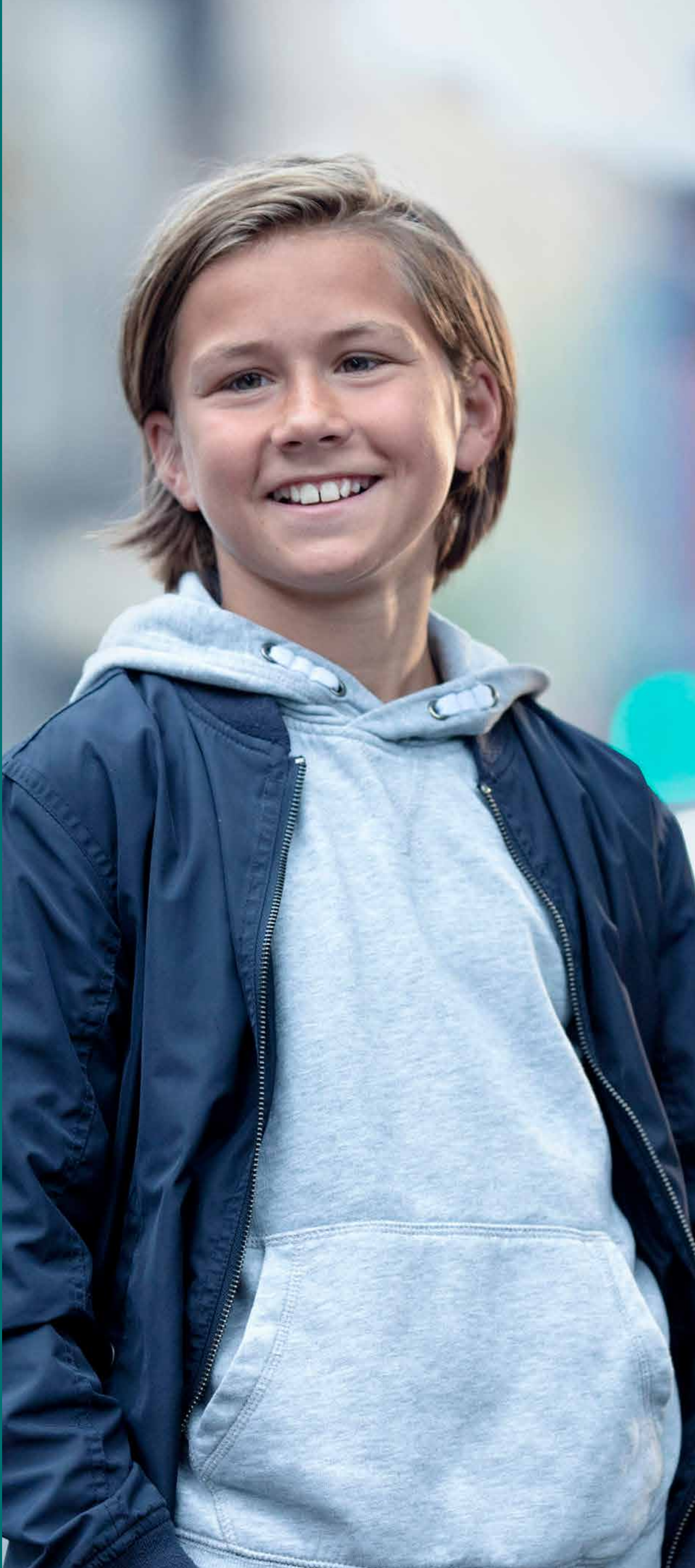
DNB Group

Q2

Second quarter and first half report 2018 (Unaudited)

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

DNB



Financial highlights

DNB Group

Income statement

Amounts in NOK million	2nd quarter 2018	2nd quarter 2017	January-June 2018	January-June 2017	Full year 2017
Net interest income	9 052	9 031	18 059	17 552	35 422
Net commissions and fees	*2 453*	*2 161*	*4 569*	*4 234*	*8 448*
Net gains on financial instruments at fair value	*134*	*982*	*296*	*1 790*	*4 548*
Net financial and risk result, DNB Livsforsikring	*162*	*454*	*367*	*694*	*1 295*
Net insurance result, DNB Forsikring	*153*	*189*	*307*	*344*	*683*
Other operating income	*542*	*196*	*772*	*320*	*744*
Net other operating income	3 445	3 982	6 312	7 382	15 718
Total income	12 497	13 014	24 371	24 934	51 140
Operating expenses	(5 330)	(5 518)	(10 462)	(10 761)	(21 429)
Restructuring costs and non-recurring effects	(54)	(97)	(78)	(294)	(1 165)
Pre-tax operating profit before impairment	7 113	7 399	13 831	13 878	28 547
Net gains on fixed and intangible assets	465	17	483	23	738
Impairment of financial instruments	54	(597)	384	(1 159)	(2 428)
Pre-tax operating profit	7 632	6 819	14 698	12 743	26 858
Tax expense	(1 526)	(1 568)	(2 940)	(2 931)	(5 054)
Profit from operations held for sale, after taxes	(21)	(14)	(21)	(31)	(1)
Profit for the period	6 084	5 237	11 737	9 781	21 803

Balance sheet

Amounts in NOK million	30 June 2018	31 Dec. 2017	30 June 2017
Total assets	2 856 551	2 698 268	2 722 809
Loans to customers	1 561 572	1 545 415	1 551 738
Deposits from customers	1 029 812	971 137	1 008 878
Total equity	210 797	216 897	207 069
Average total assets	2 798 822	2 856 988	2 906 849
Total combined assets	3 181 070	3 026 065	3 025 703

Key figures and alternative performance measures

	2nd quarter 2018	2nd quarter 2017	January-June 2018	January-June 2017	Full year 2017
Return on equity, annualised (per cent) [1)]	11.8	10.4	11.4	9.7	10.8
Earnings per share (NOK)	3.65	3.07	7.01	5.71	12.84
Combined weighted total average spread for lending and deposits (per cent) [1)]	1.27	1.32	1.28	1.30	1.30
Average spread for ordinary lending to customers (per cent) [1)]	1.89	2.07	1.95	2.05	2.07
Average spread for deposits from customers (per cent) [1)]	0.32	0.19	0.26	0.20	0.17
Cost/income ratio (per cent) [1)]	43.1	43.1	43.2	44.3	44.2
Ratio of customer deposits to net loans to customers at end of period [1)]	65.9	65.0	65.9	65.0	62.8
Net loans and financial commitments in stage 2, per cent of net loans [1)]	6.39		6.39		
Net loans and financial commitments in stage 3, per cent of net loans [1)]	1.69	1.52	1.69	1.52	1.12
Impairment relative to average net loans to customers, annualised (per cent) [1)]	0.01	(0.15)	0.05	(0.15)	(0.15)
Common equity Tier 1 capital ratio, transitional rules, at end of period (per cent) [2)]	16.2	15.8	16.2	15.8	16.4
Leverage ratio, Basel III (per cent)	6.8	7.2	6.8	7.2	7.2
Share price at end of period (NOK)	159.30	142.00	159.30	142.00	152.10
Book value per share	121.86	117.44	121.86	117.44	124.06
Price/book value [1)]	1.31	1.21	1.31	1.21	1.23
Dividend per share (NOK)					7.10
Score from RepTrak's reputation survey in Norway (points)	68.9	70.6	69.8	67.1	66.9
Customer satisfaction index, CSI, personal customers in Norway (score)	73.7	67.2	74.3	67.8	69.5
SHE index [3)]	46.2	38.5	46.2	38.5	46.2

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

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

Second quarter and first half report 2018

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

Directors' report

Second quarter financial performance

DNB delivered strong results in the second quarter of 2018. Profits were NOK 6 084 million, an increase of NOK 847 million from the second quarter of 2017, mainly driven by lower operating expenses, lower impairment losses and positive transaction effects from the merger between Vipps, BankID Norge and BankAxept. Compared with the previous quarter, profits increased by NOK 431 million.

Earnings per share were NOK 3.65, compared with NOK 3.07 in the year-earlier period and NOK 3.36 in the first quarter.

The common equity Tier 1 capital ratio was 16.2 per cent at end-June, up from 15.8 per cent a year earlier, and down from 16.6 per cent at end-March. The share buy-back programme of 1.5 per cent, launched in June, had a negative effect on the ratio of 37 basis points in the second quarter.

The leverage ratio for the Group was 6.8 per cent, down from 7.2 per cent at end-June 2017 and end-March 2018.

Return on equity was 11.8 per cent, compared with 10.4 per cent in the year-earlier period and 11.0 per cent in the first quarter.

Net interest income was stable from the second quarter of 2017. Reclassification effects related to the implementation of IFRS 9 somewhat offset the loss of revenues from the Baltics. Compared with the first quarter, net interest income increased by NOK 45 million, mainly due to higher interest on equity, which compensated for the reduction in combined spreads. In addition, there was one more interest day in the second quarter.

Net other operating income was NOK 3 445 million, down NOK 538 million from the second quarter of 2017. The reduction mainly reflected lower net gains on financial instruments at fair value due to reclassifications under IFRS 9 and a negative effect from basis swaps. Compared with the first quarter, there was an increase of NOK 578 million, mainly due to exchange rate effects related to additional Tier 1 capital and higher commissions and fees from DNB Markets and real estate broking. The share of profits from associated companies showed an increase compared with both the previous year and the first quarter.

Operating expenses were NOK 231 million lower than in the second quarter of 2017. The decrease was mainly due to the fact that operations in the Baltics were part of the Group in the second quarter of 2017, but also reflected lower IT costs and marketing expenses. Compared with the first quarter, operating expenses were up NOK 229 million due to seasonally lower IT expenses in the first quarter and a higher level of activity in digitalisation projects and marketing in the second quarter.

There were net reversals on impairment losses on financial instruments of NOK 54 million in the second quarter. The net reversals primarily related to the large corporates and international customers segment. The main drivers were a slightly positive development for oil and gas-related industries combined with a general improvement in the underlying credit quality in the portfolio. The reversals were somewhat curtailed by negative credit migration for certain customers and an increase in impairment in the small and medium-sized enterprises and personal customers segments.

Share buy-back programme

In line with the purpose of the share buy-back programme implemented in the period between the Annual General Meetings in 2017 and 2018, the Annual General Meeting of DNB ASA held on 24 April 2018 approved a reduction in the company's share capital of NOK 244 319 730 by cancelling a total of 24 431 973 shares. The reduction in capital was approved by Finanstilsynet (the Financial Supervisory Authority of Norway) in the second quarter and has been reflected in the accounts as at 30 June. The completion of the transaction and final registration are expected in July/August. At the Annual General Meeting on 24 April 2018, a new authorisation to buy own shares was approved. The authorisation has a limit of 4.0 per cent of the company's share capital, calculated after the approved reduction in capital has been implemented, of which 0.5 per cent is reserved for DNB Markets for hedging purposes. The first buy-back programme under the new authorisation was initiated on 6 June and comprises up to 1.5 per cent of the shares. At end-June, DNB had repurchased shares corresponding to 0.26 per cent of the share capital. In addition, 0.13 per cent of the shares owned by the Norwegian government will be redeemed after the Annual General Meeting in 2019, bringing total buy-backs to 0.39 per cent.

