 483
Additions		297	47	344
Additions from the acquisition/establishment of other companies				
Increase/reduction in cost price				
Disposals		(19)	(27)	(46)
Exchange rate movements	(84)	57	10	(17)
Cost as at 31 December 2014	9 182	5 451	1 132	15 765
Total depreciation and impairment as at 1 January 2014	(4 396)	(3 732)	(843)	(8 972)
Depreciation		(420)	(64)	(484)
Impairment	(5)	3		(2)
Disposals		4	23	26
Exchange rate movements		(45)	(3)	(47)
Total depreciation and impairment as at 31 December 2014	(4 401)	(4 190)	(888)	(9 479)
Carrying amount as at 31 December 2014	**4 781**	**1 261**	**244**	**6 286**
Cost as at 1 January 2015	9 182	5 451	1 132	15 765
Additions	12	164	51	227
Additions from the acquisition/establishment of other companies				
Increase/reduction in cost price				
Disposals	(11)	(811)	(119)	(941)
Exchange rate movements	61	139	373	573
Cost as at 31 December 2015	9 240	4 921	1 000	15 161
Total depreciation and impairment as at 1 January 2015	(4 401)	(4 190)	(888)	(9 479)
Depreciation		(322)	(84)	(406)
Impairment		(105)		(105)
Disposals	2	811	73	887
Exchange rate movements	(7)	(73)	98	18
Total depreciation and impairment as at 31 December 2015	(4 406)	(3 879)	(801)	(9 086)
Carrying amount as at 31 December 2015	**4 834**	**1 042**	**199**	**6 076**

Goodwill

The risk-free interest rate and the market risk premium are set at 4 per cent, and the long-term growth factor is set at 2.5 per cent for all cash-generating units. Beta values are estimated separately for each cash-generating unit. Required rate of return is before tax. For a detailed description of methods and assumptions used in the calculation of the recoverable amount for goodwill, see note 1 Accounting principles.

NOTE 38 Intangible assets (continued)

Goodwill per unit as at 31 December 2015 — **DNB Group**

Amounts in NOK million	Growth factor (per cent)	Required rate of return (per cent)	Recorded (NOK Million)
DNB Asset Management	2.5	12.9	1 705
Personal customers	2.5	11.8	982
Small and medium sized enterprises	2.5	11.8	483
DNB Finans - car financing	2.5	11.8	811
Other	2.5	11.8	853
Total goodwill			**4 834**

Goodwill per unit as at 31 December 2014 — **DNB Group**

Amounts in NOK million	Growth factor (per cent)	Required rate of return (per cent)	Recorded (NOK Million)
DNB Asset Management	2.5	13.4	1 705
Personal customers	2.5	12.3	982
Small and medium sized enterprises	2.5	12.3	483
DNB Finans - car financing	2.5	12.3	824
Other	2.5	12.3	787
Total goodwill			**4 781**

DNB Asset Management

The unit includes asset management operations, mainly in Norway and Sweden. Total goodwill from units in the operational area is assessed collectively, and the cash-generating unit represents the entire operational area. Operations are integrated, and synergies and rationalisation effects have been realised throughout the organisation. The operational area is the lowest level at which cash flows can be identified. The most critical assumptions for cash flows during the plan period are developments in the securities markets, net sales of mutual funds and margins.

Personal customers – parent bank

This unit encompasses banking operations (loans and deposits) for personal customers in the regional network in Norway, and recorded goodwill mainly stems from the merger between DnB and Gjensidige NOR and the acquisition of Nordlandsbanken. In addition, some goodwill remains from previously acquired offices in Gjensidige NOR. Key assumptions for cash flows during the plan period are developments in margins, volumes and impairment of loans.

Small and medium-sized enterprises – parent bank

This unit encompasses banking operations (loans and deposits) for corporate customers in the regional network in Norway, and recorded goodwill mainly stems from the merger between DnB and Gjensidige NOR. Key assumptions for cash flows during the plan period are developments in margins, volumes and impairment of loans.

DNB Finans – car financing

The unit encompasses DNB's car financing operations in Norway and Sweden, and goodwill stems from DNB's acquisition of Skandiabanken's car financing operations with effect from 2008. Critical assumptions for cash flows during the plan period are car sales figures and DNB Finans' ability to retain customer relations with important car dealers, along with long-term margin developments and the level of impairments of loans.

NOTE 39 Fixed assets

		DNB Group
Amounts in NOK million	31 Dec. 2015	31 Dec. 2014
Bank buildings and other properties	588	1 913
Real property at fair value	794	4 630
Machinery, equipment and vehicles	1 687	1 567
Fixed assets, operational leases	5 721	5 569
Other fixed assets	71	152
Total fixed assets	**8 860**	**13 830**

					DNB Group
Amounts in NOK million	Real property at historic cost	Real property at fair value	Machinery, equipment and vehicles	Fixed assets operational leases	Total [1)]
Accumulated cost as at 31 December 2014	2 159	4 755	3 907	8 263	19 083
Reclassified fixed assets	(111)		111		
Additions	11		471	2 222	2 704
Additions from merger/aquisition/establishment of other companies					
Revaluation	(53)	251	(208)		(10)
Fixed assets, reclassified as held for sale					
Disposals [2)]	(1 255)	(4 055)	(650)	(2 153)	(8 113)
Exchange rate movements	47		52	317	416
Cost as at 31 December 2015	798	951	3 683	8 648	14 080
Total depreciation and impairment as at 31 December 2014	(245)	(125)	(2 340)	(2 694)	(5 404)
Additions from merger/aquisition/establishment of other companies					
Disposals	103		792	1 121	2 015
Depreciation [3)]	(29)	(32)	(409)	(1 231)	(1 700)
Impairment	(26)		(7)		(33)
Reversal of previous impairment losses					
Exchange rate movements	(13)		(33)	(124)	(169)
Total depreciation and impairment as at 31 December 2015	(210)	(157)	(1 996)	(2 928)	(5 291)
Carrying amount as at 31 December 2015 [*)]	588	794	1 687	5 721	8 789

**) Value of property classified at fair value according to the historic cost principle* 182

1) *The total does not include "Other fixed assets".*
2) *The change is mainly due to the sale of part of DNB's headquarter in Bjørvika.*
3) *Based on cost less any residual value, other assets are subject to straight-line depreciation over their expected useful life within the following limits:*

Technical installations	*10 years*
Machinery	*3-10 years*
Fixtures and fittings	*5-10 years*
Computer equipment	*3-5 years*
Means of transport	*5-7 years*

The DNB Group has not placed any collateral for loans/funding of fixed assets, including property.

NOTE 40 Leasing

Financial leases (as lessor)

Amounts in NOK million	31 Dec. 2015	DNB Group 31 Dec. 2014
Gross investment in the lease		
Due within 1 year	12 292	11 051
Due in 1-5 years	32 324	28 230
Due in more than 5 years	3 042	2 673
Total gross investment in the lease	47 659	41 955
Present value of minimum lease payments		
Due within 1 year	11 789	10 436
Due in 1-5 years	26 595	23 145
Due in more than 5 years	2 027	1 787
Total present value of lease payments	40 410	35 368
Unearned financial income	7 249	6 586
Unguaranteed residual values accruing to the lessor	128	52
Accumulated loan-loss provisions	1 742	1 613
Variable lease payments recognised as income during the period	119	95

Operational leases (as lessor)

Amounts in NOK million	31 Dec. 2015	DNB Group 31 Dec. 2014
Future minimum lease payments under non-cancellable leases		
Due within 1 year	1 073	1 777
Due in 1-5 years	3 740	5 528
Due in more than 5 years	1 603	2 852
Total future minimum lease payments under non-cancellable leases	6 417	10 157

Operational leases (as lessee)

Amounts in NOK million	31 Dec. 2015	DNB Group 31 Dec. 2014
Minimum future lease payments under non-cancellable leases		
Due within 1 year	36	87
Due in 1-5 years	644	849
Due in more than 5 years	5 743	2 450
Total minimum future lease payments under non-cancellable leases	6 423	3 386
Total minimum future sublease payments expected to be received under non-cancellable subleases	146	211

Amounts in NOK million	2015	DNB Group 2014
Leases recognised as an expense during the period		
Minimum lease payments	843	898
Variable lease payments		
Total leases recognised as an expense during the period	843	898
Impairment of leases	(0)	33

Financial leases (as lessor)
The DNB Group's financial leasing operations apply to DNB Bank ASA and DNB's operations in Baltics and Poland.

Operational leases (as lessor)
Comprises operational leasing operations in DNB Bank ASA and DNB's operations in Baltics and Poland, in addition to leasing of investment properties in DNB Livsforsikring.

Operational leases (as lessee)
Mainly include premises leased by DNB Bank ASA. In 2015, DNB reduced its holding in DNB Scandinavian Property Fund, which owns two of DNB's headquarter buildings in Bjørvika. The company is now recorded as an associated company. In addition, the final building in Bjørvika was sold by DNB Livsforsikring to an external party during 2015. A lease agreement with a new owner was entered into for this building.

NOTE 41 Other assets

		DNB Group
Amounts in NOK million	31 Dec. 2015	31 Dec. 2014
Accrued expenses and prepaid revenues	826	721
Amounts outstanding on documentary credits and other payment services	1 480	1 156
Unsettled contract notes	1 160	4 308
Past due, unpaid insurance premiums	324	447
Investment funds owned by non-controlling interests	17 403	15 337
Other amounts outstanding	4 547	5 885
Total other assets	**25 739**	**27 855**

Due to changes in principles, some comparative figures have been restated. See further details in note 1 Accounting principles.

NOTE 42 Deposits from customers for principal customer groups [1)]

		DNB Group
Amounts in NOK million	31 Dec. 2015	31 Dec. 2014
Private individuals	353 110	343 765
Transportation by sea and pipelines and vessel construction	65 040	61 909
Real estate	44 782	41 309
Manufacturing	57 701	63 669
Services	126 262	154 339
Trade	32 743	37 190
Oil and gas	23 777	31 648
Transportation and communication	50 144	45 873
Building and construction	21 023	20 143
Power and water supply	21 787	29 096
Seafood	5 301	4 446
Hotels and restaurants	2 395	2 573
Agriculture and forestry	4 317	4 735
Central and local government	52 253	45 693
Finance	83 316	54 559
Total deposits from customers, nominal amount	943 952	940 947
Adjustments	476	587
Deposits from customers	**944 428**	**941 534**

1) *The breakdown into principal customer groups corresponds to the EU's standard industrial classification, NACE Rev.2.*

NOTE 43 Debt securities issued

	DNB Group	
Amounts in NOK million	31 Dec. 2015	31 Dec. 2014
Commercial paper issued, nominal amount	159 988	206 715
Bond debt, nominal amount [1]	606 179	560 650
Adjustments	38 761	44 660
Total debt securities issued	**804 928**	**812 025**

Changes in debt securities issued — DNB Group

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

Maturity of debt securities issued recorded at amortised cost as at 31 December 2015 [1) 2)] — DNB Group

Amounts in NOK million	NOK	Foreign currency	Total
2016			
Total commercial paper issued, nominal amount			
2016		79 537	79 537
2017		83 503	83 503
2018		76 411	76 411
2019		55 320	55 320
2020		69 404	69 404
2021		78 387	78 387
2022 and later		79 686	79 692
Total bond debt, recorded at amortised cost, nominal amount		522 247	522 254
Total debt securities issued recorded at amortised cost, nominal amount		522 247	522 254

Maturity of debt securities issued recorded at fair value as at 31 December 2015 [1)] — DNB Group

Amounts in NOK million	NOK	Foreign currency	Total
2016	133	159 854	159 988
Total commercial paper issued, nominal amount	133	159 854	159 988
2016	6 947		6 947
2017	13 799		13 799
2018	16 794		16 794
2019	18 346		18 346
2020	10 043		10 043
2021	13 097		13 097
2022 and later	4 899		4 899
Total bond debt, nominal amount	83 925		83 925
Total debt securities issued recorded at fair value, nominal amount	84 058	159 854	243 913
Adjustments	2 867	35 894	38 761
Debt securities issued	86 926	717 996	804 928

1) Minus own bonds. Nominal amount of outstanding covered bonds in DNB Boligkreditt totalled NOK 446.4 billion as at 31 December 2015. The cover pool market value represented NOK 561.5 billion.

2) Includes hedged items.

NOTE 44 Subordinated loan capital and perpetual subordinated loan capital securities

Amounts in NOK million	DNB Group 31 Dec. 2015	31 Dec. 2014
Term subordinated loan capital, nominal amount	19 838	19 322
Perpetual subordinated loan capital, nominal amount	5 702	4 792
Perpetual subordinated loan capital securities, nominal amount	4 561	4 028
Adjustments	853	1 176
Total subordinated loan capital and perpetual subordinated loan capital securities	**30 953**	**29 319**

Changes in subordinated loan capital and perpetual subordinated loan capital securities — **DNB Group**

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

Year raised	Carrying amount in foreign currency		Interest rate	Maturity	Call date	DNB Group Carrying amount in NOK
Term subordinated loan capital						
2012	EUR	750	4.75% p.a.	2022	2017	7 202
2013	NOK	1 250	3-month NIBOR + 1.70%	2023	2018	1 250
2013	EUR	750	3.00% p.a.	2023	2018	7 202
2015	SEK	1 000	1.97% p.a.	2025	2020	1 046
2015	SEK	3 000	3-month STIBOR + 1.40%	2025	2020	3 137
Total, nominal amount						19 838
Perpetual subordinated loan capital						
1985	USD	215	3-month LIBOR + 0.25%			1 760
1986	USD	150	6-month LIBOR + 0.13%			1 892
1986	USD	200	6-month LIBOR + 0.15%			1 320
1999	JPY	10 000	4.51% p.a.		2029	731
Total, nominal amount						5 702
Perpetual subordinated loan capital securities						
2007	GBP	350	6.01% p.a.		2017	4 561
Total, nominal amount						4 561

NOTE 45 Other liabilities

Amounts in NOK million	DNB Group 31 Dec. 2015	31 Dec. 2014
Short-term funding	805	1 002
Short positions trading	5 359	50
Accrued expenses and prepaid revenues	4 172	4 551
Documentary credits, cheques and other payment services	1 666	1 230
Unsettled contract notes	3 288	3 311
Accounts payable	1 527	522
General employee bonus	246	217
Non-controlling interests	17 403	15 337
Other liabilities	3 207	5 688
Total other liabilities [1]	**37 675**	**31 908**

1) Other liabilities are generally of a short-term nature.

NOTE 46 Equity

Share capital

The share capital of DNB ASA at 31 December 2015 and 31 December 2014 was NOK 16 287 988 610 divided into 1 628 798 861 shares, each with a nominal value of NOK 10.

DNB ASA has one class of shares, and all shares carry voting rights. Shareholders are entitled to receive the dividend proposed at any time and have one voting right per share at the company's general meeting.

The Board of Directors of DNB ASA has proposed that the general meeting to be held in April 2016 approve a dividend of NOK 4.50 per share for 2015.

Own shares

The Annual General Meeting on 23 April 2015 authorised the Board of Directors of DNB ASA to acquire own shares for a total face value of up to NOK 325 759 772, corresponding to 2 per cent of share capital. The shares shall be purchased in a regulated market. Each share may be purchased at a price between NOK 10 and NOK 200 per share. The authorisation is valid for a period of 12 months from 23 April 2015. Acquired shares shall be redeemed in accordance with regulations on the reduction of capital. An agreement has been signed with Norwegian Government/Ministry of Trade, Industry and Fisheries for the redemption of a proportional share of government holdings to ensure that the government's percentage ownership does not change as a result of the redemption of repurchased shares.

Additional Tier 1 capital

During the first quarter of 2015 the Group's subsidiary, DNB Bank ASA, issued two additional Tier 1 capital instruments. The instruments have a nominal value of NOK 2 150 million and USD 750 million (NOK 5 903 million). The instruments are perpetual but the bank can repay the capital on specific dates, first time five years after the issuing. The interest rates to be paid are floating 3 months NIBOR plus 3.25 per cent and fixed 5.75 per cent respectively. The issue in Norwegian kroner has quarterly payments while the issue in US dollar has annual payments. Accumulated interest for 2015 totaled NOK 374 million, of which NOK 75 million was paid out during the year. For more information, see Note 1 Accounting principles.

NOTE 47 Remunerations etc.

Pursuant to Section 6-16a of the Norwegian Public Limited Companies Act, the Board of Directors will present the following statement on remunerations to the Annual General Meeting for voting:

"Information about DNB's remuneration scheme

Pursuant to the regulations on remuneration schemes in financial institutions etc., issued by the Norwegian Ministry of Finance on 1 December 2010 and subsequent amendments, companies are required to publish information about the main principles for determining remunerations, criteria for the stipulation of any variable remunerations and quantitative information on remuneration to senior executives. The information in this note, including the Board of Directors' statement on the stipulation of salaries and other remunerations to senior executives below, represents such information, as stipulated in the remuneration regulations.

The group guidelines for remuneration in the DNB Group apply to the total remuneration to all permanent employees in the DNB Group and comprise monetary remuneration (fixed salary, short and long-term incentives), employee benefits (pensions, employer's liability insurance and other employee benefits) and employee development and career measures (courses and development programmes, career programmes and other non-monetary remuneration).

According to the guidelines, total remuneration is to be based on a total evaluation of the performance of the Group, as well as the unit's and each individual's contributions to value creation. Total remuneration should be structured to ensure that it does not expose the Group to unwanted risk. The remuneration should be competitive, but also cost-effective for the Group.

Furthermore, monetary remuneration should consist of a fixed and a variable part where this is appropriate. Fixed salary should be a compensation for the responsibilities and requirements assigned to each position, as well as its complexity, while variable salary should encourage strong performance and desired conduct.

Group guidelines for variable remuneration

To ensure compliance with the remuneration regulations and the circular from Finanstilsynet on remuneration schemes in financial institutions, investment firms and management companies for mutual funds, DNB has had separate group guidelines for variable remuneration since 2011, including special guidelines for variable remuneration to senior executives, employees with responsibilities which are of great importance to the company's risk exposure ("risk takers") and employees who are responsible for independent control functions.

The purpose of DNB's guidelines for variable remuneration is to reward conduct and develop a corporate culture which ensures long-term value generation. The guidelines for variable remuneration have been approved by the Board of Directors' Compensation Committee.

Variable remuneration is based on an overall assessment of the results achieved within defined target areas for the Group, the unit and the individual, as well as compliance with the Group's vision, values, code of ethics and leadership principles. The variable remuneration should be performance-based without exposing the Group to unwanted risk. Furthermore, it should counteract excessive risk taking and promote sound and effective risk management in DNB. Variable remuneration (bonus) for senior executives cannot exceed 50 per cent of fixed salary.

DNB's variable remuneration scheme applies globally, though non-Norwegian branches and subsidiaries will also be required to comply with local legislation, regulations and guidelines. There may be challenges of a legal nature in cases where the Norwegian regulations do not correspond to local legislation and local rules concerning remunerations in financial institutions. In such cases, the Group will seek advice from the relevant authorities and international experts to ensure that the Group's practices are in compliance with both Norwegian and local regulations.