Important events in the second quarter

At the end of April, the Norwegian Competition Authority approved the merger between Vipps, BankID Norge and BankAxept, and Finanstilsynet gave its approval at the beginning of June. The merger has been reflected in the accounts as of 30 June 2018. After the merger and a private placement in Vipps in June, DNB owns 44.3 per cent of Vipps. The transaction had a total positive effect on profits of NOK 464 million in the second quarter.

On 20 June, DNB Forsikring and SpareBank 1 Gruppen signed a letter of intent to establish a new non-life insurance company under common ownership. It will be the third largest non-life insurance company in Norway, with a market share of approximately 15 per cent. The company will be organised in SpareBank 1 Gruppen and be operated as an independent company with a new name. Products will be distributed through the owner banks. DNB will have a 40 per cent holding in the new company. The tentative merger date is 1 January 2019, subject to the approval of the authorities.

To support DNB's commitment to corporate responsibility, "Banking without Internet" was launched on 22 April, targeting the bank's non-digital customers.

In early June, DNB launched "Grønt Boliglån" (green home mortgages), thus giving customers who take up loans for residential properties with an energy efficiency marking of A or B more favourable terms. During the same month, DNB Boligkreditt issued its first green bonds. The bonds will finance the most energy-efficient residential properties in DNB Boligkreditt's portfolio.

The fintech community at NTNU (the Norwegian University of Science and Technology) will be reinforced through more research.

At the same time, DNB aims to strengthen the use of big data, machine learning and artificial intelligence (AI) in the financial services industry. The bank has therefore joined forces with NTNU and Telenor to fund three new doctoral degrees and a postdoctoral position at the university.

Towards the end of May, it was announced that DNB is cooperating with four other Nordic banks to develop a common Know Your Customer (KYC) infrastructure. This will ensure better customer experiences and prevent the criminal misuse of banks. The plan is to establish a joint venture with the other banks. The company will offer KYC services to all players who need this in the Nordic market. The establishment of the company is subject to approval by the European Commission.

As part of DNB's new business strategy, DNB Venture was established in 2017 to make investments in growth companies in the fintech industry. In May, the fund made its first investment in the company and payment platform Payr.

DNB's reputation score was 68.9 points in the second quarter, compared with 70.6 points in the first quarter of 2018, while DNB's customer satisfaction index decreased slightly from 74.8 to 73.7 points.

In early June, DNB was ranked Norway's fourth most innovative company by the innovation magazine Innomag.

During the second quarter, DNB took over the retail chain Nille after the company failed to meet its debt obligations to the bank. The company is fully owned by DNB and has been classified as held for sale in the group accounts.

On 25 May, the new General Data Protection Regulation, GDPR, was implemented in Europe. The GDPR gives new and more specific requirements for how to process personal data. The regulation is expected to be implemented in Norway in the course of July 2018.

On 19 June, the Ministry of Finance adopted a new home mortgage lending regulation effective as of 1 July 2018. The regulation replaced the corresponding regulation that expired at end-June 2018.

Half-year financial performance

DNB recorded profits of NOK 11 737 million in the first half of 2018, up NOK 1 956 million from the first half of 2017. Return on equity was 11.4 per cent, compared with 9.7 per cent in the year-earlier period, and earnings per share were NOK 7.01, up from NOK 5.71 in the first half of 2017.

Net interest income increased by NOK 507 million from the previous year. Reclassification effects related to IFRS 9, amortisation effects and reduced long-term funding costs partly offset the loss of revenues from the Baltic operations. Excluding the Baltics, there was an average increase in the healthy loan portfolio of 0.4 per cent parallel to a 2.5 per cent decrease in average deposit volumes from the first half of 2017. The combined spread narrowed by 2 basis points compared with the previous year. Average lending spreads for the customer segments narrowed by 10 basis points, and deposit spreads widened by 6 basis points.

Net other operating income decreased by NOK 1 070 million from the first half of 2017, mainly due to lower gains from financial instruments at fair value, reflecting volatile money market activity and a negative effect from basis swaps of NOK 439 million. Net commissions and fees were up NOK 335 million, or 7.9 per cent, compared with the first half of 2017, which mainly reflected reclassifications under IFRS 9.

Total operating expenses were reduced by NOK 516 million from the first half of 2017, of which the Baltics accounted for NOK 455 million.

There were net reversals on impairment losses on financial instruments of NOK 384 million in the first half of 2018. The net reversals primarily related to the large corporates and international customers segment. The main drivers were a slightly positive development for oil and gas-related industries combined with a general improvement in the underlying credit quality in the portfolio. The reversals were somewhat curtailed by negative credit migration for certain customers and an increase in impairment in the small and medium-sized enterprises and personal customers segments.

Second quarter income statement – main items

Net interest income

Amounts in NOK million	2Q18	1Q18	2Q17
Lending spreads, customer segments	6 739	7 066	7 396
Deposit spreads, customer segments	752	462	466
Amortisation effects and fees	810	782	686
Operational leasing	375	374	388
Baltics			276
Other net interest income	377	322	(180)
Net interest income	9 052	9 007	9 031

Net interest income increased by NOK 21 million from the second quarter of 2017. Reclassification effects related to the implementation of IFRS 9 somewhat offset the loss of revenues from the Baltics. In the comments below, volumes and spreads have been adjusted for the effects of the Baltic operations in 2017.

Lending volumes were unchanged and deposit volumes were slightly down from the second quarter of 2017. Average lending spreads contracted by 18 basis points, and deposit spreads widened by 13 basis points compared with the second quarter of 2017. Volume-weighted spreads for the customer segments contracted by 5 basis points compared with the same period in 2017 and by 3 basis points from the first quarter of 2018. Reported interest spreads in the second quarter were negatively affected by the transfer of NOK 94 million representing reclassification of instalment fees and operational leasing from spreads to other interest income with effect from 1 January 2018.

There was an average decrease of NOK 4.8 billion or 0.3 per cent in the healthy loan portfolio compared with the second quarter of 2017. Adjusted for exchange rate effects, volumes were up by NOK 4.9 billion or 0.3 per cent. During the same period, deposits were down NOK 20.4 billion or 2.1 per cent. Adjusted for exchange rate effects, the decrease was 1.2 per cent.

Compared with the first quarter, net interest income increased by NOK 45 million, mainly due to higher interest on equity, which compensated for the reduction in combined spreads. In addition, there was one more interest day in the second quarter. There was an average increase of NOK 7.0 billion or 0.5 per cent in the healthy loan portfolio, and deposits were up NOK 10.8 billion or 1.2 per cent.

Net other operating income

Amounts in NOK million	2Q18	1Q18	2Q17
Net commissions and fees	2 453	2 116	2 161
Basis swaps	(747)	(372)	(60)
Exchange rate effects additional Tier 1 capital	497	(527)	(296)
Net gains on financial instruments at fair value, other	384	1 061	1 338
Net financial and risk result, DNB Livsforsikring	162	205	454
Net insurance result from DNB Forsikring	153	154	189
Other operating income	542	230	196
Net other operating income	3 445	2 867	3 982

Net other operating income was down NOK 538 million from the second quarter of 2017. The reduction was largely due to lower net gains on financial instruments at fair value and a negative effect from basis swaps. Parallel to this, there was a sound increase in commissions and fees, reflecting solid activity in DNB Markets and effects from reclassifications under IFRS 9.

Compared with the first quarter, there was an increase of NOK 578 million due to positive exchange rate effects on additional Tier 1 capital and net commissions and fees of NOK 1 024 million and NOK 337 million, respectively. The increase in net commissions and fees reflected higher activity in DNB Markets and real estate broking.

The share of profits from associated companies showed an increase compared with both the previous year and the first quarter.

Operating expenses

Amounts in NOK million	2Q18	1Q18	2Q17
Salaries and other personnel expenses	(2 975)	(2 900)	(3 049)
Other expenses	(1 931)	(1 768)	(2 088)
Depreciation and impairment of fixed and intangible assets	(478)	(488)	(478)
Total operating expenses	(5 384)	(5 155)	(5 615)

Operating expenses decreased by NOK 231 million compared with the second quarter of 2017. The reduction was mainly due to a lower level of restructuring expenses and to the fact that operating expenses of NOK 228 million relating to the Baltics were included in the accounts for the second quarter of 2017.

Compared with the first quarter, there was an increase of NOK 229 million. The main factors behind the increase were seasonally lower IT expenses in the first quarter and a higher level of activity in digitalisation projects and within marketing in the second quarter.

The cost/income ratio was 43.1 per cent in the second quarter.

Impairment of financial instruments

Amounts in NOK million	2Q18	1Q18
Personal customers	(94)	(61)
Commercial real estate	10	11
Shipping	75	48
Oil, gas and offshore	157	620
Other industry segments	(95)	(288)
Total impairment of financial instruments	54	330

There were net reversals on impairment losses on financial instruments of NOK 54 million in the second quarter. Developments in the quarter within the most relevant industry segments are presented above.

In general, relevant macro drivers developed in line with the forecasts from previous periods, for all industries. Most industry segments, including personal customers and commercial real estate, also experienced relatively stable credit quality and volumes in the quarter.

There were net reversals on impairment losses of NOK 157 million for oil, gas and offshore in the quarter, reflecting improved credit quality and continued modest improvement in market conditions compared with the last quarter. The reversals were somewhat curtailed by higher impairment losses for certain customers due to negative credit migration.

A positive trend in credit risk led to a net reversal of impairment of NOK 75 million in the second quarter for the shipping segment.

The net impairment losses of NOK 95 million within other industry segments reflect both positive and negative developments in credit risk for certain customers at stage 3.

Net stage 3 loans and financial commitments amounted to NOK 26.4 billion at end-June 2018.

Taxes

The DNB Group's tax expense for the second quarter is estimated at NOK 1 526 million, or 20 per cent of pre-tax operating profits.

Financial performance, segments

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

Personal customers

Income statement in NOK million	2Q18	1Q18	2Q17
Net interest income	3 249	3 402	3 306
Net other operating income	1 337	1 198	1 392
Total income	4 586	4 600	4 698
Operating expenses	(2 114)	(1 993)	(2 111)
Pre-tax operating profit before impairment	2 472	2 606	2 587
Impairment of financial instruments	(101)	(53)	(100)
Pre-tax operating profit	2 371	2 553	2 486
Tax expense	(593)	(638)	(622)
Profit for the period	1 778	1 915	1 865
Average balance sheet items in NOK billion			
Net loans to customers	755.4	749.2	719.1
Deposits from customers	406.2	401.3	399.1
Key figures in per cent			
Lending spread [1)]	1.53	1.76	1.80
Deposit spread [1)]	0.40	0.19	0.26
Return on allocated capital	15.0	16.5	19.0
Cost/income ratio	46.1	43.3	44.9
Ratio of deposits to loans	53.8	53.6	55.5

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

Pressure on loan margins due to increased money market rates in the second quarter was the main factor behind the decline in profits for the quarter compared with the both the second quarter of 2017 and the first quarter of 2018.

The combined spreads on loans and deposits narrowed by 0.11 percentage points from the corresponding period in 2017 and by 0.08 percentage points from the first quarter of 2018. Moderate growth in volumes did not compensate for the reduced spread, and net interest income thus declined.