The Board of Directors' statement on the stipulation of salaries and other remunerations to senior executives

DNB's guidelines for determining remunerations to the group chief executive and other members of the group management team should, at all times, support prevailing strategy and values, while contributing to the attainment of the Group's targets. The remuneration should inspire conduct to build the desired corporate culture with respect to performance and profit orientation. No changes have been made in the principles for the stipulation of variable remunerations compared with the statement for the previous year.

Decision-making process

The Board of Directors in DNB ASA has established a compensation committee consisting of three members: the chairman of the Board, the vice-chairman and one board member.

The Compensation Committee prepares matters for the Board of Directors and has the following main responsibilities:

- Annually evaluate and present its recommendations regarding the total remuneration awarded to the group chief executive
- Annually prepare recommended targets for the group chief executive
- Based on suggestions from the group chief executive, decide the remuneration and other key benefits awarded to the group executive vice president, Group Audit
- Act in an advisory capacity to the group chief executive regarding remunerations and other key benefits for members of the group management team and, when applicable, for others who report to the group chief executive
- Consider other matters as decided by the Board of Directors and/or the Compensation Committee
- Evaluate other personnel-related issues which can be assumed to entail great risk to the Group's reputation

NOTE 47 Remunerations etc. (continued)

A. Guidelines for the coming accounting year

Remuneration to the group chief executive

The total remuneration to the group chief executive consists of fixed salary (main element), benefits in kind, variable remuneration, and pension and insurance schemes. The total remuneration is determined based on a total evaluation, and the variable part of the remuneration is primarily based on the Group's financial targets for return on equity, the common equity Tier 1 capital ratio and cost/income ratio.

In addition to the financial targets, the Group's customer satisfaction, corporate reputation scores and developments in key performance indicators relating to the Group's corporate culture will be taken into consideration. In addition, the total evaluation will reflect compliance with the Group's vision, values, code of ethics and leadership principles.

The fixed salary is subject to an annual evaluation and is determined based on salary levels in the labour market in general and in the financial industry in particular, and on remuneration levels for comparable positions.

Variable salary to the group chief executive is determined based on an overall assessment of the results achieved within defined target areas. Variable salary cannot exceed 50 per cent of fixed salary. The group chief executive is not awarded performance-based payments other than the stated variable remuneration.

In addition to variable remuneration, the group chief executive can be granted benefits in kind such as company car, newspapers/periodicals and telephone/ other communication. Benefits in kind should be relevant to the group chief executive's function or in line with market practice, and should not be significant relative to the group chief executive's fixed salary.

The Board of Directors will respect the agreement entered into with the group chief executive, whereby his retirement age is 60 years with a pension representing 70 per cent of fixed salary. If employment is terminated prior to the age of 60, he will still be entitled to a pension from the age of 60 with the deduction of 1/14 of the pension amount for each full year remaining to his 60th birthday. According to the agreement, the group chief executive is entitled to a termination payment for two years if employment is terminated prior to the age of 60. If, during this period, the group chief executive receives income from other employment, the termination payment will be reduced by an amount corresponding to the salary received from this employment. Benefits in kind will be maintained for a period of three months.

Remuneration to other senior executives

The group chief executive determines the remunerations to senior executives in agreement with the chairman of the Board of Directors. The Board of Directors will honour existing binding agreements.

The total remuneration to senior executives consists of fixed salary (main element), benefits in kind, variable salary, and pension and insurance schemes. The total remuneration is determined based on the need to offer competitive terms in the various business areas. The remunerations should promote the Group's competitiveness in the relevant labour market, as well as the Group's profitability, including the desired trend in income and costs. The total remuneration should take DNB's reputation into consideration and ensure that DNB attracts and retains senior executives with the desired skills and experience.

The fixed salary is subject to an annual evaluation and is determined based on salary levels in the labour market in general and in the financial industry in particular.

Benefits in kind may be offered to senior executives to the extent the benefits have a relevant connection to the employee's function in the Group or are in line with market practice. The benefits should not be significant relative to the employee's fixed salary.

Target structure 2016

The Compensation Committee approves principal criteria, principles and limits for variable remuneration. The Compensation Committee has decided that the Group's return on equity, the common equity Tier 1 capital ratio and cost/income ratio should constitute the financial target figures for 2016. In addition to the financial targets, the Group's customer satisfaction, corporate reputation scores and developments in key performance indicators relating to the Group's corporate culture will be taken into consideration.

The Group's financial target figures have been broken down into relevant targets for the various business areas and staff and support units in order to offer optimal support for the implementation of new capital adequacy and liquidity regulations.

The above targets will be key elements when calculating and paying out the variable remuneration for 2016. All financial targets have been defined and communicated to the relevant business areas and staff and support units as part of the work with and follow-up of the targets for 2016.

Determination of variable remuneration for 2016

The variable remuneration for 2016 will be determined by means of an overall assessment of performance, based on a combination of quantitative attainment of pre-set performance targets and qualitative assessments of how the targets were achieved.

The Board of Directors will determine a maximum limit for total bonuses for the Group, excluding DNB Markets and DNB Eiendom, based on the attainment of group targets over the last two years, combined with a general assessment of other important parameters and the Group's financial capacity. The total limit will be allocated to the organisation based on the individual units' target attainment and contributions to the Group's performance. With respect to DNB Markets, a special limit will be determined for variable remuneration based on the risk-adjusted profits achieved by the unit and an overall assessment, which is in line with market practice for this type of operations. Correspondingly, the remuneration model in DNB Eiendom is consistent with market practice, with a high share of variable remuneration based on individual performance.

NOTE 47 Remunerations etc. (continued)

Special rules for senior executives, identified risk takers and employees responsible for independent control functions
DNB has prepared and implemented special rules for identified risk takers, employees responsible for independent control functions and senior executives, hereinafter called risk takers. The special rules supplement the general group guidelines for variable remuneration and have been formulated in compliance with the remuneration regulations and the related circular from Finanstilsynet.

In accordance with prevailing requirements, DNB has surveyed the entire organisation to identify risk takers based on the criteria resulting from the circular and the EU regulation.

For risk takers, the following main principles apply to variable remuneration:

- The remuneration is earned over a period of two years.
- Variable remuneration cannot exceed the agreed fixed remuneration.

Deferred and conditional payment of minimum 50 per cent of the earned variable remuneration in the form of DNB shares. The remuneration paid in the form of shares will be divided into three, subject to minimum holding periods (deferred and conditional), with one-third each year over a period of three years. The deferred and conditional payments will be in compliance with the stipulations in the remuneration regulations.

Pensions etc.
Pension schemes and any agreements on termination payments etc. should be considered relative to other remuneration and should ensure competitive terms. The various components in pension schemes and severance pay, either alone or together, must not be such that they could pose a threat to DNB's reputation.

As a main rule, senior executives are entitled to a pension at the age of 65, though this can be deviated from. Pension entitlements should not exceed 70 per cent of fixed salary and should constitute maximum 12 times the National Insurance basic amount. However, the DNB Group will honour existing agreements. A defined contribution scheme was established for the Group with effect from 1 January 2011, whereby pensionable income will be limited to 12 times the National Insurance basic amount, G. On 31 December 2015, the Group terminated the defined-benefit pension scheme for employees in Norway with salaries below 12G. Employees in Norway with defined-benefit pensions were transferred to the defined-contribution pension scheme as from 1 January 2016.

As a main rule, no termination payment agreements will be signed. However, the Group will honour existing agreements.

When entering into new agreements, the guidelines generally apply and comprise all senior executives.

See table of remunerations for senior executives below.

B. Binding guidelines for shares, subscription rights, options etc. for the coming accounting year
An amount corresponding to 50 per cent of the earned variable remuneration of the group chief executive, senior executives and risk takers is invested in shares in DNB ASA. The minimum holding periods are one year for one-third of the shares, two years for one-third of the shares and three years for the final one-third of the shares.

No additional shares, subscription rights, options or other forms of remuneration only linked to shares or only to developments in the share price of the company or other companies within the Group, will be awarded to the group chief executive or senior executives. The group chief executive and senior executives are, however, given the opportunity to participate in a share subscription scheme on the same terms as other employees in the DNB Group.

C. Statement on the senior executive salary policy in the previous account year
The group guidelines determined in 2011, including changes effective as from 2015, have been followed.

D. Statement on the effects for the company and the shareholders of remuneration agreements awarding shares, subscription rights, options etc.
An amount corresponding to 50 per cent of the gross variable remuneration earned by the group chief executive and senior executives in 2015 is invested in shares in DNB ASA. The Board of Directors believes that the awarding of shares to senior-executives, in view of the total number of shares in the company, will have no negative consequences for the company or the shareholders."

Terms for the chairman of the Board of Directors
Anne Carine Tanum received a remuneration of NOK 526 200 in 2015 as chairman of the Board of Directors of DNB ASA, compared with NOK 511 023 in 2014. In addition, she received NOK 420 000 as chairman of the Board of Directors of DNB Bank ASA, compared with NOK 413 431 in 2014.

Terms for the group chief executive
Rune Bjerke received an ordinary salary of NOK 5 627 505 in 2015, compared with NOK 5 426 576 in 2014. The Board of Directors of DNB ASA stipulated the group chief executive's bonus payment for 2015 at NOK 2 332 000, compared with NOK 2 170 000 in 2014. The bonus for 2015 will be paid in 2016. Benefits in kind were estimated at NOK 349 096, compared with NOK 261 689 in 2014. Costs in connection with the group chief executive's pension scheme of NOK 4 586 497 were recorded for the 2015 accounting year, compared with NOK 3 715 825 in 2014. Costs are divided between DNB ASA and DNB Bank ASA.

NOTE 47 Remunerations etc. (continued)

The table has been constructed to show rights earned during the period.