Average net loans increased by 5.0 per cent from the second quarter of 2017, of which growth in the home mortgage portfolio accounted for 5.4 per cent. Deposits from customers were up 1.8 per cent during the same period. There was a moderate average increase in lending from the first quarter of 2018, corresponding to an annualised increase of 3.3 per cent, though growth picked up towards the end of the quarter.

There was a reduction in income from insurance products from the second quarter of 2017, which explains the negative trend during the period. A seasonally high level of activity in DNB Eiendom ensured a rise in net other operating income from the first quarter of 2018.

Sound cost control contributed to a stable development in operating expenses from the second quarter of 2017, though a higher level of activity within real estate broking gave an increase in costs compared with the first quarter of 2018.

Macro forecasts were unchanged and credit quality was stable in the quarter for personal customers, while volumes showed a slight increase. This resulted in a continued low level of impairment losses on financial instruments in the second quarter of 2018.

The market share of credit to households stood at 24.5 per cent at end-April 2017, while the market share of total household savings was 30.7 per cent. DNB Eiendom had an average market share of 19.0 per cent in the second quarter of 2018.

DNB is continuing to automate and digitise products and services to meet customer needs and expectations. During the second quarter of 2018, DNB launched a chatbot on dnb.no. The chatbot answers generic questions about banking and insurance, and the knowledge base will constantly be improved and developed. DNB demonstrates that it takes customer satisfaction seriously by introducing a satisfaction guarantee for customers who have taken out a mortgage in DNB to finance their new home.

Customers who are not satisfied with the loan process will receive a compensation of NOK 1 000. In connection with the World Environment Day, DNB launched “Grønt Boliglån” (green home mortgages), a favourable alternative for customers who take up loans for residential properties with an energy efficiency marking of A or B.

Small and medium-sized enterprises

Income statement in NOK million	2Q18	1Q18	2Q17
Net interest income	2 364	2 306	2 121
Net other operating income	558	545	515
Total income	2 922	2 851	2 636
Operating expenses	(1 054)	(1 063)	(1 053)
Pre-tax operating profit before impairment	1 868	1 788	1 582
Net gains on fixed and intangible assets	1	0	(0)
Impairment of financial instruments	(33)	(215)	(127)
Profit from repossessed operations	(1)	5	(17)
Pre-tax operating profit	1 835	1 578	1 438
Tax expense	(459)	(395)	(359)
Profit for the period	1 376	1 184	1 078
Average balance sheet items in NOK billion			
Net loans to customers	297.1	293.4	274.3
Deposits from customers	210.4	207.0	205.2
Key figures in per cent			
Lending spread [1)]	2.44	2.50	2.62
Deposit spread [1)]	0.52	0.41	0.35
Return on allocated capital	19.6	17.2	16.6
Cost/income ratio	36.1	37.3	40.0
Ratio of deposits to loans	70.8	70.5	74.8

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

Increases in both net interest income and other operating income combined with a stable level of operating expenses contributed to all-time high profits in the second quarter of 2018.

There was a rise in average loans of 8.3 per cent from the second quarter of 2017, while average deposit volumes were up 2.5 per cent during the same period. The solid rise in loan volumes in combination with relatively stable combined spreads ensured an increase in net interest income of 11.5 per cent compared with the second quarter of 2017.

The increase in other operating income from the second quarter of 2017 was mainly due to higher income from corporate banking activities and sales of interest rate hedging instruments and pension products.

Other operating expenses remained stable from the second quarter of 2017, and there were no major restructuring costs in the second quarter of 2018.

Overall, the relevant macro forecasts were unchanged and the credit quality of the portfolio remained stable in the second quarter. The impairment of NOK 33 million was mainly caused by changes in provisions related to individually assessed customers at stage 3. Net stage 3 loans and financial commitments amounted to NOK 4 billion at end-June 2018, on level with a year earlier. Annualised impairment losses on loans and guarantees represented 0.04 per cent of average loans in the second quarter of 2018, compared with 0.19 per cent in the year-earlier period and 0.30 per cent in the first quarter of 2018.

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

New digital platforms and creative business models challenge traditional banks. DNB aspires to create the best customer experiences, be the preferred platform for both entrepreneurs and established companies and help make it easy to start and operate a business. Priority is given to streamlining products and services, and a number of new and ancillary services are thus being considered. An example of this is the launch of a pilot that integrates the bank's services with invoicing and accounting. This will make it even easier for customers to find the services they want in one place.

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

Large corporates and international customers

Income statement in NOK million	2Q18	1Q18	2Q17
Net interest income	3 099	2 851	3 330
Net other operating income	1 481	1 289	1 524
Total income	4 580	4 140	4 854
Operating expenses	(1 646)	(1 702)	(2 027)
Pre-tax operating profit before impairment	2 934	2 438	2 827
Net gains on fixed and intangible assets	0	0	18
Impairment of financial instruments	189	598	(362)
Profit from repossessed operations	(17)	2	(4)
Pre-tax operating profit	3 106	3 039	2 479
Tax expense	(714)	(699)	(694)
Profit for the period	2 392	2 340	1 785
Average balance sheet items in NOK billion			
Net loans to customers	403.8	402.6	508.4
Deposits from customers	321.3	317.9	391.9
Key figures in per cent			
Lending spread [1)]	2.15	2.11	2.16
Deposit spread [1)]	0.09	0.08	0.04
Return on allocated capital	14.0	13.6	8.3
Cost/income ratio	35.9	41.1	41.8
Ratio of deposits to loans	79.5	79.0	77.1

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

Operations in the Baltics were included in this segment up to and including the third quarter of 2017. This affects the comparison with the figures for the second quarter of 2017.

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

Average loan volumes were down 20.6 per cent compared with the second quarter of 2017. Adjusted for the Baltic operations, the reduction was 12.5 per cent. The reduction was expected due to continued rebalancing and restructuring of exposures. Loan volumes increased slightly from the first quarter of 2018, reflecting the scope for expanding business with profitable customers. Average customer deposits were down 9.3 per cent from the second quarter of 2017, adjusted for the Baltics. Deposits increased by 1.1 per cent from the first quarter of 2018.

Lending spreads were stable compared with the second quarter of 2017, while deposit spreads widened by 5 basis points. Net interest income increased by 1.4 per cent from the second quarter of 2017, excluding the Baltics. Compared with the first quarter of 2018, there was an improvement in both lending and deposits spreads, and net interest income was up 8.7 per cent.

Lower activity within financial instruments affected the development in other operating income from the second quarter of 2017. Compared with the first quarter of 2018, however, activity and income levels increased.

Operating expenses were down 7.3 per cent compared with the second quarter of 2017, excluding costs in the Baltic operations, while there was a 3.3 per cent decrease from the first quarter of 2018. Lower costs related to the work on compliance and the recognition of IT development expenses explain the decrease during the quarter.

The net reversal of impairment of NOK 189 million in the second quarter of 2018 was due to a combination of factors. The large corporates and international customers segment experienced improved credit quality in the quarter. Macroeconomic develop-ments affecting most industry segments were in line with forecasts at the beginning of the year and in the first quarter of 2018, including an expected slightly positive development within oil, gas and offshore that resulted in reduced impairment. The reversal of impairment was to a certain extent curtailed by negative credit developments for certain customers transferring from stage 2 to stage 3. Net stage 3 loans and financial commitments amounted to NOK 19 billion at end-June 2018, up from NOK 17 billion a year earlier.

On an annualised basis, there were net reversals on previous impairment losses of 0.19 per cent of average loans in the quarter, compared with net impairment losses of 0.29 per cent in the second quarter of 2017 and reversals of 0.60 per cent in the first quarter of 2018.

Redirecting exposure from capital-intensive and cyclical industries to less capital-intensive industries with a higher portfolio turnover, reducing final hold and making more active use of portfolio management tools will contribute to increased profitability.

Other operations

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

Income statement in NOK million	2Q18	1Q18	2Q17
Net interest income	340	449	274
Net other operating income	637	692	1 470
Total income	977	1 141	1 744
Operating expenses	(1 139)	(1 254)	(1 341)
Pre-tax operating profit before impairment	(162)	(113)	403
Net gains on fixed and intangible assets	464	17	(0)
Impairment of financial instruments	(0)	0	(7)
Profit from repossessed operations	18	(7)	21
Pre-tax operating profit	320	(103)	416
Tax expense	239	318	107
Profit from operations held for sale, after taxes	(21)		(14)
Profit for the period	538	215	509
Average balance sheet items in NOK billion			
Net loans to customers	108.0	108.9	63.9
Deposits from customers	56.8	81.6	59.8

Profit from other operations was NOK 538 million in the period, an increase from both the second quarter of 2017 and the first quarter of 2018.

Net other operating income, however, was reduced in the period, partly due to negative mark-to-market effects related to basis swap spreads of NOK 747 million, compared with NOK 60 million and NOK 372 million for the second quarter of 2017 and the first quarter of 2018, respectively. There was also lower income from risk management activities, mainly reflecting narrow credit spreads and reduced income from money market activities and other interest rate instruments.

The exchange rate effects on additional Tier 1 capital issued in USD were positive at NOK 497 million in the second quarter of 2018, while there were negative effects on net other operating income of NOK 296 million and NOK 527 million, respectively, in the second quarter of 2017 and the first quarter of 2018.

For traditional pension products with a guaranteed rate of return, net other operating income was at a strong level of NOK 292 million in the second quarter, down NOK 244 million from the year-earlier period, reflecting a decline in profits in the corporate portfolio from an extraordinarily high level in the second quarter of 2017. DNB Livsforsikring had a solvency margin of 189 per cent according to the transitional rules, while the margin calculated without the transitional rules was 164 per cent as at 30 June 2018.

Net gains on fixed and intangible assets in the second quarter of 2018 reflected the gain of NOK 464 million from the merger between Vipps, BankID and BankAxept.

Funding, liquidity and balance sheet

The short-term funding markets stabilised somewhat during the second quarter after a more volatile first quarter. There was no further deterioration of the markets, though there was a general rise in short-term funding costs. This is due to a number of factors, but investors' adaptations to the US tax changes (Repatriation/BEAT) still have a negative impact on the market. The somewhat higher prices on short-term funding are expected to last for a while, partly due to ample supply of liquid securities coupled with greater investor focus on alternative investments, including the repo market. Nevertheless, DNB still has ample access to short-term funding.

The long-term funding markets were characterised by a high level of activity in the second quarter, and DNB issued both its first green covered bonds in euro and ordinary covered bonds in US dollars. The cost of covered bonds has increased somewhat, which is mainly due to the fact that the European Central Bank, ECB, announced in June that it will end its asset purchase programme in December this year. The cost of subordinated loans and Tier 1 capital increased somewhat during the quarter, which primarily reflected political events in Southern Europe, especially in Italy. DNB had good access to long-term funding throughout the period.

The nominal value of long-term debt securities issued by the Group was NOK 583 billion at end-June, compared with NOK 576 billion a year earlier. The average remaining term to maturity for these debt securities was 4.3 years at end-June, up from 4.1 years a year earlier.

The short-term liquidity requirement, Liquidity Coverage Ratio, LCR, remained stable at above 100 per cent throughout the quarter and was 131 per cent at end-June.

Total combined assets in the DNB Group were NOK 3 181 billion at end-June, up from NOK 3 026 billion a year earlier. Total assets in the Group's balance sheet were NOK 2 857 billion at end-June 2018 and NOK 2 723 billion a year earlier. Of this, total assets in DNB Livsforsikring amounted to NOK 319 billion and NOK 309 billion, respectively.

For the banking group, the ratio of customer deposits to net loans to customers was 67.0 per cent at end-June 2018, down from 66.2 per cent a year earlier. The Group's ambition is to have a ratio of customer deposits to net loans, for the banking group, of minimum 60 per cent.

Risk and capital adequacy

The DNB Group quantifies risk by measuring economic capital. Economic capital was down NOK 0.6 billion from end-March, to NOK 55.0 billion at end-June.

Economic capital for the DNB Group

Amounts in NOK billion	30 June 2018	31 March 2018	31 Dec. 2017	30 June 2017
Credit risk	37.7	38.6	40.2	44.8
Market risk	7.4	7.6	7.8	5.0
Market risk in life insurance	5.2	5.3	3.5	3.8
Insurance risk in life insurance	0.8	0.8	0.8	0.8
Non-life insurance risk	0.6	0.6	0.6	0.6
Operational risk	8.9	8.9	8.5	8.8
Business risk	6.8	6.8	6.1	6.3
Total economic capital before diversification	67.4	68.6	67.5	70.1
Diversification effect [1)]	(12.4)	(13.0)	(11.2)	(11.3)
Total economic capital after diversification	55.0	55.6	56.3	58.8
Diversification effect in per cent of gross economic capital [1)]	18.5	18.9	16.6	16.1

1) *The diversification effect refers to the risk-mitigating effect achieved by the Group by having operations which are affected by different types of risk where unexpected losses are unlikely to occur at the same time.*

Economic capital for credit risk decreased by NOK 0.9 billion during the quarter. The portfolio for large corporates and international customers was up NOK 19 billion, of which about NOK 5 billion can be attributed to the stronger US dollar. Low-risk customers also contributed to the rise in volume. The quality of the large corporate portfolio is still improving. The volume of high-risk exposures, measured in Norwegian kroner, has been almost halved since year-end 2016. However, there are still challenges in the rig and offshore markets. There was healthy growth in home mortgages and loans to small and medium-sized businesses in Norway during the quarter, with low default and loss figures.

The market risk level in DNB Livsforsikring, measured in terms of economic capital, declined by NOK 0.1 billion during the second quarter. DNB Livsforsikring's equity exposure increased by NOK 1.5 billion during the quarter. It is normal that the company increases its equity exposure during the first part of the year to generate returns, and thereafter reduces this exposure during the last part of the year. The buffers also increased, contributing to an overall reduction in risk.

There is a strong focus on compliance with the new General Data Protection Regulation (GDPR), efforts to strengthen anti-money laundering measures and electronic transaction monitoring. DNB's practices in connection with the approval of credit and consumer loans to personal customers were in line with Finanstilsynet's guidelines at end-June.

Calculated according to transitional rules, risk-weighted assets were NOK 1 054 billion, down from NOK 1 087 billion at end-June 2017. The common equity Tier 1 capital ratio was 16.2 per cent, while the capital adequacy ratio was 20.2 per cent.

New regulatory framework

Home mortgage lending regulation to be retained through 2019

In the autumn of 2016, the Ministry of Finance adopted a regulation governing banks' lending practices for home mortgages, thus aiming to contribute to a more sustainable development in household debt and housing prices. After a public consultation, the regulation was adjusted in June 2018 and will remain in force until 31 December 2019.

The regulation caps borrowers' loan-to-value and loan-to-income ratios, and presents requirements for instalment payment and debt-servicing capacity in the event of interest rate increases. The regulation allows banks to grant a certain percentage of loans that do not meet all the requirements in the regulation. This flexibility quota is 10 per cent of lending volume each quarter, except from Oslo, where it is 8 per cent.

Stricter requirements for consumer loans and credit cards

The growing debt burden of private households worries the authorities, especially the level of unsecured consumer credit. Over the past couple of years, the Norwegian government and Finanstilsynet have therefore proposed a number of forceful measures to protect consumers against irresponsible lending practices. Among other things, the authorities have introduced guidelines for responsible lending practices, regulations on marketing and on the invoicing of credit card debt, and a new Act that opens up for giving private players a licence to provide credit information in connection with credit scoring.

Additional regulations will be introduced. Finanstilsynet has been commissioned to prepare a draft regulation in accordance with the guidelines for responsible lending practices for unsecured credit. A regulation is likely to lead to more consistent practices and clearer sanctions for anyone who does not follow the rules. The deadline for this assignment is 1 September 2018. The Norwegian parliament has also asked the government to look into various models for interest rate caps, and to present a proposal to parliament no later than in the autumn of 2018 to ban aggressive marketing of consumer credit.

Managers of pension capital will be allowed to invest more in infrastructure

The Financial Institutions Act includes a provision which prohibits insurance and pension undertakings from having a holding of more than 15 per cent in business other than insurance, so-called non-insurance activities, including infrastructure projects such as roads, railways, power and water supply, sewage systems and renewable energy. Accordingly, this type of investment is not attractive to managers of pension capital, as they have no opportunity to ensure control of their long-term interests by acquiring a large enough holding.

The Ministry of Finance has now presented draft legislation to revoke this restriction. It will be replaced by a discretionary assessment in each individual case of the distinction between investing in and operating non-insurance activities. Finanstilsynet will be responsible for making this distinction. A legislative amendment could result in more investment options for managers of pension funds and ensure better access to long-term capital for infrastructure projects.

The government is considering VAT on financial services

Financial activities tax was introduced from 2017 and implies a 5 percentage point increase in employer's national insurance contributions and a 2 percentage point increase in the corporate tax rate for financial institutions. The parliament would like to remove the element related to employer's national insurance contributions and has asked the government to consider whether the financial activities tax should be replaced by a model that introduces VAT on the sale and distribution of financial services. The government will account for this in the National Budget for 2019 and present a proposal to make adjustments to the financial activities tax no later than in connection with the National Budget for 2020. The guiding from the parliament is that the adjustments shall eliminate the higher employer's national insurance contributions and that the effect on government revenues shall be neutral.

Norwegian rules to be adjusted in line with the EU's capital requirements regulations

The EU's capital requirements regulations CRR/CRD IV are expected to be incorporated into the EEA agreement before long. Today, Norwegian legislation does not fully reflect the requirements in CRR and CRD IV. The Ministry of Finance has therefore circulated for comment a proposal from Finanstilsynet concerning regulatory changes in Norway.

Among other things, Finanstilsynet states that the so-called Basel I floor is not in line with the EU regulations and therefore must be removed. Similarly, Norway must also introduce the so-called SME supporting factor, which entails lower capital requirements for lending to small and medium-sized enterprises.

The introduction of the SME supporting factor and removal of the Basel I floor will result in a more appropriate calculation of capital requirements than under existing Norwegian requirements. The banks can thus report a higher capital adequacy ratio even though this in itself does not reflect a higher level of capitalisation. Finanstilsynet therefore proposes to compensate for this by requiring additional safety margins when approving internal risk models (IRB), as well as higher individual capital requirements (Pillar 2) in addition to the minimum requirements and the buffer requirements (Pillar 1).

It follows from the EU rules that failure to comply with the capital buffer requirements should automatically result in restrictions on banks' access to pay dividends, interest on additional Tier 1 capital and remunerations. It has previously been unclear whether the Pillar 2 requirement should be included in the basis for determining automatic restrictions. In Norway, the Ministry of Finance has stated that the restrictions will only be imposed when institutions fail to comply with the Pillar 1 requirement, including the total buffer requirement. Finanstilsynet proposes to change this policy in line with the expected EU regulations and practices, whereby the Pillar

2 requirement will be included when determining the level at which automatic restrictions are imposed.

The Ministry of Finance will now consider Finanstilsynet's recommendations. Parallel to this, the Ministry is seeking to reach an agreement with the European Commission and the EFTA countries to open up for retaining some of the distinctively Norwegian regulations once CRR/CRD IV are incorporated in the EEA agreement. It is unclear whether the Norwegian authorities will gain support for its views in these negotiations.

New requirements on cash contingency arrangements

The Ministry of Finance has specified in a regulation that banks are required to have arrangements in place to be able to meet increased demand for cash in connection with disruptions in the electronic payment systems. The requirements imply a clarification of the obligation to make cash available to customers, as stipulated in the Financial Institutions Act. The arrangements shall be designed in accordance with documented assessments of the risk of increased demand for cash, and be described in a plan to be reviewed by Finanstilsynet as part of ordinary banking supervision.

The requirements take into account the risk-mitigating effects of electronic contingency solutions. The banks will thus be given the flexibility to dimension their cash arrangements to reflect the robustness of the contingency systems in the electronic solutions. The authorities believe that the banks' obligation to make cash available can be handled most efficiently through joint arrangements and encourage online banks that have no cash holdings themselves to enter into agreements with other banks or Norway Post to ensure customers access to essential services.

The Norwegian parliament asks the government to establish a regulatory sandbox for fintech

Over the past few years, financial authorities around the world have established so-called "regulatory sandboxes". These are formalised cooperative efforts where the supervisory authorities ease some regulatory requirements to allow players to test new business models on a large scale and on actual customers and customer data. Finance Norway and ICT Norway have prepared a proposal for how this can be done in Norway. An important goal is to keep Finanstilsynet more up-to-date on technological developments in the industry. In cooperation with ICT Norway, where DNB became a member last winter, DNB has been in dialogue with the parliament with an aim to establish such a solution. In June, the Norwegian parliament asked the government to establish a regulatory sandbox for fintech in Norway by end-June 2019.

Minimum Requirement for Own Funds and Eligible Liabilities (MREL)

Finanstilsynet has issued a consultation paper on its policy to set the MREL. While the requirement will enter into force from 2019, the subordination requirement must be fulfilled at year-end 2022.

The full implications remain to be clarified, but preliminary calculations indicate that DNB will need NOK 150 billion of Tier 3 capital. This roughly corresponds to the Group's outstanding volume of ordinary senior debt. Given the current market prices, the replacement is not expected to have any significant impact on the bank's overall funding costs.

Finanstilsynet will present its final policy proposal on the MREL requirement to the Ministry of Finance within 1 November 2018.

Draft legislation on the implementation of PSD2

The EU's revised Payment Services Directive, PSD2, entered into force in the EU in January 2018. On 23 June, the Ministry of Finance presented draft legislation on the implementation of PSD2 in Norway. The draft legislation incorporates public law legislation on licences etc. in the Act relating to Payment Systems. This implies, for example, the establishment of registers of Payment Initiation Service Providers (PISPs) and Account Information Service Providers (AISPs), which will be managed by Finanstilsynet. The draft legislation must be considered by the parliament, probably towards the end of 2018 or early in 2019. In addition, the private law aspects of PSD2 will be implemented in the Financial Institutions Act, which is under the jurisdiction of the Ministry of Justice. PSD2 has not yet been incorporated in the EEA agreement. It is not known when the necessary decision in the EEA Joint Committee can be expected.