Remunerations etc. in 2015 **DNB Group**

Amounts in NOK 1 000	Fixed annual salary as at 31 Dec. 2015 1)	Remunera-tion earned in 2015 2)	Paid salaries in 2015 3)	Bonus earned in 2015 4)	Benefits in kind and other benefits in 2015	Total remunera-tion earned in 2015	Loans as at 31 Dec. 2015 5)	Accrued pension expenses 6)
Board of Directors of DNB ASA								
Anne Carine Tanum (chairman) 7)		946			12	958		
Tore Olaf Rimmereid (vice-chairman) 7) 8)		591			1	592		
Jarle Bergo 8)		614			5	619		
Sverre Finstad	659	614	669	22	60	1 365	549	57
Carl A. Løvvik	707	321	715	22	18	1 076	583	88
Vigdis Mathisen	719	614	721	22	27	1 384	3 763	82
Jaan Ivar Semlitsch 8)		412				412	2 317	
Berit Svendsen 7) 8)		453			1	454	14 878	
Group management								
Rune Bjerke, CEO	5 420		5 628	2 332	349	8 309	9 549	4 586
Bjørn Erik Næss, CFO	3 795		3 956	1 642	208	5 806	376	4 927
Trond Bentestuen, group EVP	2 970		3 076	1 322	224	4 622	6 532	675
Kjerstin Braathen, group EVP	2 895		3 010	1 272	205	4 486	35	553
Ottar Ertzeid, group EVP	8 620		8 972	4 012	205	13 189	37	489
Liv Fiksdahl, group EVP	2 970		3 082	1 322	207	4 611	1 450	846
Solveig Hellebust, group EVP	2 385		2 478	1 052	200	3 731	11	290
Kari Olrud Moen, group EVP	2 750		2 861	1 172	201	4 235	18	701
Tom Rathke, group EVP	3 325		3 610	1 502	251	5 364	6 349	2 162
Harald Serck-Hanssen, group EVP	4 020		4 188	1 712	245	6 144	5 478	959
Thomas Midteide, group EVP	1 900		1 973	832	210	3 015	5 776	188
Terje Turnes, group EVP (from 7 February 2015)	3 850		3 725	742	201	4 667	63	474
Trygve Young, group EVP (to 7 February 2015) 9)			902		1 996	2 898	1	
Control Committee								
Frode Hassel (chairman)		438				438		
Karl Olav Hovden (vice-chairman) 9)		364			307	671		
Ida Helliesen		292				292		
Ida Espolin Johnson		292				292	161	
Ole Trasti		292				292	3 631	
Supervisory Board	5 813	703	6 011	338	276	7 328	37 843	414
Loans to other employees							18 830 323	

1) Fixed annual salary at year-end for employees who were members of the Board of Directors or the group management team during the year.
2) Includes remuneration received from all companies within the DNB Group for service on Boards of Directors and committees. Board remuneration from DNB ASA was NOK 3 210 600 in 2015. Some persons are members of more than one body.
3) Includes salary payments for the entire year and holiday pay on bonuses. Some employees were members of the Board of Directors or the group management team for only parts of the year.
4) Bonus earned excluding holiday pay.
5) Loans to shareholder-elected representatives are extended on ordinary customer terms. Loans to DNB employees are extended on special terms, which are close to ordinary customer terms.
6) Accrued pension expenses include pension rights earned during the year (service cost). The calculation of pension entitlements is based on the same economic and actuarial assumptions as those used in note 25 Pensions.
7) Also a member of the Compensation Committee.
8) Also a member of the Audit Committee and the Risk Management Committee.
9) Benefits in kind and other benefits include pension payments.

NOTE 47 Remunerations etc. (continued)

The table has been constructed to show rights earned during the period.

Remunerations etc. in 2014 **DNB Group**

Amounts in NOK 1 000	Fixed annual salary as at 31 Dec. 2014 1)	Paid remunera-tion in 2014 2)	Paid salaries in 2014 3)	Bonus earned in 2014 4)	Benefits in kind and other benefits in 2014	Total remunera-tion earned in 2014	Loans as at 31 Dec. 2014 5)	Accrued pension expenses 6)
Board of Directors of DNB ASA								
Anne Carine Tanum (chairman) 7)		924				924		
Tore Olaf Rimmereid (vice-chairman) 7) 8)		567				567	22	
Jarle Bergo 8)		604			3	607		
Bente Brevik (until 18 June 2014) 8)		193			8	201		
Sverre Finstad	645	604	654	20	59	1 337	568	47
Carl A. Løvvik	692	315	701	20	18	1 054	75	80
Vigdis Mathisen	692	604	693	20	22	1 339	3 873	60
Jaan Ivar Semlitsch (from 18 June 2014) 8)		219				219	2 302	
Berit Svendsen 7) 8)		430				430	15 346	
Group management								
Rune Bjerke, CEO	5 250		5 427	2 170	262	7 858	72	3 716
Bjørn Erik Næss, CFO	3 688		3 835	1 505	204	5 545	1 367	4 168
Trond Bentestuen, group EVP	2 835		2 912	1 210	206	4 329	6 697	517
Kjerstin Braathen, group EVP	2 795		2 903	1 195	203	4 301	1 165	418
Ottar Ertzeid, group EVP	8 382		8 692	3 830	210	12 732	45	396
Liv Fiksdahl, group EVP	2 835		2 914	1 230	203	4 347	1 694	714
Solveig Hellebust, group EVP	2 322		2 404	940	202	3 546	15	221
Kari Olrud Moen, group EVP	2 683		2 764	1 065	203	4 032	0	540
Tom Rathke, group EVP	3 235		3 504	1 340	209	5 054	10 600	1 820
Harald Serck-Hanssen, group EVP	3 921		4 091	1 640	205	5 936	5 575	749
Leif Teksum, group EVP (until 2 July 2014) 9)		97	2 661	810	1 189	4 757	4 040	580
Trygve Young, group EVP	3 048		3 092	500	203	3 795	2	
Control Committee								
Frode Hassel (chairman)		427				427		
Karl Olav Hovden (vice-chairman) 9)		212			296	509	1	
Vigdis Merete Almestad (until 24 April 2014)		149				149		
Ida Helliesen (from 24 April 2014)		196				196	3	
Ida Espolin Johnson		343				343	171	
Ole Trasti (from 24 April 2014)		196				196	2 001	
Thorstein Øverland (until 24 April 2014) 9)		91			22	112	5	
Supervisory Board	6 857	1 161	8 343	240	339	10 083	66 643	443
Loans to other employees							18 458 857	

1) Fixed annual salary at year-end for employees who were members of the Board of Directors or the group management team during the year.
2) Includes remuneration received from all companies within the DNB Group for service on Boards of Directors and committees. Board remuneration from DNB ASA was NOK 3 128 000 in 2014. Some persons are members of more than one body.
3) Includes salary payments for the entire year and holiday pay on bonuses. Some employees were members of the Board of Directors or the group management team for only parts of the year.
4) Bonus earned excluding holiday pay.
5) Loans to shareholder-elected representatives are extended on ordinary customer terms. Loans to DNB employees are extended on special terms, which are close to ordinary customer terms.
6) Accrued pension expenses include pension rights earned during the year (service cost). The calculation of pension entitlements is based on the same economic and actuarial assumptions as those used in note 25 Pensions.
7) Also a member of the Compensation Committee.
8) Also a member of the Audit and Risk Management Committee.
9) Benefits in kind and other benefits include pension payments.

NOTE 47 Remunerations etc. (continued)

Other information on pension agreements

Rune Bjerke has a pension agreement entitling him to a pension representing 70 per cent of pensionable income from the age of 60. Bjørn Erik Næss, Liv Fiksdahl, Kari Olrud Moen and Tom Rathke are entitled to a pension representing 70 per cent of pensionable income from the age of 62. Trygve Young was entitled to a pension from the age of 62, with a gradual reduction in pension benefits from 90 per cent of pensionable income from the age of 62, 80 per cent from the age of 63 and 70 per cent from the age of 64. The pension agreement of Trygve Young entered into force on 6 February 2015, and Terje Turnes joined the group management team on the same day. Terje Turnes is entitled to a pension representing 70 per cent of pensionable income from the age of 67. Trond Bentestuen, Kjerstin Braathen and Harald Serck-Hanssen are entitled to a pension representing 70 per cent of pensionable income from the age of 65. Ottar Ertzeid has a pension agreement entitling him to pension representing 70 per cent of pensionable income from the age of 62, or 65 at the latest. As of 1 January 2015, Thomas Midteide became a member of the group management team. Thomas Midteide and Solveig Hellebust are entitled to a pension representing 70 per cent of fixed salary from the age of 65, with no curtailment from the age of 65 through 67. Their pensionable income is limited to 12 times the National Insurance basic amount. On 1 January 2016, the membership of all the group executive vice presidents in the defined-benefit occupational pension scheme, established pursuant to the Norwegian Occupational Pension Act, was transferred to membership in the defined-contribution scheme pursuant to the Defined-contribution Pension Act in line with all other employees in Norway.

Subscription rights programme for employees

There was no subscription rights programme for employees in the DNB Group at year-end 2015.

Remuneration to the statutory auditor	**DNB ASA**		**DNB Group**	
Amounts in NOK 1 000, excluding VAT	2015	2014	2015	2014
Statutory audit [1]	(561)	(550)	(28 276)	(24 234)
Other certification services			(1 414)	(2 209)
Tax-related advice [2]			(6 159)	(3 933)
Other services [3]			(9 875)	(1 097)
Total remuneration to the statutory auditor	(561)	(550)	(45 724)	(31 473)

1) *Includes fees for interim audit and auditing funds managed by DNB.*
2) *Mainly refers to services provided in connection with tax reporting in international units and assistance in tax matters for employees outside Norway.*
3) *The increase in 2015 manly related to transaction specific advice.*

NOTE 48 Information on related parties

The largest owner of the DNB Group is the Norwegian government, represented by the Ministry of Trade and Industry, which owns and controls 34 per cent of the shares in the parent company DNB ASA. See note 50 largest shareholders.