Macroeconomic developments

2017 ended with increasing optimism and higher growth in the industrialised countries. At the beginning of 2018, however, key macroeconomic indicators failed to fulfil expectations, and GDP growth abated in a number of countries. Cold weather, lots of snow in certain regions and a late spring apparently had a dampening effect on growth both in the US and in Europe. In DNB's opinion, growth will pick up, and the global growth rate is estimated at 3.7 per cent in both 2018 and 2019, which will help bring down unemployment. In the recent period, trade conflicts between the US and several other countries have increased, and there is a heightened risk of a more extensive trade war. This could potentially result in significant economic setbacks.

GDP growth in the US is estimated to be 2.7 per cent in 2018 and 2.6 per cent in 2019, bolstered by an expansionary fiscal policy. In June, the Federal Reserve raised the target range for its benchmark rate to between 1.75 and 2.0 per cent. The Fed is expected to raise rates two more times in 2018 and four times in 2019, although price pressures remain moderate.

In the euro area, GDP growth is estimated at 2.3 per cent in 2018 after a fairly weak first quarter. Even if growth picks up later in the year, the rate of growth is expected to be lower in 2019. The European Central Bank has announced that it will begin to gradually depart from its expansionary monetary policy by finalising its asset purchases at the end of the year, and that no interest rate increases will be implemented until after the summer of 2019.

In the United Kingdom, the no to further EU membership had fewer negative consequences than expected in the short term, though growth prospects are moderate, with an estimated GDP growth of 1.3 per cent both this and next year. Inflation has declined slightly more than expected, and the Central Bank has postponed previously announced interest rate increases. Uncertainty regarding the process around Brexit and the results thereof makes future prospects more unpredictable than normal.

In the Norwegian economy, the start of the year saw weak domestic demand, including a reduction in goods consumption. However, underlying growth appears to be keeping up, and both households and businesses report a high level of optimism. Oil investment has picked up, and a rise in the oil price will ensure further investment growth in the period ahead. Housebuilding activity is declining, but a new upturn in secondary market prices could indicate a more modest reduction in housing investment. Overall, DNB estimates an increase in mainland GDP of 2.3 per cent this year and 2.4 per cent next year.

Higher manufacturing growth has been reflected in stronger employment growth and lower unemployment. The annual wage settlements point to moderate wage growth this year as well, though lower unemployment and strong profitability in a number of export industries could indicate rising wage growth next year. Core inflation has remained low and stood at 1.2 per cent, well below Norges Bank's (the Norwegian central bank) 2.0 per cent inflation target. Norges Bank is nevertheless expected to raise interest rates in September, which was clearly signalled at its monetary policy meeting in June, and to implement further rate hikes twice a year over the next few years.

Future prospects

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

Net interest margins are expected to remain relatively stable, while the annual increase in lending volumes is anticipated to be 3 to 4 per cent in 2018 and 2019. During this period, higher growth in lending volumes is expected for personal customers and small and medium-sized enterprises, while lending to large corporates and international customers is expected to grow at a slower pace due to continued efforts to actively reduce lending volumes to cyclical industries. DNB's ambition is to have a cost/income ratio below 40 per cent towards the end of 2019. The tax rate is expected to be 20 per cent in 2018 and 2019.

The Group has set a target for its common equity Tier 1 capital ratio (CET 1) of about 16.1 per cent, and the CET 1 ratio achieved at end-June was 16.2 per cent. DNB is well-positioned for new regulatory requirements, including Basel 4, which is expected to have minimal effects for DNB.

DNB's dividend policy remains unchanged, with a payout ratio of more than 50 per cent and an increase in the nominal dividend per share each year. In addition to dividend payments, DNB will use repurchases of own shares as a flexible tool to allocate excess capital to its owners. The General Meeting has given the Board of Directors an authorisation to repurchase up to 3.5 per cent of the company's share capital, valid up to the Annual General Meeting in 2019. Initially, DNB has applied to and received approval from Finanstilsynet of a 2 per cent repurchase limit and will apply for the remaining 1.5 per cent at a later stage, if needed.

Oslo, 11 July 2018
The Board of Directors of DNB ASA

Olaug Svarva
(chair of the board)

Tore Olaf Rimmereid
(vice chair of the board)

Karl-Christian Agerup

Carl A. Løvvik

Vigdis Mathisen

Jaan Ivar Semlitsch

Berit Svendsen

Rune Bjerke
(group chief executive)

Income statement

					DNB Group
	2nd quarter	2nd quarter		January-June	Full year
Amounts in NOK million	2018	2017	2018	2017	2017
Interest income, amortised cost	13 028	12 012	25 383	23 705	47 318
Other interest income	1 309	1 697	2 532	3 226	6 547
Interest expenses, amortised cost	(5 721)	(3 809)	(11 184)	(7 700)	(15 472)
Other interest expenses	436	(868)	1 328	(1 679)	(2 970)
Net interest income	**9 052**	**9 031**	**18 059**	**17 552**	**35 422**
Commission and fee income	3 553	3 026	6 601	5 971	12 279
Commission and fee expenses	(1 100)	(866)	(2 032)	(1 737)	(3 831)
Net gains on financial instruments at fair value	134	982	296	1 790	4 548
Net financial result, DNB Livsforsikring	103	372	166	488	804
Net risk result, DNB Livsforsikring	60	83	202	206	491
Net insurance result, DNB Forsikring	153	189	307	344	683
Profit from investments accounted for by the equity method	267	23	230	(21)	(112)
Net gains on investment properties	9	(14)	51	0	143
Other income	266	187	490	341	713
Net other operating income	**3 445**	**3 982**	**6 312**	**7 382**	**15 718**
Total income	**12 497**	**13 014**	**24 371**	**24 934**	**51 140**
Salaries and other personnel expenses	(2 975)	(3 049)	(5 874)	(6 105)	(12 184)
Other expenses	(1 931)	(2 088)	(3 699)	(3 962)	(7 878)
Depreciation and impairment of fixed and intangible assets	(478)	(478)	(966)	(988)	(2 531)
Total operating expenses	**(5 384)**	**(5 615)**	**(10 540)**	**(11 055)**	**(22 593)**
Pre-tax operating profit before impairment	**7 113**	**7 399**	**13 831**	**13 878**	**28 547**
Net gains on fixed and intangible assets	465	17	483	23	738
Impairment of financial instruments	54	(597)	384	(1 159)	(2 428)
Pre-tax operating profit	**7 632**	**6 819**	**14 698**	**12 743**	**26 858**
Tax expense	(1 526)	(1 568)	(2 940)	(2 931)	(5 054)
Profit from operations held for sale, after taxes	(21)	(14)	(21)	(31)	(1)
Profit for the period	**6 084**	**5 237**	**11 737**	**9 781**	**21 803**
Portion attributable to shareholders	5 850	5 000	11 282	9 304	20 865
Portion attributable to additional Tier 1 capital holders	234	238	455	478	938
Profit for the period	**6 084**	**5 237**	**11 737**	**9 781**	**21 803**
Earnings/diluted earnings per share (NOK)	3.65	3.07	7.01	5.71	12.84
Earnings per share excluding operations held for sale (NOK)	3.66	3.08	7.03	5.73	12.84

Comprehensive income statement

					DNB Group
	2nd quarter	2nd quarter		January-June	Full year
Amounts in NOK million	2018	2017	2018	2017	2017
Profit for the period	**6 084**	**5 237**	**11 737**	**9 781**	**21 803**
Actuarial gains and losses					(93)
Property revaluation	(22)	(28)	(58)	(6)	(35)
Items allocated to customers (life insurance)	22	28	58	6	35
Financial liabilities designated at FVTPL, changes in credit risk	29		(99)		
Tax	(7)		25		(10)
Items that will not be reclassified to the income statement	22		(74)		(104)
Currency translation of foreign operations	148	895	(2 587)	1 426	1 190
Currency translation reserve reclassified to the income statement					(1 306)
Hedging of net investment	(284)	(688)	2 102	(1 025)	(687)
Hedging reserve reclassified to the income statement					1 224
Investments according to the equity method		12		100	160
Tax	71	172	(526)	256	172
Tax reclassified to the income statement					(338)
Items that may subsequently be reclassified to the income statement	(65)	391	(1 011)	757	414
Other comprehensive income for the period	**(43)**	**391**	**(1 085)**	**757**	**311**
Comprehensive income for the period	**6 041**	**5 629**	**10 652**	**10 538**	**22 113**

Balance sheet

Amounts in NOK million	Note	DNB Group 30 June 2018	 31 Dec. 2017	 30 June 2017
Assets				
Cash and deposits with central banks		381 327	151 595	265 552
Due from credit institutions		190 592	239 328	160 749
Loans to customers	4, 5, 6, 7	1 561 572	1 545 415	1 551 738
Commercial paper and bonds	7	381 949	422 606	362 449
Shareholdings	7	36 383	28 220	26 794
Financial assets, customers bearing the risk		78 277	75 206	67 680
Financial derivatives	7	116 979	132 349	139 643
Investment properties		16 318	16 306	16 139
Investments accounted for by the equity method		15 876	15 609	7 936
Intangible assets		5 572	5 600	5 854
Deferred tax assets		1 162	769	1 391
Fixed assets		8 643	8 704	8 317
Assets held for sale		1 293		55 950
Other assets		60 608	56 559	52 616
Total assets		**2 856 551**	**2 698 268**	**2 722 809**
Liabilities and equity				
Due to credit institutions		301 895	224 107	215 633
Deposits from customers	7	1 029 812	971 137	1 008 878
Financial derivatives	7	105 850	110 262	111 659
Debt securities issued	7, 8	798 094	780 247	758 402
Insurance liabilities, customers bearing the risk		78 277	75 206	67 680
Liabilities to life insurance policyholders in DNB Livsforsikring		207 685	208 500	209 230
Insurance liabilities, DNB Forsikring		2 352	2 043	2 206
Payable taxes		6 365	4 599	1 900
Deferred taxes		2 686	2 574	3 915
Other liabilities		69 617	68 078	58 603
Liabilities held for sale		231		43 106
Provisions		2 617	1 812	2 129
Pension commitments		3 489	3 267	2 974
Subordinated loan capital	7, 8	36 781	29 538	29 426
Total liabilities		**2 645 754**	**2 481 371**	**2 515 741**
Share capital		16 003	16 180	16 288
Share premium		22 609	22 609	22 609
Additional Tier 1 capital		15 782	16 159	15 787
Other equity		156 403	161 948	152 385
Total equity		**210 797**	**216 897**	**207 069**
Total liabilities and equity		**2 856 551**	**2 698 268**	**2 722 809**