A large number of bank transactions are entered into with related parties as part of ordinary business transactions, comprising loans, deposits and foreign exchange transactions. These transactions are based on market terms. The table below shows transactions with related parties, including balance sheets at year-end and related expenses and income for the year. Related companies are associated companies plus DNB Savings Bank Foundation. See note 37 for a specification of associated companies. Loans to board members and their spouses/ partners and under-age children are extended on ordinary customer terms. Loans to group management, like loans to other group employees, are extended on special terms, which are close to ordinary customer terms.

Transactions with related parties **DNB Group**

	Group management and Board of Directors		Related companies	
Amounts in NOK million	2015	2014	2015	2014
Loans as at 1 January	67	64	1 294	2 062
New loans/repayments during the year	(3)	4	(381)	(752)
Changes in related parties	6	(2)		(16)
Loans as at 31 December	**69**	**67**	**913**	**1 294**
Interest income	**2**	**2**	**24**	**37**
Deposits as at 1 January	105	24	3 307	1 911
Deposits/withdrawals during the year	142	88	(2 508)	1 294
Changes in related parties	(2)	(7)	201	102
Deposits as at 31 December	**245**	**105**	**1 000**	**3 307**
Interest expenses	**(1)**	**(1)**	**(19)**	**(25)**
Guarantees [1]			**11 323**	**14 083**

1) *DNB Bank ASA carries loans in its balance sheets which according to a legal agreement have been transferred to Eksportfinans and are guaranteed by DNB Bank ASA. According to the agreement, DNB still carries interest rate risk and credit risk associated with the transferred portfolio. These portfolios totalled NOK 2 212 and 2 809 million respectively at year-end 2015 and 2014. The loans are set off by deposits/payments from Eksportfinans. DNB Bank ASA has also issued guarantees for other loans in Eksportfinans. The total guarantee commitment is included in the table above.*

No impairments were made on loans to related parties in 2014 and 2015. Reference is made to note 47 for information on loans to group management members and directors. Transactions with deputy members of the Board of Directors are not included in the table above. In general, DNB employee loans should be paid by automatic debit in monthly instalments in arrears. Employee loans are within the term limits applying to general customer relationships. Security is furnished for employee loans in accordance with legal requirements.

Major transactions and agreements with related parties

Eksportfinans ASA

DNB Bank ASA has a 40 per cent ownership interest in Eksportfinans. Financial market turbulence resulted in sizeable unrealised losses in Eksportfinans' liquidity portfolio in the first quarter of 2008. In order to ensure an adequate capital base for the company, its Board of Directors implemented three measures:

- A share issue of NOK 1.2 billion aimed at the company's owners was implemented, and all owners participated based on their proportional shares.
- A portfolio hedge agreement was entered into, and the owners were invited to participate. DNB Bank ASA's share of the agreement corresponded to 40.43 per cent. The agreement secures Eksportfinans against further decreases in portfolio values of up to NOK 5 billion effective from 29 February 2008. Any recovery of values relative to nominal values will accrue to the participants in the portfolio hedge agreement as payment for their hedging commitment.
- During the first quarter of 2008, Eksportfinans' largest owner banks, DNB Bank ASA, Nordea Bank AB and Danske Bank A/S, approved a committed credit line giving the company access to a liquidity reserve of up to USD 4 billion. The agreement is renewed yearly. The renewal in 2010 resulted in a reduction in the limit for the liquidity reserve to USD 2 billion. DNB Bank ASA's share of this agreement represents approximately USD 1.1 billion. Eksportfinans has not availed itself of this credit line.

DNB Bank ASA carries loans in its balance sheets which according to a legal agreement have been transferred to Eksportfinans and are guaranteed by DNB Bank ASA. Pursuant to the agreement, the bank still carries interest rate risk and credit risk associated with the transferred portfolio. According to the IFRS regulations, the loans have therefore not been removed from the balance sheet of the bank. These portfolios totalled NOK 2.2 billion at end-December 2015. The loans are set off by deposits/payments from Eksportfinans. DNB Bank ASA has also issued guarantees for other loans in Eksportfinans.

The transactions with Eksportfinans have been entered into on ordinary market terms as if they had taken place between independent parties.

NOTE 49 Earnings per share

	DNB Group	
	2015	2014
Profit for the year (NOK million) [1]	24 388	20 617
Profit attributable to shareholders (NOK million)	24 388	20 617
Profit attributable to shareholders excluding operations held for sale (NOK million)	24 439	20 639
Profit from operations and non-current assets held for sale, after taxes	(51)	(22)
Average number of shares (in 1 000) [2]	1 627 744	1 627 566
Average number of shares, fully diluted (in 1 000) [2]	1 627 744	1 627 566
Earnings/diluted earnings per share (NOK)	14.98	12.67
Earnings/diluted earnings per share excluding operations held for sale (NOK)	15.01	12.68
Earnings/diluted earnings per share, operations held for sale (NOK)	(0.03)	(0.01)

1) *Portion attributable to shareholders.*
2) *Holdings of own shares are not included in calculations of the number of shares.*

The main purpose of the financial ratio earnings per share is to show the return for the Group's ordinary shareholders. Accumulated interest for the period, which will be paid to those investing in the additional Tier 1 capital instruments, has therefore been deducted from Profit for the period in the calculation of the period's earnings per share.

NOTE 50 Largest shareholders

Shareholder structure in DNB ASA as at 31 December 2015 [1]	Shares in 1 000	Ownership in per cent
Norwegian Government/Ministry of Trade, Industry and Fisheries	553 792	34.00
DNB Savings Bank Foundation	152 564	9.37
Folketrygdfondet	98 912	6.07
Fidelity International Limited (FIL)	39 221	2.41
BlackRock	38 129	2.34
MFS Investment Management	37 574	2.31
The Vanguard Group	25 872	1.59
Henderson Global Investors	25 375	1.56
The People's Bank of China (SAFE Investment)	24 955	1.53
Schroder Investment	23 347	1.43
T. Rowe Price Group	22 332	1.37
Newton Investment Management / BNY Mellon	20 509	1.26
State Street Global Advisors	20 262	1.24
DNB Asset Management	16 047	0.99
BNP Paribas Investment / Alfred Berg	15 613	0.96
Handelsbanken Asset Management	15 564	0.96
KLP Asset Management	15 273	0.94
Danske Capital	14 384	0.88
JPMorgan Asset Management	14 353	0.88
Saudi Arabian Monetary Agency	14 243	0.87
Total largest shareholders	1 188 320	72.96
Other shareholders	440 479	27.04
Total	**1 628 799**	**100.00**

1) *The beneficial owners of shares in nominee accounts are determined on the basis of analyses and discretionary assessments.*

NOTE 51 Off-balance sheet transactions and contingencies

Off-balance sheet transactions and additional information

		DNB Group
Amounts in NOK million	31 Dec. 2015	31 Dec. 2014
Performance guarantees	33 665	46 603
Payment guarantees	37 544	29 930
Loan guarantees [1)]	16 629	17 417
Guarantees for taxes etc.	7 271	6 684
Other guarantee commitments	3 258	2 384
Total guarantee commitments	98 366	103 017
Support agreements	11 827	13 202
Total guarantee commitments etc. [*)]	110 194	116 220
Unutilised credit lines and loan offers	598 132	608 157
Documentary credit commitments	4 790	4 432
Other commitments	51	700
Total commitments	602 973	613 289
Total guarantee and off-balance commitments	713 167	729 509
Pledged securities		393
**) Of which counter-guaranteed by financial institutions*	*311*	*299*

1) DNB Bank ASA carries loans in its balance sheet that subject to legal agreement have been transferred to Eksportfinans and for which DNB Bank ASA has issued guarantees. According to the agreement, DNB Bank ASA still carries interest rate risk and credit risk for the transferred portfolio. Customer loans in the portfolio totalling NOK 2.2 billion were recorded in the balance sheet as at 31 December 2015. These loans are not included under guarantees in the table.

DNB Bank ASA is a member and shareholder of the settlement system Continuous Linked Settlement (CLS). As a shareholder, DNB Bank ASA has an obligation to contribute to cover any deficit in CLS Bank's central settlement account for member banks, even if the default is caused by another member bank. Initially, such deficit will be sought covered by other member banks based on transactions the respective banks have had with the member bank which has caused the deficit in CLS Bank. Should there remain an uncovered deficit in CLS Bank, this will be covered pro rata by the member banks in CLS, according to Article 9 "Loss Allocations" of CLS Bank's International Rules. According to the agreements between CLS and the member banks, the pro rata payment obligations related to such coverage of any remaining deficit are limited to USD 30 million per member bank. At the end of 2015, DNB had not recorded any obligations in relation to CLS.

DNB Boligkreditt AS (Boligkreditt)

At end-December 2015, Boligkreditt had issued covered bonds with a nominal value of NOK 446 billion. In the event of bankruptcy, the bond-holders have preferential rights to the company's cover pool. In addition, DNB Livsforsikring had invested NOK 1.9 billion in such bonds.

Covered bonds

		DNB Boligkreditt
Amounts in NOK million	31. Dec. 2015	31. Dec. 2014
Total listed covered bonds	386 944	382 788
Total private placements under the bond programme	59 419	57 238
Adjustment		
Accrued interest	4 602	4 768
Unrealised gains/losses	22 780	27 574
Total debt securities issued	473 745	472 368

Cover pool

		DNB Boligkreditt
Amounts in NOK million	31. Dec. 2015	31. Dec. 2014
Pool of eligible loans	561 517	551 598
Market value of derivatives	74 932	76 438
Supplementary assets		
Total collateralised assets	636 449	628 036
Over-collateralisation (per cent)	134.2	133.2

NOTE 51 Off-balance sheet transactions and contingencies (continued)

Contingencies

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

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

The action against seven Norwegian municipalities for the settlement of interest rate swaps on commercial terms was settled in the second quarter of 2015, resulting in a reduction in DNB’s pre-tax operating profit of NOK 159 million.

A civil action was brought before a US court of law against DNB Markets Inc. (Minc) and the other arrangers of a USD 300 million Senior Note issue in 2010 on behalf of Overseas Shipholding Group (OSG). In the third quarter of 2015 the case was settled. Minc’s share of the settlement was USD 250 000.

In January 2016, DNB Asset Management AS received a notice of claim for compensation/repayment amounting to NOK 750 million from the Norwegian Consumer Council on behalf of the unit holders in the mutual fund DNB Norge. The Consumer Council alleges that the fund was managed less actively than the unit holders were entitled to. The Consumer Council has reserved the right to extend the claim to also apply to unit holders in other mutual funds. DNB Asset Management AS contests the claim. No provisions have been made in the accounts to cover the claim.

INCOME STATEMENT

			DNB ASA
Amounts in NOK million	Note	2015	2014
Total interest income		108	157
Total interest expenses		(246)	(299)
Net interest income		**(138)**	**(142)**
Commissions and fees payable etc.		(5)	(6)
Other income	2	8 282	7 214
Net other operating income		**8 276**	**7 209**
Total income		**8 139**	**7 067**
Salaries and other personnel expenses		(6)	(6)
Other expenses		(402)	(385)
Total operating expenses		**(408)**	**(391)**
Pre-tax operating profit		**7 731**	**6 676**
Tax expense	4	(1 815)	(239)
Profit/comprehensive income for the year		**5 916**	**6 438**
Earnings/diluted earnings per share (NOK)		3.63	3.95
Earnings per share excluding operations held for sale (NOK)		3.63	3.95

BALANCE SHEET

			DNB ASA
Amounts in NOK million	Note	31 Dec. 2015	31 Dec. 2014
Assets			
Due from DNB Bank ASA	6	6 160	5 810
Loans to other group companies	6		1 437
Investments in group companies	5	68 980	66 085
Receivables due from group companies	6	8 369	7 214
Total assets		**83 510**	**80 547**
Liabilities and equity			
Short-term amounts due to DNB Bank ASA	6	6	14
Due to other group companies	6	1 500	879
Other liabilities and provisions	2	8 740	6 193
Long-term amounts due to DNB Bank ASA	6	13 269	12 054
Total liabilities		**23 516**	**19 140**
Share capital		16 288	16 288
Share premium		22 556	22 556
Other equity		21 149	22 563
Total equity		**59 994**	**61 408**
Total liabilities and equity		**83 510**	**80 547**

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 2013	**16 288**	**22 556**	**22 315**	**61 159**
Profit for the period			6 438	6 438
Dividends for 2014 (NOK 3.80 per share)			(6 189)	(6 189)
Balance sheet as at 31 December 2014	**16 288**	**22 556**	**22 563**	**61 408**
Profit for the period			5 916	5 916
Dividends for 2015 (NOK 4.50 proposed per share)			(7 330)	(7 330)
Balance sheet as at 31 December 2015	**16 288**	**22 556**	**21 149**	**59 994**

Share premium and Other equity can be used in accordance with stipulations in the Public Limited Companies Act.

The share capital of DNB ASA is NOK 16 287 988 610 divided into 1 628 798 861 shares, each with a nominal value of NOK 10. See note 50 for the DNB Group, which specifies the largest shareholders in DNB ASA.

CASH FLOW STATEMENT

	DNB ASA	
Amounts in NOK million	2015	2014
Operating activities		
Net interest payment to subsidiaries	(138)	(181)
Payments to operations	(13)	(14)
Taxes paid	(2)	(1 014)
Net cash flow relating to operations	**(153)**	**(1 209)**
Investment activities		
Net receipts/payments on the sale of long-term investments in shares	(1 800)	905
Net cash flow relating to investment activities	**(1 800)**	**905**
Funding activities		
Group contributions from subsidiaries	6 250	6 879
Dividend payments	(6 189)	(4 398)
Net receipts on loans from credit institutions	815	
Net receipts/payments on loans from other companies	1 427	(2 191)
Net cash flow relating to funding activities	**2 303**	**290**
Net cash flow	**350**	**(14)**
Cash as at 1 January	5 810	5 824
Net receipts/payments of cash	350	(14)
Cash as at 31 December	6 160	5 810

NOTE 1 Accounting principles

Basis for preparation

DNB ASA is the parent company in the DNB Group. DNB ASA has prepared its financial statement according to the Norwegian Ministry of Finance's regulations on annual accounts, Section 1-6, on the use of IFRS, hereinafter called the Norwegian IFRS regulations, which implies that recognition and measurements are in accordance with IFRS. The only exception is that the Norwegian IFRS regulations also give permission to recognise provisions for dividends and group contributions in subsidiaries as income and record the Board of Directors' proposed dividends and group contributions as liabilities on the balance sheet date. According to IFRS, dividends should be classified as equity until approved by the general meeting.

Ownership interests in group companies

Subsidiaries are defined as companies in which DNB ASA, directly or indirectly, has control. Control over an entity is evidenced by DNB ASA's ability to exercise its power in order to affect any variable return that the company is exposed to through its involvement in the entity.

Where voting rights are relevant, DNB ASA is deemed to have control where it holds, directly or indirectly, more than half of the voting rights over an entity unless there is evidence that another investor has the practical ability to unilaterally direct the relevant activities. For more information see note 5 Investments in subsidiaries as at 31 December 2015.

In the financial statement of DNB ASA, investments in subsidiaries are recognised at cost. At the end of each reporting period the company assess whether any indication of impairment exists. If such indication exists, the investment is tested for impairment.

Transactions with group companies

Transactions with subsidiaries are conducted in accordance with general business conditions and principles.

Dividends and group contributions

Dividends and group contributions from group companies are recognised in DNB ASA in the same year as provisions are made in the relevant companies. Group contributions received are classified as dividends when considered to represent return on invested capital. The Board of Directors proposed dividends and group contributions are recognised as liabilities on the balance sheet date. Provision for dividends is presented within Other liabilities and provisions in the balance sheet.

Taxes

Taxes for the year comprise payable taxes for the financial year and changes in the value of deferred taxes and deferred tax assets.

Deferred taxes are calculated on the basis of differences between the profits stated in the income statement and the profits computed for tax purposes, which will be offset in the future. Evaluations are based on the balance sheet and tax position on the balance sheet date. Taxable and tax-deductible timing differences will be netted against each other within the same time interval. Deferred tax assets can be recognised as assets in the balance sheet when it is considered probable that the tax-deductible timing differences may be realised.

NOTE 2 Dividends/group contributions from subsidiaries

Dividends/group contributions from subsidiaries		**DNB ASA**
Amounts in NOK million	2015	2014
Group contributions/dividends received from:		
DNB Bank ASA	6 849	4 230
DNB Livsforsikring AS	1 095	2 525
DNB Forsikring AS	150	200
DNB Asset Management Holding AS	275	259
Correction regarding previous year	(86)	
Total group contributions from subsidiaries	**8 282**	**7 214**

Allocations		**DNB ASA**
Amounts in NOK million	2015	2014
Proposed dividends per share (NOK)	4.50	3.80
Share dividend	7 330	6 189
Transfers to other equity	(1 414)	249
Total allocations	**5 916**	**6 438**

NOTE 3 Remunerations etc.

All employees in DNB ASA are also employed in one of the underlying companies within the Group. The holding company purchases services from other units within the Group. The group chief executive and group executive vice presidents are employed in both DNB ASA and one of the subsidiaries in the Group. Personnel expenses and other administrative expenses relating to these individuals are divided between the subsidiaries and DNB ASA according to use.

See note 51 for the DNB Group for further details on remunerations etc. See also note 6 for DNB ASA, specifying shares in DNB ASA owned by senior executives and members of governing bodies.

NOTE 4 Taxes

		DNB ASA
Amounts in NOK million	2015	2014
Tax base		
Pre-tax operating profit in DNB ASA	7 731	6 676
Tax-exempt income, group contribution	(1 095)	(5 905)
Other tax-exempt income and non-deductible expenses	86	113
Tax base for the year	6 722	884
Tax expense		
Payable taxes	(1 815)	(239)
Tax expense	**(1 815)**	**(239)**

The effective tax rate in 2015 was 23 per cent. The effective tax rate in 2014 was 4 per cent.The difference between the effective tax rate and the nominal tax rate is due to the receipt of tax-exempt group contributions.