Statement of changes in equity

DNB Group

Amounts in NOK million	Share capital	Share premium	Additional Tier 1 capital	Net translation reserve	Liability credit reserve	Other equity	Total equity
Balance sheet as at 31 Dec. 2016	**16 286**	**22 609**	**15 952**	**4 297**		**147 279**	**206 423**
Profit for the period			478			9 304	9 781
Currency translation of foreign operations				1 426			1 426
Hedging of net investment				(1 025)			(1 025)
Investments according to the equity method						100	100
Tax on other comprehensive income				256			256
Comprehensive income for the period			478	658		9 403	10 538
Interest payments additional Tier 1 capital			(636)				(636)
Currency movements taken to income			(7)			7	
Dividends paid for 2016 (NOK 5.70 per share)						(9 284)	(9 284)
Net purchase of treasury shares	2					26	28
Balance sheet as at 30 June 2017	**16 288**	**22 609**	**15 787**	**4 954**		**147 431**	**207 069**
Balance sheet as at 31 Dec. 2017	**16 180**	**22 609**	**16 159**	**4 550**		**157 398**	**216 897**
Implementation of IFRS 9					(342)	(1 437)	(1 779)
Balance sheet as at 1 Jan. 2018	**16 180**	**22 609**	**16 159**	**4 550**	**(342)**	**155 961**	**215 118**
Profit for the period			455			11 282	11 737
Financial liabilities designated at FVTPL, changes in credit risk					(99)		(99)
Currency translation of foreign operations				(2 587)			(2 587)
Hedging of net investment				2 102			2 102
Tax on other comprehensive income				(526)	25		(501)
Comprehensive income for the period			455	(1 011)	(74)	11 282	10 652
Interest payments additional Tier 1 capital			(800)				(800)
Currency movements taken to income			(32)			32	
Repurchased under share buy-back programme	(178)					(2 545)	(2 723)
Dividends paid for 2017 (NOK 7.10 per share)						(11 450)	(11 450)
Balance sheet as at 30 June 2018	**16 003**	**22 609**	**15 782**	**3 540**	**(416)**	**153 280**	**210 797**

The Annual General Meeting held on 24 April 2018 resolved a reduction in share capital by cancelling own shares and redeeming shares held by the Norwegian government. This has been reflected in the accounts as of 30 June 2018. The number of issued shares has been reduced by 24 431 973 to 1 604 366 888. The cancellation of the shares will be formally registered in the Register of Business Enterprises after the creditor deadline has expired and is expected to take place in July/August.

Cash flow statement

			DNB Group
		January-June	Full year
Amounts in NOK million	2018	2017	2017
Operating activities			
Net payments on loans to customers	(36 797)	(39 785)	(33 528)
Interest received from customers	26 255	23 699	47 196
Net receipts on deposits from customers	61 826	69 332	36 283
Interest paid to customers	(2 691)	(828)	(4 382)
Net receipts/payments on loans to credit institutions	133 453	29 027	(39 774)
Interest received from credit institutions	2 094	1 100	2 450
Interest paid to credit institutions	(1 709)	(1 099)	(2 430)
Net receipts/payments on the sale of financial assets for investment or trading	26 913	41 959	(19 697)
Interest received on bonds and commercial paper	2 015	3 070	4 449
Net receipts on commissions and fees	4 696	4 323	8 627
Payments to operations	(9 884)	(10 183)	(20 023)
Taxes paid	(1 622)	(9 611)	(10 771)
Receipts on premiums	7 835	7 422	14 875
Net receipts/payments on premium reserve transfers	(843)	1 501	1 666
Payments of insurance settlements	(7 914)	(7 808)	(15 183)
Other net receipts/payments	(603)	(9 364)	5 586
Net cash flow from operating activities	**203 022**	**102 752**	**(24 657)**
Investing activities			
Net payments on the acquisition of fixed assets	(439)	(1 359)	(2 305)
Net receipts from investment properties	107	188	382
Receipts on the sale of long-term investments in shares	10	89	238
Acquisition of long-term investments in shares	(96)		(324)
Dividends received on long-term investments in shares	9	7	7
Net cash flow from investment activities	**(409)**	**(1 074)**	**(2 001)**
Financing activities			
Receipts on issued bonds and commercial paper	662 643	931 863	1 849 030
Payments on redeemed bonds and commercial paper	(602 197)	(950 470)	(1 856 373)
Interest payments on issued bonds and commercial paper	(8 807)	(9 256)	(13 853)
Receipts on the raising of subordinated loan capital	9 419	10 106	10 106
Redemptions of subordinated loan capital	(1 168)	(10 544)	(10 544)
Interest payments on subordinated loan capital	(239)	(470)	(784)
Interest payments on additional Tier 1 capital	(800)	(636)	(724)
Repurchased shares	(2 723)		(1 659)
Dividend payments	(11 450)	(9 284)	(9 284)
Net cash flow from funding activities	**44 678**	**(38 692)**	**(34 085)**
Effects of exchange rate changes on cash and cash equivalents	**(6 846)**	**(2 639)**	**3 827**
Net cash flow	**240 444**	**60 348**	**(56 916)**
Cash as at 1 January	154 122	214 807	211 039
Net receipts/payments of cash	240 444	60 348	(56 916)
Cash at end of period *)	394 566	275 155	154 122
**) Of which: Cash and deposits with central banks*	*381 327*	*269 880*	*151 595*
Deposits with credit institutions with no agreed period of notice 1)	*13 239*	*5 275*	*2 527*

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

Note 1 Basis for preparation

The quarterly financial statements for the Group have been prepared in accordance with IAS 34 Interim Financial Reporting as issued by the International Accounting Standards Board and as adopted by the European Union. When preparing the consolidated financial statements, management makes estimates, judgments and assumptions that affect the application of the accounting principles and the carrying amount of assets, liabilities, income and expenses. Estimates and assumptions are subject to continual evaluation and are based on historical experience and other factors, including expectations of future events that are believed to be probable on the balance sheet date. A description of the accounting policies, significant estimates and areas where judgment is applied by the Group, can be found in note 1 Accounting principles and 52 Transition to IFRS 9 in the annual report for 2017.

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

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

IFRS 9 Financial Instruments

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

IFRS 15 Revenue from contracts with customers

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

Note 2 Segments

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

Income statement, second quarter

DNB Group

	Personal customers		Small and medium-sized enterprises		Large corporates and international customers		Other operations		Eliminations		DNB Group	
	2nd quarter		2nd quarter		2nd quarter		2nd quarter		2nd quarter		2nd quarter	
Amounts in NOK million	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Net interest income	3 249	3 306	2 364	2 121	3 099	3 330	340	274			9 052	9 031
Net other operating income	1 337	1 392	558	515	1 481	1 524	637	1 470	(568)	(919)	3 445	3 982
Total income	4 586	4 698	2 922	2 636	4 580	4 854	977	1 744	(568)	(919)	12 497	13 014
Operating expenses	(2 114)	(2 111)	(1 054)	(1 053)	(1 646)	(2 027)	(1 139)	(1 341)	568	919	(5 384)	(5 615)
Pre-tax operating profit before impairment	2 472	2 587	1 868	1 582	2 934	2 827	(162)	403			7 113	7 399
Net gains on fixed and intangible assets		(0)	1	(0)	0	18	464	(0)			465	17
Impairment of financial instruments	(101)	(100)	(33)	(127)	189	(362)	(0)	(7)			54	(597)
Profit from repossessed operations			(1)	(17)	(17)	(4)	18	21				
Pre-tax operating profit	2 371	2 486	1 835	1 438	3 106	2 479	320	416			7 632	6 819
Tax expense	(593)	(622)	(459)	(359)	(714)	(694)	239	107			(1 526)	(1 568)
Profit from operations held for sale, after taxes						(0)	(21)	(14)			(21)	(14)
Profit for the period	1 778	1 865	1 376	1 078	2 392	1 785	538	509			6 084	5 237

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

Income statement, January - June

DNB Group

	Personal customers		Small and medium-sized enterprises		Large corporates and international customers		Other operations		Eliminations		DNB Group	
	Jan.-June		Jan.-June		Jan.-June		Jan.-June		Jan.-June		Jan.-June	
Amounts in NOK million	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Net interest income	6 650	6 420	4 670	4 156	5 950	6 431	789	546			18 059	17 552
Net other operating income	2 535	2 583	1 103	1 073	2 770	2 973	1 329	2 334	(1 426)	(1 581)	6 312	7 382
Total income	9 185	9 003	5 773	5 229	8 721	9 404	2 118	2 879	(1 426)	(1 581)	24 371	24 934
Operating expenses	(4 107)	(4 214)	(2 117)	(2 217)	(3 348)	(3 934)	(2 393)	(2 271)	1 426	1 581	(10 540)	(11 055)
Pre-tax operating profit before impairment	5 078	4 789	3 656	3 011	5 372	5 470	(275)	608			13 831	13 878
Net gains on fixed and intangible assets		(0)	1	(0)	0	24	482	(0)			483	23
Impairment of loans and guarantees	(155)	10	(248)	(117)	786	(1 059)	(0)	7			384	(1 159)
Profit from repossessed operations			4	(27)	(14)	(4)	10	31				
Pre-tax operating profit	4 924	4 799	3 413	2 867	6 145	4 430	217	646			14 698	12 743
Tax expense	(1 231)	(1 200)	(853)	(717)	(1 413)	(1 240)	558	226			(2 940)	(2 931)
Profit from operations held for sale, after taxes						(0)	(21)	(31)			(21)	(31)
Profit for the period	3 693	3 599	2 560	2 150	4 731	3 190	753	842			11 737	9 781

Note 3 Capital adequacy

Capital adequacy is calculated and reported in accordance with the EU capital requirements regulations for banks and investment firms (CRD IV/CRR). The regulatory consolidation deviates from consolidation in the accounts and comprises the parent company, subsidiaries and associated companies within the financial sector, excluding insurance companies. DNB Livsforsikring and DNB Forsikring are thus not included in the calculations. Associated companies are consolidated pro rata. The figures as at 30 June 2018 are partially based on estimates.