NOTE 5 Investments in subsidiaries as at 31 December 2015 [1)]

Amounts in 1 000 *Values in NOK unless otherwise indicated*		Share capital	Number of shares		Nominal value	Ownership share in per cent	DNB ASA Carrying amount
DNB Bank		18 314 311	183 143 110		18 314 311	100.0	49 892 502
DNB Capital [2)]	USD			USD		100.0	
DNB Invest Denmark	DKK	12 765 228	12 765 228 468	DKK	12 765 228	100.0	
DNB Bankas	EUR	190 205	5 710 134	EUR	190 205	100.0	
DNB Banka	EUR	191 178	191 178 337	EUR	191 178	100.0	
DNB Pank	EUR	9 376	937 643	EUR	9 376	100.0	
DNB Bank Polska	PLN	1 257 200	1 257 200 000	PLN	1 257 200	100.0	
Aksje- og Eiendomsinvest		100	100 000		100	100.0	
Bryggetorget Holding		3 250	2 500		3 250	100.0	
DNB Asia [3)]	SGD	20 000	20 000 000	SGD	20 000	100.0	
DNB Asia [3)]	USD	1 500 000	150 000 000	USD	1 500 000	100.0	
DNB Boligkreditt		3 497 000	34 970 000		3 497 000	100.0	
DNB Eiendom		10 003	100 033		10 003	100.0	
DNB Eiendomsutvikling		91 000	91 000 000		91 000	100.0	
DNB Invest Holding		100 000	200 000		100 000	100.0	
DNB Luxembourg	EUR	70 000	70 000	EUR	70 000	100.0	
DNB Markets Inc.	USD	1	1 000	USD	1	100.0	
DNB Meglerservice		1 200	12		1 200	100.0	
DNB Næringskreditt		550 000	550 000		550 000	100.0	
DNB Næringsmegling		1 000	10 000		1 000	100.0	
DNB Sweden	SEK	100 000	100 000 000	SEK	100 000	100.0	
DNB (UK) Limited	GBP	200	200 000	GBP	200	100.0	
Godfjellet		8 030	8 030		8 030	100.0	
DNB Asset Management Holding		274 842	220 050		274 842	100.0	2 182 107
DNB Asset Management		109 680	548 402		109 680	100.0	
DNB Asset Management (Asia)	HKD	25 000	25 000 000	HKD	25 000	100.0	
DNB Asset Management	SEK	3 921	39 206	SEK	3 921	100.0	
DNB Asset Management	EUR	425	5 000	EUR	425	100.0	
Carlson Fonder	SEK	50	500	SEK	50	100.0	
DNB Forsikring		265 000	265 000		265 000	100.0	462 790
DNB Livsforsikring		1 750 337	64 827 288		1 750 337	100.0	16 442 795
DNB Næringseiendom		1 000	20 000		1 000	100.0	
DNB Eiendomsholding		56 433	4 341		56 433	100.0	
DNB Pensjonstjenester		1 400	1 400		1 400	100.0	
Total investments in subsidiaries							**68 980 195**

1) Major subsidiaries and sub-subsidiaries in the DNB Group.
2) DNB Capital LLC, a limited liability company, has paid-in capital of USD 2.4 billion.
3) DNB Asia Ltd has part of its share capital denominated in SGD (due to local requirements) and a part of its share capital denominated in USD.

NOTE 6 Loans and deposits with other DNB Group companies

Transactions with other DNB Group companies *Amounts in NOK million*	DNB ASA 31 Dec. 2015	31 Dec. 2014
Receiveables DNB Group companies		
Deposits with DNB Bank ASA	6 160	5 810
Subordinated loans		1 437
Group contributions	8 369	7 214
Liabilities DNB Group companies		
Receivables due from DNB Bank ASA	13 275	12 072
Group contributions DNB Livsforsikring AS	1 500	875

All transactions with related parties are based on market terms.

NOTE 7 Shares in DNB ASA held by members of governing bodies and senior executives

	Number of shares 31 Dec. 2015
Supervisory Board of DNB ASA	
Members elected by shareholders	
Eldbjørg Løwer, chairman	200
Randi Eek Thorsen, vice-chairman	
Inge Andersen	
Toril Eidesvik	
Sondre Gravir	
Camilla Marianne Grieg	
Jørgen Ole Haslestad	489
Nalan Koc	
Tomas Leire	
Helge Møgster	
Christian Printzell	
Gudrun B. Rollefsen	
Widar Salbuvik	
Torild Skogsholm	
Merethe Smith	
Ståle Svenning	
Turid Sørensen	
Lars Tronsgaard	
Gunvor Ulstein	
Gine Wang-Reese	
Members elected by employees	
Atle Havrevoll	
Mona Drønen	1 377
Lillian Hattrem	
Randi Justnæs	833
Mariell Lyngbø	122
Irene Buskum Olsen	632
Einar Pedersen	55
Jørn Ramberg	1 694
Eli Solhaug	1 443
Viktor Sæther	

	Number of shares alloted in 2015	Number of shares 31 Dec. 2015
Control Committee of DNB ASA		
Frode Hassel, chairman		
Karl Olav Hovden, vice-chairman		
Ida Helliesen		
Ida Espolin Johnson		
Ole Trasti		
Board of Directors of DNB ASA		
Anne Carine Tanum, chairman		300 000
Tore Olaf Rimmereid, vice-chairman		8 111
Jarle Bergo		225
Sverre Finstad		8 595
Carl A. Løvvik		1 040
Vigdis Mathisen		405
Jaan Ivar Semlitsch		12 300
Berit Svendsen		
Senior executives		
Rune Bjerke, CEO	4 139	46 156
Bjørn Erik Næss, CFO	2 858	48 880
Trond Bentestuen, group EVP	2 384	16 823
Kjerstin Braathen, group EVP	2 308	19 190
Ottar Ertzeid, group EVP	7 035	200 000
Liv Fiksdahl, group EVP	2 424	21 989
Solveig Hellebust, group EVP	1 843	14 329
Thomas Midteide, group EVP	1 520	5 188
Kari Olrud Moen, group EVP	2 052	19 955
Tom Rathke, group EVP	2 748	30 809
Harald Serck-Hanssen, group EVP	3 118	26 644
Terje Turnes, group EVP	4 235	19 027
Group Audit		
Tor Steenfeldt-Foss, group EVP		

The statutory auditor owns no shares in DNB ASA

The figures also include shares held by the immediate family and companies in which the shareholder has such influence as stated in Section 7-26 of the Act relating to annual accounts, etc.

Oslo, 16 March 2016
The Board of Directors of DNB ASA

Anne Carine Tanum
(chairman)

Tore Olaf Rimmereid
(vice-chairman)

Jarle Bergo

Carl A. Løvvik

Vigdis Mathisen

Jaan Ivar Semlitsch

Berit Svendsen

Rune Bjerke
(group chief executive)

STATEMENT

PURSUANT TO SECTION 5-5 OF THE SECURITIES TRADING ACT

We hereby confirm that the annual accounts for the Group and the company for 2015 to the best of our knowledge have been prepared in accordance with applicable accounting standards and give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group and the company taken as a whole.

The directors' report gives a true and fair view of the development and performance of the business and the position of the Group and the company, as well as a description of the principal risks and uncertainties facing the Group.

Oslo, 16 March 2016
The Board of Directors of DNB ASA

Anne Carine Tanum
(chairman)

Tore Olaf Rimmereid
(vice-chairman)

Jarle Bergo

Carl A. Løvvik

Vigdis Mathisen

Jaan Ivar Semlitsch

Berit Svendsen

Rune Bjerke
(group chief executive)

Bjørn Erik Næss
(chief financial officer)

To the Annual General Meeting of DNB ASA

Auditor's report

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of DNB ASA, comprising the financial statements for the Parent Company and the Group. The financial statements of the Parent Company comprise the balance sheet as at 31 December 2015, the statements of income, cash flows and changes in equity for the year then ended and a summary of significant accounting policies and other explanatory information. The financial statements of the Group comprise the balance sheet as at 31 December 2015, the statements of income, comprehensive income, cash flows and changes in equity for the year then ended as well as a summary of significant accounting policies and other explanatory information.

The Board of Directors' and Group Chief Executive's responsibility for the financial statements

The Board of Directors and Group Chief Executive are responsible for the preparation and fair presentation of these financial statements in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway for the financial statements of the Parent Company and the International Financial Reporting Standards as adopted by the EU for the financial statements of the Group, and for such internal control as the Board of Directors and Group Chief Executive determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements for the Parent Company and the Group.

Opinion on the financial statements of the Parent Company

In our opinion, the financial statements of DNB ASA have been prepared in accordance with laws and regulations and present fairly, in all material respects, the financial position of the Company as at 31 December 2015 and its financial performance and cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

Opinion on the financial statements of the Group

In our opinion, the financial statements of the Group have been prepared in accordance with laws and regulations and present fairly, in all material respects, the financial position of the Group as at 31 December 2015 and its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted by the EU.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinion on the Board of Directors' report and on the statements on corporate governance and corporate social responsibility

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Directors' report and in the statements on corporate governance and corporate social responsibility concerning the financial statements, the going concern assumption and the proposal for the allocation of the result is consistent with the financial statements and complies with the law and regulations.

Opinion on registration and documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, «Assurance Engagements Other than Audits or Reviews of Historical Financial Information», it is our opinion that the Board of Directors and Group Chief Executive have fulfilled their duty to ensure that the Company's accounting information is properly recorded and documented as required by law and generally accepted bookkeeping practice in Norway.

Oslo, 16 March 2016
ERNST & YOUNG AS

Anders Gøbel
State Authorised Public Accountant (Norway)
Sign.

(This translation from Norwegian has been made for information purposes only.)

To the Board of Directors of DNB ASA

Independent assurance report – Reporting on corporate social responsibility (CSR) for 2015

We have performed an independent control of DNB ASA's reporting on corporate social responsibility (CSR) for 2015, which involves a review of DNB ASA's 12 most material CSR aspects, presented in the company's materiality matrix for CSR. The material CSR aspects are outlined in the chapters "Responsible operations" and "Employees" in the annual report and in the company's overview of reporting on GRI indicators (GRI content index see dnb.no/en/about-us/csr/sustainability-library.html), hereinafter referred to as Reporting on CSR. We have assessed if the information being presented in the Reporting on CSR is based on relevant criteria from the guidelines for sustainability reporting from the Global Reporting Initiative G4 "in accordance" option "core" (GRI G4).

Management's responsibility
DNB's management is responsible for the selection of the information and collection of the data for presentation and for the preparation of Reporting on CSR in accordance with the GRI G4 criteria.