Primary capital	DNB Bank ASA		DNB Bank Group		DNB Group	
Amounts in NOK million	30 June 2018	31 Dec. 2017	30 June 2018	31 Dec. 2017	30 June 2018	31 Dec. 2017
Total equity excluding profit for the period	168 295	169 720	184 678	203 685	199 515	216 897
Effect from regulatory consolidation			(382)	183	(4 942)	(6 328)
Additional Tier 1 capital instruments included in total equity	(15 574)	(15 574)	(15 574)	(15 574)	(15 574)	(15 574)
Net accrued interest on additional Tier 1 capital instruments	(156)	(439)	(156)	(439)	(156)	(439)
Common equity Tier 1 capital instruments	152 565	153 708	168 567	187 856	178 843	194 557
Deductions						
Pension funds above pension commitments	(6)		(6)		(6)	
Goodwill	(2 358)	(2 404)	(2 760)	(2 559)	(4 465)	(4 264)
Deferred tax assets that are not due to temporary differences	(574)	(584)	(441)	(454)	(441)	(454)
Other intangible assets	(1 105)	(1 110)	(1 811)	(1 984)	(1 811)	(1 984)
Dividends payable etc.				(15 804)	(3 178)	(13 529)
Significant investments in financial sector entities [1]					(1 749)	(363)
Expected losses exceeding actual losses, IRB portfolios	(1 256)	(951)	(1 397)	(1 915)	(1 397)	(1 915)
Value adjustments due to the requirements for prudent valuation (AVA)	(426)	(449)	(849)	(720)	(849)	(720)
Adjustments for unrealised losses/(gains) on debt recorded at fair value	108	123	416	123	416	123
Adjustments for unrealised losses/(gains) arising from the institution's own credit risk related to derivative liabilities (DVA)	(558)	(481)	(143)	(113)	(143)	(113)
Common equity Tier 1 capital	146 390	147 851	161 576	164 431	165 220	171 339
Common equity Tier 1 capital incl. 50 per cent of profit for the period	150 444		166 940		170 975	
Additional Tier 1 capital instruments	15 574	15 574	15 574	15 574	15 574	15 574
Non-eligible Tier 1 capital, DNB Group [2]					(65)	(56)
Tier 1 capital	161 964	163 425	177 150	180 005	180 728	186 856
Tier 1 capital incl. 50 per cent of profit for the period	166 017		182 514		186 483	
Perpetual subordinated loan capital	5 360	5 361	5 360	5 361	5 360	5 361
Term subordinated loan capital	31 094	23 897	31 094	23 897	31 094	23 897
Deduction of holdings of Tier 2 instruments in DNB Livsforsikring and DNB Forsikring 3)					(5 750)	(5 750)
Non-eligible Tier 2 capital, DNB Group [2]					(3 776)	(1 813)
Tier 2 capital	36 454	29 258	36 454	29 258	26 928	21 696
Total eligible capital	198 418	192 683	213 604	209 263	207 657	208 552
Total eligible capital incl. 50 per cent of profit for the period	202 471		218 968		213 411	
Risk-weighted volume, transitional rules [4]	854 152	835 986	1 028 396	1 014 683	1 054 071	1 042 601
Minimum capital requirement, transitional rules	68 332	66 879	82 272	81 175	84 326	83 408
Common equity Tier 1 capital ratio, transitional rules (%)	17.6	17.7	16.2	16.2	16.2	16.4
Tier 1 capital ratio, transitional rules (%)	19.4	19.5	17.7	17.7	17.7	17.9
Capital ratio, transitional rules (%)	23.7	23.0	21.3	20.6	20.2	20.0
Common equity Tier 1 capital ratio, transitional rules, excluding 50 per cent of profit for the period (%)	17.1		15.7		15.7	
Tier 1 capital ratio, transitional rules, excluding 50 per cent of profit for the period (%)	19.0		17.2		17.1	
Capital ratio, transitional rules, excluding 50 per cent of profit for the period (%)	23.2		20.8		19.7	

1) Deductions are made for significant investments in financial sector entities if they each exceed 10 per cent of common equity Tier 1 capital. The amounts that are not deducted are given a risk weight of 250 per cent.

2) The amount of Tier 1 and Tier 2 capital in DNB Bank ASA that are not included in consolidated own funds in accordance with Articles 85-88 of the CRR.

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

4) 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 3 Capital adequacy (continued)

Basel III

The majority of the credit portfolios are reported according to the IRB approach. The portfolios “central governments” and “institutions” are, however, reported according to the standardised approach.

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

Amounts in NOK million	Nominal exposure 30 June 2018	EAD [1] 30 June 2018	Average risk weights in per cent 30 June 2018	Risk-weighted volume 30 June 2018	Capital requirement 30 June 2018	Capital requirement 31 Dec. 2017
IRB approach						
Corporate	950 130	789 645	53.3	421 049	33 684	35 197
Specialised lending (SL)	10 907	10 468	53.7	5 617	449	454
Retail - mortgages	756 842	756 842	21.7	164 522	13 162	13 220
Retail - other exposures	99 980	85 504	25.4	21 746	1 740	1 745
Securitisation	160	160	10.4	17	1	626
Total credit risk, IRB approach	1 818 019	1 642 618	37.3	612 950	49 036	51 241
Standardised approach						
Central government	486 005	443 511	0.0	138	11	6
Institutions	234 041	143 571	27.9	39 998	3 200	2 989
Corporate	191 000	149 879	87.3	130 859	10 469	9 796
Retail - mortgages	67 246	64 019	48.8	31 234	2 499	2 207
Retail - other exposures	136 999	52 514	75.0	39 408	3 153	2 941
Equity positions	20 348	20 346	223.7	45 513	3 641	3 742
Other assets	17 469	17 469	41.6	7 264	581	568
Total credit risk, standardised approach	1 153 107	891 309	33.0	294 415	23 553	22 249
Total credit risk	2 971 126	2 533 927	35.8	907 365	72 589	73 490
Market risk						
Position risk, debt instruments				9 778	782	1 120
Position risk, equity instruments				275	22	21
Currency risk						
Commodity risk				21	2	2
Credit value adjustment risk (CVA)				5 159	413	468
Total market risk				15 232	1 219	1 611
Operational risk				88 463	7 077	7 077
Net insurance, after eliminations						
Total risk-weighted volume and capital requirements before transitional rules				1 011 060	80 885	82 178
Additional capital requirements according to transitional rules [2]				43 012	3 441	1 230
Total risk-weighted volume and capital requirements				1 054 071	84 326	83 408

1) EAD, exposure at default.

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

Note 4 Development in accumulated impairment of financial instruments

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

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

DNB has made a change in presentation of development in accumulated impairment of financial instruments. From the second quarter the assessment of increased and decreased expected credit loss will be presented net per customer instead of per financial instrument. The developments in the first quarter have been adjusted to reflect the changes in presentation.

Loans to customers at amortised cost

DNB Group

Amounts in NOK million	Stage 1	Stage 2	Stage 3	Total
Accumulated impairment as at 1 January 2018	**(382)**	**(3 082)**	**(8 710)**	**(12 174)**
Transfer to stage 1	(203)	190	13	
Transfer to stage 2	5	(19)	14	
Transfer to stage 3		817	(817)	
Originated and purchased during the period	(30)	(17)		(47)
Increased expected credit loss	(48)	(228)	(1 777)	(2 053)
Decreased (reversed) expected credit loss	459	253	1 490	2 202
Write-offs			471	471
Derecognition	(164)	57		(107)
Exchange rate movements	1	2	7	10
Other			1	1
Accumulated impairment as at 31 March 2018	**(362)**	**(2 027)**	**(9 308)**	**(11 697)**
Transfer to stage 1	(83)	80	3	
Transfer to stage 2	8	(153)	146	
Transfer to stage 3		387	(387)	
Originated and purchased during the period	(26)	(25)		(51)
Increased expected credit loss	(26)	(164)	(1 208)	(1 398)
Decreased (reversed) expected credit loss	132	469	516	1 117
Write-offs			1 461	1 461
Derecognition	11	61		72
Exchange rate movements	1	2	17	20
Other				
Accumulated impairment as at 30 June 2018	**(345)**	**(1 370)**	**(8 760)**	**(10 475)**

Note 4 Development in accumulated impairment of financial instruments (continued)

Financial commitments

Amounts in NOK million	Stage 1	Stage 2	Stage 3	Total
				DNB Group
Accumulated impairment as at 1 January 2018	**(171)**	**(2 128)**	**(511)**	**(2 810)**
Transfer to stage 1	(45)	45		
Transfer to stage 2	5	(5)		
Transfer to stage 3		147	(147)	
Originated or purchased during the period	(28)	(5)		(33)
Increased expected credit loss	(6)	(318)	(44)	(368)
Decreased (reversed) expected credit loss	102	235	347	684
Derecognition		288		288
Accumulated impairment as at 31 March 2018	**(143)**	**(1 741)**	**(355)**	**(2 239)**
Transfer to stage 1	(67)	67		
Transfer to stage 2	1	(2)	1	
Transfer to stage 3		436	(436)	
Originated or purchased during the period	(48)	(293)		(341)
Increased expected credit loss	(8)	(80)	(86)	(174)
Decreased (reversed) expected credit loss	108	444	340	892
Derecognition		40	15	55
Accumulated impairment as at 30 June 2018	**(157)**	**(1 129)**	**(522)**	**(1 807)**

Note 5 Development in gross carrying amount and maximum exposure

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

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

DNB has made a change in presentation of development in gross carrying amount and maximum exposure. From the second quarter the assessment of originated or purchased during the period and derecognition will be presented net per customer instead of per financial instrument. The developments in the first quarter have been adjusted to reflect the changes in presentation.

Loans to customers at amortised cost

DNB Group

Amounts in NOK million	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 1 January 2018	**1 376 314**	**90 102**	**25 843**	**1 492 259**
Transfer to stage 1	17 979	(17 818)	(161)	
Transfer to stage 2	(14 967)	15 341	(374)	
Transfer to stage 3	(282)	(4 081)	4 363	
Originated and purchased during the period	107 515	678	1 027	109 220
Derecognition	(110 672)	(4 876)	(2 494)	(118 042)
Exchange rate movements	(2 054)	(157)	(28)	(2 239)
Other	(73)	(250)	(70)	(393)
Gross carrying amount as at 31 March 2018	**1 373 760**	**78 938**	**28 107**	**1 480 805**
Transfer to stage 1	9 831	(9 730)	(101)	
Transfer to stage 2	(11 612)	12 636	(1 024)	
Transfer to stage 3	(669)	(3 572)	4 241	
Originated and purchased during the period	130 939	1 449	699	133 086
Derecognition	(94 992)	(4 700)	(3 065)	(102 757)
Exchange rate movements	(1 724)	(121)	(48)	(1 893)
Other	287	250	70	607
Gross carrying amount as at 30 June 2018	**1 405 820**	**75 150**	**28 878**	**1 509 849**

Financial commitments

DNB Group

Amounts in NOK million	Stage 1	Stage 2	Stage 3	Total
Maximum exposure as at 1 January 2018	**651 248**	**28 358**	**3 208**	**682 814**
Transfer to stage 1	2 963	(2 901)	(62)	
Transfer to stage 2	(2 607)	2 650	(43)	
Transfer to stage 3	(801)	(217)	1 018	
Originated and purchased during the period	12 528	362	546	13 436
Derecognition	(13 538)	(4 222)	(380)	(18 140)
Exchange rate movements	(242)	(8)		(250)
Other	540			540
Maximum exposure as at 31 March 2018	**650 090**	**24 023**	**4 286**	**678 400**
Transfer to stage 1	3 071	(2 778)	(293)	
Transfer to stage 2	(3 128)	3 662	(534)	
Transfer to stage 3	(327)	(1 143)	1 470	
Originated and purchased during the period	79 835	2 450	2 166	84 451
Derecognition	(81 586)	(4 845)	(317)	(86 748)
Exchange rate movements	(268)	(14)	(1)	(283)
Other	778			778
Maximum exposure as at 30 June 2018	**648 465**	**21 355**	**6 777**	**676 597**

Note 6 Loans to customers and financial commitments by industry segment

Loans to customers

Amounts in NOK million	Gross carrying amount	Accumulated impairment Stage 1	Accumulated impairment Stage 2	Accumulated impairment Stage 3	Loans at fair value	DNB Group Total
Bank, insurance and portfolio management	28 153	(6)	(2)	(69)	46	28 121
Commercial real estate	174 225	(10)	(59)	(330)	154	173 979
Power and renewables	24 072	(5)	(11)	(243)		23 813
Fishing, fish farming and farming	30 115	(3)	(9)	(67)	177	30 214
Healthcare	21 737	(8)	(22)	(0)		21 708
Manufacturing	48 967	(17)	(13)	(549)	5	48 394
Oil, gas and offshore	59 944	(37)	(716)	(4 155)		55 036
Public, state and municipality	27 158	(3)	(2)	(220)	32	26 965
Residential property	82 088	(4)	(8)	(209)	417	82 283
Services	51 270	(8)	(9)	(419)	168	51 001
Shipping	62 181	(119)	(222)	(607)		61 233
Technology, media and telecom	22 847	(18)	(30)	(118)	13	22 694
Trade	47 920	(13)	(9)	(604)	77	47 370
Personal customers	748 108	(83)	(243)	(715)	61 025	808 092
Other	81 064	(12)	(15)	(455)	86	80 667
Total as at 30 June 2018 [1]	**1 509 849**	**(345)**	**(1 370)**	**(8 760)**	**62 198**	**1 561 572**

1) Of which NOK 31 397 million in repo trading volumes.