Our Independence and Quality Control
We have complied with the independence requirements of the Norwegian Law on Auditors and Auditing and other ethical requirements from the Code of Ethics of the Norwegian Institute of Public Accountants which are founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

We apply International Standard on Quality Control (ISQC1) "Quality control for firms that perform audits and reviews of financial statements, and other assurance and related services engagements" and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Auditor's tasks and duties
Our task is to issue an independent report to the Board of Directors on the Reporting on CSR based on our work. Our work is conducted in accordance with ISAE 3000 "Assurance Engagements Other than Audits or Reviews of Historical Financial Information". The standard requires that we plan and perform procedures to obtain limited assurance that the information in the Reporting on CSR is prepared and presented in accordance with relevant criteria for sustainability reporting in accordance with GRI G4 and does not contain material errors.

Our work has consisted of the following procedures:
- Review of DNB ASA's process for the preparation and presentation of the Reporting on CSR to provide us with an understanding of how CSR is ensured in practice within the business
- Interviewed those in charge of CSR reporting to develop an understanding of the process for the preparation of the Reporting on CSR
- Verified on a sample basis the information in the Reporting on CSR against source data and other information prepared by DNB ASA
- Assessed the overall presentation of Reporting on CSR against the criteria in GRI G4 including a review of the consistency of information

In our opinion the evidence obtained is sufficient and appropriate to provide a basis for our conclusion.

Conclusion
Based on our work, nothing has come to our attention that causes us to believe that the Reporting on CSR, in all material respects, is not prepared and presented in accordance with the GRI G4 criteria, and that the information in the Reporting on CSR contains material misstatements, except for the omissions that are presented in the company's GRI Index.

Oslo, 16 March 2016
ERNST & YOUNG AS

Anders Gøbel
State Authorised Public Accountant
Sign.

(This translation from Norwegian has been made for information purposes only.)

KEY FIGURES

Amounts in NOK million	2015	2014	2013	2012	DNB Group 2011
Interest rate analysis					
1. Combined weighted total average spread for lending and deposits (%) [1]	1.24	1.24	1.26	1.18	1.12
2. Average spread for ordinary lending to customers (%) [1]	2.15	2.33	2.33	2.00	1.59
3. Average spread for deposits from customers (%)	0.01	(0.22)	(0.28)	(0.12)	0.30
Rate of return/profitability					
4. Net other operating income, per cent of total income	34.5	34.2	35.2	34.8	39.9
5. Cost/income ratio (%)	36.9	41.9	45.7	49.1	47.1
6. Return on equity (%)	14.5	13.8	13.1	11.7	11.4
7. RAROC (%)	11.2	12.3	12.8	11.5	10.0
8. Average equity including allocated dividend (NOK million)	168 509	149 460	133 242	118 261	113 934
9. Return on average risk-weighted volume (%)	2.14	1.89	1.61	1.25	1.22
Financial strength at end of period					
10. Common equity Tier 1 capital ratio, transitional rules (%)	14.4	12.7	11.8	10.7	9.4
11. Tier 1 capital ratio, transitional rules (%)	15.3	13.0	12.1	11.0	9.9
12. Capital ratio, transitional rules (%)	17.8	15.2	14.0	12.6	11.4
13. Common equity Tier 1 capital at end of period (NOK million)	162 906	142 108	128 072	115 627	104 191
14. Risk-weighted volume, transitional rules (NOK million)	1 129 373	1 120 659	1 089 114	1 075 672	1 111 574
Loan portfolio and impairment					
15. Individual impairment relative to average net loans to customers	(0.13)	(0.14)	(0.18)	(0.22)	(0.27)
16. Impairment relative to average net loans to customers	(0.15)	(0.12)	(0.17)	(0.24)	(0.28)
17. Net non-performing and net doubtful loans and guarantees, per cent of net loans	0.76	0.96	1.38	1.50	1.50
18. Net non-performing and net doubtful loans and guarantees at end of period (NOK million)	13 982	17 261	20 749	19 740	19 465
Liquidity					
19. Ratio of customer deposits to net loans to customers at end of period (%)	61.2	65.4	64.7	62.5	57.8
Total assets owned or managed by DNB					
20. Customer assets under management at end of period (NOK billion)	563	549	519	459	506
21. Total combined assets at end of period (NOK billion)	2 901	2 936	2 656	2 537	2 395
22. Average total assets (NOK billion)	2 946	2 712	2 543	2 411	2 148
23. Customer savings at end of period (NOK billion)	1 507	1 490	1 387	1 270	1 246
Staff					
24. Number of full-time positions at end of period	11 380	11 643	12 016	13 291	13 620
The DNB share					
25. Number of shares at end of period (1 000)	1 628 799	1 628 799	1 628 799	1 628 799	1 628 799
26. Average number of shares (1 000)	1 628 799	1 628 799	1 628 799	1 628 799	1 628 799
27. Earnings per share (NOK)	14.98	12.67	10.75	8.48	7.98
28. Earnings per share excluding operations held for sale (NOK)	15.01	12.68	10.75	8.42	7.99
29. Dividend per share (NOK) [2]	4.50	3.80	2.70	2.10	2.00
30. Total shareholder's return (%)	1.9	4.7	57.6	23.7	(25.2)
31. Dividend yield (%)	4.10	3.16	2.49	2.98	3.42
32. Equity per share including allocated dividend at end of period (NOK)	111.57	97.45	87.15	78.11	72.33
33. Share price at end of period (NOK)	109.80	110.70	108.50	70.40	58.55
34. Price/earnings ratio	7.33	8.74	10.09	8.37	7.33
35. Price/book value	0.98	1.14	1.25	0.90	0.81
36. Market capitalisation (NOK billion)	178.8	180.3	176.7	114.7	95.4

1) *Margin calculations for finance lease were adjusted in 2015. Figures for previous periods have been restated accordingly.*
2) *Proposed dividend for 2015.*

DNB Bank ASA has been defined by the EBA (European Banking Authority) as a potential global systemically important bank, as its total on and off-balance sheet exposures exceed EUR 200 billion. As a result, DNB Bank ASA delivers data to the EBA for the calculation of defined indicator values. See bis.org/bcbs/gsib/ for more information. DNB's indicator values as at 31 December 2015 will be available on dnb.no/investor-relations in early April 2016.

For definition of selected key figures, see next page.

DEFINITIONS OF SELECTED KEY FIGURES

1, 2, 3	Based on nominal values excluding impaired loans, measured against the 3-month money market rate.
5	Total operating expenses relative to total income. Total expenses exclude impairment losses for goodwill and other intangible assets.
6	Return on equity represents the shareholders' share of profit for the period relative to average equity.
7	RAROC (Risk-Adjusted Return On Capital) is defined as risk-adjusted profits (shareholders' share) relative to average equity. Risk-adjusted profits indicate the level of profits in a normalised situation. Among other things, recorded impairment losses on loans are replaced by normalised losses.
8	Average equity is estimated on the basis of recorded equity including allocated dividend, but excluding additional Tier 1 capital. Thus this amount corresponds to the shareholders' share of equity.
9	The shareholders' share of profit for the period relative to average risk-weighted volume.
20	Total assets under management for external clients in DNB Asset Management, DNB Livsforsikring and DNB Forsikring.
21	Total assets and customer assets under management.
23	Total deposits from customers, assets under management and equity-linked bonds.
25	The Annual General Meeting on 23 April 2015 authorised the Board of Directors of DNB ASA to acquire own shares for a total face value of up to NOK 325 759 772, corresponding to 2 per cent of share capital. The shares may be purchased through the stock market. Each share may be purchased at a price between NOK 10 and NOK 200. The authorisation is valid for a period of 12 months from 23 April 2015. Acquired shares shall be redeemed in accordance with regulations on the reduction of capital. An agreement has been signed with Norwegian Government/Ministry of Trade, Industry and Fisheries for the redemption of a proportional share of government holdings to ensure that the government's percentage ownership does not change as a result of the redemption of repurchased shares.
27	The shareholders' share of profits relative to the average number of shares excluding any holdings of own shares.
28	The shareholders' share of profits excluding profits from operations held for sale. Holdings of own shares are not included in calculations of the number of shares.
30	Closing price at end of period less closing price at beginning of period, including dividends reinvested in DNB shares on the dividend payment date, relative to closing price at beginning of period.
32	The shareholders' share of equity, excluding additional Tier 1 capital, at end of period relative to the number of shares.
34	Closing price at end of period relative to earnings per share.
35	Closing price at end of period relative to recorded equity per share at end of period.
36	Number of shares multiplied by closing price at end of period.

FINANCIAL CALENDAR 2016

Annual accounts 2015 (preliminary figures) and fourth quarter 2015	4 February
Annual general meeting	26 April
Distribution of dividends	as of 4 May
First quarter	28 April
Second quarter	12 July
Third quarter	27 October

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ANNUAL GENERAL MEETING

The Annual General Meeting will be held on 26 April 2016 at 3 p.m. at DNB's premises in Dronning Eufemias gate 30, Bjørvika, Oslo. Information on how to register attendance and items on the agenda can be found at dnb.no/en/agm.

Shareholders registered as owners in DNB ASA with the Norwegian Central Securities Depository, VPS, may opt to receive annual reports and the notice of the Annual General Meeting electronically. For more information about Investor Account Services, please contact your VPS registrar. Shareholders with VPS accounts in DNB who do not wish to receive notices by regular mail and who do not have access to DNB's Internet bank, may register at dnb.no/en/investor-account-services. Select "New user sign-up". Shareholders who have access to DNB's Internet bank can go to the "Savings & Investments" menu. Select "Investor account services" and follow the procedure described on the page. Customers with BankID may also log in via vps.no.

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The Group's annual report has been approved by the Board of Directors in the original Norwegian version. This is an English translation.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This report contains statements regarding the future prospects of DNB, including estimates, strategies and objectives. The risks and uncertainties inherent in all forward-looking statements can lead to actual developments and profits differing materially from what has been expressed or implied.

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

DNB

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