Financial commitments

Amounts in NOK million	Maximum exposure	Accumulated impairment Stage 1	Accumulated impairment Stage 2	Accumulated impairment Stage 3	DNB Group Total
Bank, insurance and portfolio management	30 444	(6)	(0)	(0)	30 438
Commercial real estate	27 246	(2)	(1)	(5)	27 238
Power and renewables	27 575	(3)	(38)	0	27 535
Fishing, fish farming and farming	12 897	(2)	(1)		12 894
Healthcare	21 927	(7)	(29)		21 891
Manufacturing	53 331	(15)	(4)	(74)	53 239
Oil, gas and offshore	73 607	(63)	(940)	(254)	72 349
Public, state and municipality	15 497	(1)	(0)	(1)	15 495
Residential property	34 205	(2)	(1)	(3)	34 199
Services	25 972	(6)	(8)	(8)	25 950
Shipping	11 522	(15)	(31)		11 475
Technology, media and telecom	28 490	(9)	(4)	(2)	28 475
Trade	27 825	(6)	(3)	(73)	27 743
Personal customers	249 225	(13)	(61)	(0)	249 150
Other	36 836	(7)	(8)	(101)	36 720
Total as at 30 June 2018	**676 598**	**(157)**	**(1 128)**	**(522)**	**674 791**

Note 7 Financial instruments at fair value

Amounts in NOK million	Valuation based on quoted prices in an active market Level 1	Valuation based on observable market data Level 2	Valuation based on other than observable market data Level 3	DNB Group Total
Assets as at 30 June 2018				
Loans to customers			62 198	62 198
Commercial paper and bonds	45 901	250 349	141	296 391
Shareholdings	7 537	24 722	4 124	36 383
Financial assets, customers bearing the risk		78 277		78 277
Financial derivatives	316	114 758	1 905	116 979
Liabilities as at 30 June 2018				
Deposits from customers		13 928		13 928
Debt securities issued		86 051		86 051
Subordinated loan capital		2 511		2 511
Financial derivatives	220	104 002	1 627	105 850
Other financial liabilities [1)]	4 560	48	0	4 608

Amounts in NOK million	Valuation based on quoted prices in an active market Level 1	Valuation based on observable market data Level 2	Valuation based on other than observable market data Level 3	DNB Group Total
Assets as at 30 June 2017				
Deposits with central banks		263 182		263 182
Due from credit institutions		137 561		137 561
Loans to customers		47 887	84 483	132 370
Commercial paper and bonds	48 994	224 965	298	274 258
Shareholdings	6 126	15 854	4 814	26 794
Financial assets, customers bearing the risk		67 680		67 680
Financial derivatives		138 408	1 235	139 643
Liabilities as at 30 June 2017				
Due to credit institutions		176 179		176 179
Deposits from customers		63 047		63 047
Debt securities issued		243 207		243 207
Subordinated loan capital		2 870		2 870
Financial derivatives		110 717	942	111 659
Other financial liabilities [1)]	4 141	9		4 150

1) *Short positions, trading activities.*

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

Note 7 Financial instruments at fair value (continued)

Financial instruments at fair value, level 3

DNB Group

	Financial assets				Financial liabilities
Amounts in NOK million	Loans to customers	Commercial paper and bonds	Share-holdings	Financial derivatives	Financial derivatives
Carrying amount as at 31 December 2017	**75 101**	**328**	**4 498**	**2 069**	**1 749**
Implementation impact from IFRS 9 at 1 January 2018	(10 113)				
Net gains recognised in the income statement	(319)	(295)	207	(656)	(335)
Additions/purchases	8 000	116	322	914	636
Sales		(11)	(905)		
Settled	(10 304)			(423)	(423)
Transferred from level 1 or level 2		46			
Transferred to level 1 or level 2		(33)			
Other	(166)	(10)		0	0
Carrying amount as at 30 June 2018	**62 198**	**141**	**4 124**	**1 905**	**1 627**

Sensitivity analysis, level 3

An increase in the discount rate on fixed-rate loans by 10 basis points will decrease the fair value by NOK 180 million. The effects on other Level 3 financial instruments are insignificant.

Note 8 Debt securities issued and subordinated loan capital

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

Debt securities issued

DNB Group

Amounts in NOK million	Balance sheet 30 June 2018	Issued 2018	Matured/ redeemed 2018	Exchange rate movements 2018	Other changes 2018	Balance sheet 31 Dec. 2017
Commercial paper issued, nominal amount	194 137	607 688	(551 803)	(20 424)		158 675
Bond debt, nominal amount [1)]	583 147	54 955	(50 394)	(17 790)		596 377
Value adjustments	20 810				(4 386)	25 195
Total debt securities issued	**798 094**	**662 643**	**(602 197)**	**(38 214)**	**(4 386)**	**780 247**

Debt securities issued

DNB Group

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

Subordinated loan capital and perpetual subordinated loan capital securities

DNB Group

Amounts in NOK million	Balance sheet 30 June 2018	Issued 2018	Matured/ redeemed 2018	Exchange rate movements 2018	Other changes 2018	Balance sheet 31 Dec. 2017
Term subordinated loan capital, nominal amount	31 094	9 419	(1 168)	(1 054)		23 897
Perpetual subordinated loan capital, nominal amount	5 360			(1)		5 361
Perpetual subordinated loan capital securities, nominal amount						
Value adjustments	327				47	280
Total subordinated loan capital and perpetual subordinated loan capital securities	**36 781**	**9 419**	**(1 168)**	**(1 055)**	**47**	**29 538**

Subordinated loan capital and perpetual subordinated loan capital securities

DNB Group

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

1) Minus own bonds. The total nominal amount of outstanding covered bonds in DNB Boligkreditt was NOK 446.0 billion as at 30 June 2018. The market value of the cover pool represented NOK 619.8 billion.

Note 9 Contingencies

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

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

On 21 June 2016, the Norwegian Consumer Council instituted legal proceedings before the Oslo District Court against DNB Asset Management AS, a wholly-owned subsidiary of DNB ASA offering asset management services. The Norwegian Consumer Council has instituted a class action to pursue compensation of up to NOK 690 million on behalf of current and former investors in a fund managed by DNB Asset Management AS, as well as two funds merged into that fund. The lawsuit alleges that the funds were charging high fees for active management, but were actually tracking an index. The Oslo District Court passed its judgment on 12 January 2018, whereby the claim was rejected and DNB Asset Management was acquitted. On 12 February 2018, the Norwegian Consumer Council appealed to Borgarting Court of Appeal and reduced the compensation claim to NOK 450 million.

DNB ASA

Income statement

DNB ASA

Amounts in NOK million	2nd quarter 2018	2nd quarter 2017	January-June 2018	January-June 2017	Full year 2017
Interest income, amortised cost	10	8	15	18	38
Interest expenses, amortised cost	(117)	(89)	(221)	(184)	(392)
Net interest income	**(107)**	**(81)**	**(206)**	**(165)**	**(353)**
Commissions and fees payable	(2)	(1)	(3)	(3)	(6)
Other income [1)]					19 280
Net other operating income	**(2)**	**(1)**	**(3)**	**(3)**	**19 274**
Total income	**(109)**	**(82)**	**(209)**	**(169)**	**18 921**
Salaries and other personnel expenses	(1)	(1)	(2)	(2)	(4)
Other expenses	(84)	(89)	(166)	(176)	(348)
Total operating expenses	**(85)**	**(90)**	**(168)**	**(178)**	**(352)**
Pre-tax operating profit	**(194)**	**(172)**	**(377)**	**(347)**	**18 569**
Tax expense	48	43	94	87	(150)
Profit for the period	**(145)**	**(129)**	**(283)**	**(260)**	**18 419**
Earnings/diluted earnings per share (NOK)	(0.09)	(0.08)	(0.18)	(0.16)	11.38
Earnings per share excluding operations held for sale (NOK)	(0.09)	(0.08)	(0.18)	(0.16)	11.38

Balance sheet

DNB ASA

Amounts in NOK million	30 June 2018	31 Dec. 2017	30 June 2017
Assets			
Due from DNB Bank ASA	10 269	5 339	7 297
Investments in group companies	74 720	74 720	74 270
Receivables due from group companies [1)]		18 580	
Other assets	94		79
Total assets	**85 083**	**98 639**	**81 646**
Liabilities and equity			
Short-term amounts due to DNB Bank ASA	11	10	10
Due to other group companies		600	
Other liabilities and provisions	1 336	11 393	
Long-term amounts due to DNB Bank ASA	20 251	20 086	20 715
Total liabilities	**21 597**	**32 090**	**20 725**
Share capital	16 003	16 180	16 288
Share premium	22 556	22 556	22 556
Other equity	24 927	27 813	22 077
Total equity	**63 486**	**66 550**	**60 922**
Total liabilities and equity	**85 083**	**98 639**	**81 646**

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

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 2016	**16 288**	**22 556**	**22 337**	**61 181**
Profit for the period			(260)	(260)
Balance sheet as at 30 June 2017	**16 288**	**22 556**	**22 077**	**60 922**
Balance sheet as at 31 December 2017	**16 180**	**22 556**	**27 813**	**66 550**
Repurchase under share buy-back programme	(178)		(2 604)	(2 782)
Profit for the period			(283)	(283)
Balance sheet as at 30 June 2018	**16 003**	**22 556**	**24 927**	**63 486**

Basis for preparation

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

Statement

pursuant to Section 5-6 of the Securities Trading Act

We hereby confirm that the half-yearly financial statements for the Group and the company for the period 1 January through 30 June 2018 to the best of our knowledge have been prepared in accordance with IAS 34 Interim Financial Reporting, as adopted by the European Union, and give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group and the company taken as a whole.

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

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

Oslo, 11 July 2018
The Board of Directors of DNB ASA

Olaug Svarva
(chair of the board)

Tore Olaf Rimmereid
(vice chair of the board)

Karl-Christian Agerup

Carl A. Løvvik

Vigdis Mathisen

Jaan Ivar Semlitsch

Berit Svendsen

Rune Bjerke
(group chief executive)

Kjerstin R. Braathen
(chief financial officer)

Information about the DNB Group

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Organisation number	Register of Business Enterprises NO 981 276 957 MVA

Board of Directors in DNB ASA

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

Group management

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

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Financial calendar

2018

25 October	Q3 2018

2019

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

Other sources of information

Annual and quarterly reports

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

The quarterly report has been produced by Group Financial Reporting in DNB.
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So you can stay ahead.

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